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Moderation of gender diversity in factors affecting firm value

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ABSTRACT

Purpose: This study examines the impact of financial performance, board size, and working capital on firm value. Gender diversity is a moderating variable in studies that determines how the effectiveness of financial performance, board size, and working capital affect firm value.
Methodology/approach: Manufacturing enterprises are the sample for this research, and the secondary data source is the Indonesian Stock Exchange from 2019 to 2023. This study combines SPSS with a data analysis approach known as moderating regression analysis.
Findings: Financial performance, board size, and working capital have a beneficial impact on firm value. Gender diversity can moderate the effects of financial performance, board size, and working capital on the firm's value.
Practical and Theoretical Contribution/ Originality: The highest executive levels within the company's hierarchy are the focus of this study. Numerous earlier studies have not been able to examine or test gender diversity in these ranks. Important individuals, such as the board of directors, occupy these positions. This role is crucial to the development and operation of each major business division for the corporation. The study's findings further emphasize the prospective advantages of corporate governance frameworks and gender diversity, which can increase the availability of capital, performance, and value for the firm.
Research Limitation: Gender diversity is measured using solely dummy variables and ratios, which ignore the influence of each individual's decision-making style. Gender diversity focuses mostly on business executives. As a result, greater inquiry into other stakeholders who influence business risk-taking decisions is required.

KEYWORDS: Board Size; Financial Performance; Firm Value; Gender Diversity; Working Capital.

INTRODUCTION

Companies generally carry out a variety of operations or business processes to achieve their objectives and gain a competitive advantage (Al-Shaer et al., 2023). The company's value will increase with considerable firm profits, causing its share price to rise (Bakri et al., 2024). Firm value is a firm's selling price on the capital market and a benchmark for investors (Oware & Mallikarjunappa, 2023). This becomes a concern if the company experiences volatility in achieving company value, which significantly impacts investors' perceptions of the business (Almulhim & Aljughaiman, 2023). Investors perceive a company as good when its value is high, and vice versa. On the other hand, investor value rises when investors receive a high return on investment (Karim et al., 2023). The share price reflects the worth of companies registered to be accessible in the capital market (Pasalao et al., 2024). The rise and fall of shared values are a fascinating subject to debate nowadays. As is the case, PT. Holcim Indonesia Tbk. reported a decline in share value in 2021 (Wati et al., 2023). PT Holcim Indonesia Tbk.'s share price dropped due to an increase in operating expenses and other charges. The company was also damaged by the deterioration in the manufacturing sector and the decrease in corporate value caused by the COVID-19 outbreak (Wati et al., 2023).

This study has several differences from previous studies, which are explained in several paragraphs. When assessing a company, analyze its financial performance. This study assesses financial performance using the profitability ratio (return on assets) and the solvency ratio (debt to equity ratio). Return on assets is one of the ratios that investors look at when investing in stocks since it can show how efficiently the firm uses its assets to generate profits and increase its value (Suhadak et al., 2024; Wati et al., 2023). Return on assets has a favourable and considerable effect on firm value (Fadhila et al., 2024; Kurniati, 2019). However, contrary to Rokhimah et al. (2024), the return on assets harmed company value. The debt-to-equity ratio compares a company's debt burden to its capital (Kurniati, 2019). The higher the debt-to-equity ratio, the smaller your capital is than the debt, so it is preferable if the debt does not exceed your capital to avoid an undue burden (Suhadak et al., 2024). A high debt-to-equity ratio value might decrease company value, whilst a low debt-to-equity ratio value can raise company value (Kurniati, 2019). The debt-to-equity ratio has a positive and significant influence on firm value (Kurniati, 2019; Suhadak et al., 2024). However, contrary to Alwan & Risman (2023), the debt-to-equity ratio harmed firm value, whilst return on assets had a favourable impact.

Aside from financial performance, one factor that must be considered when attaining corporate value is the size of the board. Indonesian firms use the terms board of directors and board of commissioners (Usman & Yahaya, 2023). The board of directors and commissioners are responsible for making decisions on directing, controlling, and supervising resource management to ensure that it is consistent with the company's goals (Thapa, 2024). Board size has a favorable and significant influence on company value (Bakri et al., 2024; Subhani et al., 2024). These results are in contrast to Almaqtari et al. (2022), this demonstrates that a greater board size cannot aid manufacturing enterprises because it harms company value. Manufacturing businesses must employ the ideal board size based on the company's size. Working capital is the next component that determines the value of a firm. To sustain all operations in a business, adequate working capital is essential, both in terms of quality and quantity (Caballero et al., 2020). With sufficient working capital, the firm will not experience difficulties coping with economic crises or financial problems. This allows it to operate smoothly and optimally, accomplishing company objectives and, as a result, increasing company value (Dhole et al., 2019; Ilham et al., 2022). However, according to Amin & Juanda (2021), working capital harms corporate value. A lack of working capital makes it difficult for the company to conduct regular operations and prohibits it from satisfying its obligations. Setyawan (2021) concluded that working capital partially had no substantial impact on firm value.

Novelty research in this study incorporates gender diversity as a moderating factor, which has not been thoroughly studied in previous studies. Gender diversity is another factor that can influence company value. This study seeks to provide a more in-depth understanding of how the combination of these variables influences corporate value by using gender diversity as a moderator. The idea of this study is that a company inside dynamics can be significantly shaped by gender diversity. Including women on the firm's board implies that everyone has an equal opportunity to join the board, regardless of demographic characteristics (Zaid et al., 2020). This indicates that the company sends a positive signal to investors and has an impact on the company's reputation (Gonçalves et al., 2022). If the company's reputation grows, so will its worth (Pandey et al., 2023). Gender diversity is one way to establish good corporate governance (Al-Shaer et al., 2023). A woman who heads a firm can contribute to enhancing corporate performance (Fuentes et al., 2023). This idea demonstrates a correlation between female executives and corporate profitability because the presence of women in businesses creates a positive work atmosphere with more knowledge and education than men, leading to the view that women are better at managing company funds (Almulhim & Aljughaiman, 2023; Khunkaew et al., 2023). The more a company's gender diversity, the higher its value (Anas et al., 2022; Muhammad et al., 2023).

The purpose of this study is to determine the effect of financial performance, board size, and working capital on company value. Gender diversity becomes a moderating variable in the study to see how the effectiveness of economic performance, board size, and working capital affects company value.

Signalling theory can explain the funding activities performed by firms that represent their values (Fuentes et al., 2023; Suhadak et al., 2024). When a firm uses debt to finance its operations, it can be certain that it will perform well and meet its obligations (Alwan & Risman, 2023; Kurniati, 2019). This could signal investors about the company's outlook on its future (Suhadak et al., 2024). Aside from financial information, such as firm profits, outside parties also deem non-financial information relevant, resulting in signal reactions to the company (Amin et al., 2022). Non-financial information may include information on gender diversity. Gender diversity information can take the form of data on the number of women on a company's board (Gonçalves et al., 2022). Gender diversity is linked to signal theory since it provides a favourable signal that the corporation has established good corporate governance (Muhammad et al., 2023).

In agency theory, there are conflicts of interest between business owners and managers, with managers putting their interests ahead of the company's overall goals (Caballero et al., 2020; Khan et al., 2020). In this context, gender diversity on the boards of directors and commissioners can be a more effective form of control (Kabir et al., 2023; Usman & Yahaya, 2023). Companies with diverse board members can have a broader perspective on monitoring and control, helping them to manage agency concerns better and, ultimately, increase corporate value (Al-Shaer et al., 2023; Anas et al., 2022).

Investors can make decisions based on measures that describe the company's state; one such ratio is the return on assets (Suhadak et al., 2024). Return on assets might describe how the company manages its assets (Alwan & Risman, 2023). Return on assets has a substantial positive impact on firm value (Kurniati, 2019). A company's value increases as its performance improves (Susilo et al., 2019). Companies with a high return on assets will share this information with outside parties, notably investors, to receive a favourable assessment and attract investors, thus increasing the company's value (Suhadak et al., 2024). This is compatible with signalling theory, which states that firms can increase their value by sharing company information with third parties (Fadhila et al., 2024). Companies great at funding can find the correct balance between risk and return to shareholders to maximize share prices, influencing corporate value (Kurniati, 2019). A debt-to-equity ratio is a leverage or solvency ratio that assesses a company's ability to use its resources to secure its debt (Alwan & Risman, 2023). The corporation has a low ratio of debt to equity, therefore the company's value improves and owners receive substantial profits (Suhadak et al., 2024).

H_1 : Financial performance positively affects firm value

Board size refers to the number of members on a company's board of directors and commissioners (Usman & Yahaya, 2023). Increasing the number of board members will raise the company's value (Bakri et al., 2024). The size of the firm's board of directors is adequate and not excessive, allowing members to function optimally in carrying out their responsibilities and making choices which are expected to provide value in enhancing the company's worth (Khan et al., 2020; Thapa, 2024). The board of commissioners is charged with supervising and offering guidance and direction to firm managers and management (Usman & Yahaya, 2023). The supervisory duty carried out by the board of commissioners becomes more effective as the number of members increases (Subhani et al., 2024). According to agency theory, increasing the number of members of the board of commissioners can improve the effectiveness of oversight over corporate value (Noguera, 2020; Thapa, 2024).

H_2 : Board size positively affects firm value

Without working capital, a company cannot meet its financial obligations and maintain operations (Caballero et al., 2020). Working capital substantially impacts firm value (Ullah et al., 2023). The high working capital allows enterprises to boost their sales operations and grow their value (Vijayakumaran, 2019). Company value is the most essential feature of a company since it reflects its performance and influences investors' perceptions of it (Altaf, 2018; Ilham et al., 2022). Working capital is positively related to profits; if working capital is high, earnings will be high, raising the company's value (Dhole et al., 2019). An expanding firm valuation might give favourable instructions to investors to invest in the business (Caballero et al., 2020; Ullah et al., 2023). Agency theory further demonstrates that management's actions as an agent in making optimal capital structure decisions will increase the company's value, hence increasing shareholder welfare (Pasalao et al., 2024).

H_3 : Working capital positively affects firm value

Agency theory is the fundamental theoretical framework supporting the premise that having gender diversity in a firm's structure can improve financial performance and raise company value (Almulhim & Aljughaiman, 2023; Kabir et al., 2023). Female board members also have exceptional decision-making talents and attributes to improve corporate financial performance (Fuentes et al., 2023; Khunkaew et al., 2023). Women's participation in a company can improve its financial performance, leading to increased company value because female directors demonstrate characteristics consistent with company regulations and policies (Al-Shaer et al., 2023; Oware & Mallikarjunappa, 2023). The above research is also in line with Karim et al. (2023) and Ummah & Yuliana (2023), which found that gender diversity can moderate the impact of financial performance on firm value.

H_4 : Gender diversity can moderate the association between financial performance and firm value

In firms with large boards, increasing the proportion of women on the boards of directors and commissioners has a more significant positive impact on corporate value (Gonçalves et al., 2022). Amin et al. (2022)) and Muhammad et al. (2023) discovered that having a gender-diverse board of directors and commissioners acts as a moderator in the correlation between board size and value to the company. Firms with an extensive board size and a high level of gender diversity are more assertive in implementing good corporate governance (Al-Shaer et al., 2023; Pandey et al., 2023). The accomplishment of good corporate governance is ultimately defined by the plans and policies established by each firm, but the engagement of board members can be critical in ensuring its efficacy, and the size of the board also influences its effectiveness (Al-Shaer et al., 2023; Amin et al., 2022). According to agency theory, larger board size and a high level of gender diversity have a positive impact on ensuring higher board quality and the potential to minimize agency costs through the implementation of good corporate governance, hence improving company value (Anas et al., 2022; Muhammad et al., 2023).

H_5 : Gender diversity can moderate the association between board size and firm value

One strategy for increasing profitability is to allocate working capital accurately and efficiently in company activities (Khan et al., 2020). Efficient working capital is working capital that can boost the company's value by adequately selecting and utilizing working capital, resulting in higher profitability (Zaid et al., 2020). One of corporate management's most important responsibilities is determining the most effective working capital (Khan et al., 2020; Pasalao et al., 2024). Management strives to maximize investor welfare by making sound decisions regarding dividend and funding strategies (Hatane et al., 2023). According to agency theory, shareholders elect management to run the company successfully, by the provisions, and without engaging in conduct that may harm shareholders (Rindorindo & Soewignyo, 2022; Zaid et al., 2020). The greater the gender diversity in company management, the more it encourages understanding market conditions, which can improve the ability to predict working capital, enhancing company value accurately (Pasalao et al., 2024). Rindorindo & Soewignyo (2022) and Zaid et al. (2020) discovered that gender diversity could moderate the correlation between working capital and corporate value.

H_6 : Gender diversity can moderate the association between working capital and firm value

Gender diversity has increased investor trust, increasing the organization's financial availability (Hatane et al., 2023). Finally, it adds to the empirical literature on corporate governance by demonstrating how women's participation in business organizations decreases agency conflicts and maximizes wealth (Khan et al., 2020; Zaid et al., 2020). Manufacturing is one of the businesses that provide necessities in human life (Fadhila et al., 2024). Indonesia's manufacturing industry has enormous growth potential (Wati et al., 2023). According to the World Economic Forum's Gender Gap Study (2023), women comprise only one-third of manufacturing jobs, with a 21% decrease at the senior management level. Women need to contribute more to the manufacturing industry. Based on the phenomenon described by the author and the inconsistent past research results, researchers are interested in using gender diversity as a moderating component in this study. The author intends to investigate whether gender diversity strengthens or weakens the impact of financial performance, board size, and working capital on firm value in Indonesian manufacturing companies listed on the Indonesia Stock Exchange. The research findings also highlight the potential benefits of corporate governance structures and gender diversity, boosting the company's cash and value availability.

METHOD

This study used secondary data sources from 2019 to 2023. The research data was collected using a non-probability sampling approach comparable to the purposive sampling strategy employed by manufacturing firms on the IDX (Indonesian Stock Exchange). The population comprises 178 industrial businesses trading on the Indonesian Stock Exchange from 2019 to 2023. Five years of observations multiplied by the total number of industrial businesses in the sample (143) equals 715 observation data as shown in Table 1.

This study employed moderated regression analysis, often known as the interaction test, a linear multiple regression in which the regression equation incorporates interaction characteristics (multiplication by two or more independent variables). The hypothesis testing equation model is presented below.

Table 1. Company Sample

No	Criteria	Amount
1	Manufacturing businesses were listed on IDX from 2019 to 2023	178
2	Manufacturing financial reports that lack data relevant to the needed variables for 2019-2023	(7)
3	Manufacturing businesses that faced losses from 2019 to 2023	(18)
4	Manufacturing businesses that will be delisted in 2019–2023	(6)
5	Manufacturing businesses that are not sequentially listed on the IDX from 2019 to 2023	(4)
	The number of businesses that meet the requirements for the study sample	143
	Number of yearly reports completed (143 x 5 years)	715

Source: Processed Data (2024)

Table 2. Variable Explanation

Variables	Variables Name	Symbols	Measurements
Dependent	Firm value (Khunkaew et al., 2023)	FRV	Tobin's Q = (market value of equity + book value debt) / book value assets
Moderating	Gender diversity (Kabir et al., 2023)	GDV	Number of female members of the board of directors and commissioners / total board of directors and commissioners
	Financial performance (Al-Shaer et al., 2023)	FPM	Return on assets = net profit after taxes / total assets Debt to equity ratio = total debt/equity
Independent	Board size (Subhani et al., 2024)	BSZ	Total board of directors and commissioners
	Working capital (Setyawan, 2021)	WCT	Working capital turnover ratio = net sales / (current assets – current liabilities)

$$FRV = \alpha + \beta_1 FPM + \beta_2 BSZ + \beta_3 WCT \quad (1)$$

$$FRV = \alpha + \beta_1 FPM + \beta_2 BSZ + \beta_3 WCT + \beta_4 GDV + \beta_5 FPM*GDV + \beta_6 BSZ*GDV + \beta_7 WCT*GDV \quad (2)$$

Table 2 shows that descriptive statistics summarize or explain data from the research sample, focusing on the average (mean), standard deviation, and lowest and highest values (Wati et al., 2023). The data is investigated using moderated regression analysis with SPSS; therefore, it must be reviewed to ensure that it is free of standard assumption issues. Before doing the t-test, F-test, and coefficient of determination, this standard assumption is checked for normality, multicollinearity, autocorrelation, and heteroscedasticity.

The normality test determines whether each variable is normally distributed or not. A suitable regression model follows a normal or nearly normal distribution. The multicollinearity test analyzes if one of the independent variables in a linear regression model is correlated with another. A valid regression model should not show signs of multicollinearity. The ideal regression model is devoid of autocorrelation. The heteroscedasticity test analyzes whether the variance in the regression model differs between the residuals of one observation and another. Heteroscedasticity occurs when one observation's residual variance differs from another's.

The t-test compares each independent variable to the dependent variable, with a significance threshold of 5% (0.05). The F test predicts whether a regression model's independent and moderating variables affect the dependent variable concurrently, with a significance threshold of 5% (0.05). The researchers utilized R^2 to evaluate the regression model's ability to explain variations in the dependent variable. The coefficient of determination goes from zero to one.

RESULTS AND DISCUSSION

According to the results of the descriptive analysis in table 3, the firm value has a mean of 2.8470. The market price ratio per share to book value per share is 2.8470. The average market price per share of manufacturing company shares is 2.8470 times their book value. This illustrates that, on average, manufacturing enterprises are perceived to be pricey stocks. Gender diversity has a mean value of 0.7189. According to this data, 71.89% of the 143 companies have gender diversity, while 28.11% do not. Return on assets has a mean of 0.1063. A 10.63% link between earnings after tax and total assets in manufacturing firms means that for every 1 IDR of total assets, a net profit after tax of 0.1063 IDR can be earned. These statistics show that firms' average debt is 1.4051 times, or 140.51%, more significant than their equity. This means that the company's equity cannot currently be used to pay off its debts. Manufacturing companies have an average board size of 8.8783. This signifies that the firm's average board size conforms with the provisions of Law No. 40 of 2007, which requires a corporation to have two boards of commissioners and two boards of directors. The mean value of working capital in manufacturing companies is 2.4969, with a standard deviation of 2.14388. The mean value exceeds the standard deviation (2.4969 > 2.14388), indicating a more favourable distribution of working capital values in manufacturing enterprises.

The Kolmogorov Smirnov Test findings in table 4 show that the Asymp.Sig (2-tailed) line has a Kolmogorov-Smirnov value of 0.728, suggesting that the data meets the established conditions. When Asymp.Sig (2-tailed) is greater than 0.05, the data follows a normal distribution. Thus, it may be argued that the regression model meets the normality criteria and is thus suitable for use.

Table 3.
Descriptive Statistical Test Results

Variable	N	Min	Max	Mean	Standard Deviation
Return on assets	715	0.004	0.620	0.1063	0.10229
Debt to equity ratio	715	-9.174	147.23	1.4051	6.02896
Board size	715	4.00	20.00	8.8783	3.54886
Working capital	715	0.16	19.28	2.4969	2.14388
Firm value	715	0.126	6.983	2.8470	1.02765
Gender diversity	715	0.10	0.84	0.7189	0.29330

Source: Data processed by SPSS, 2024

Table 4.
One-Sample Kolmogorov-Smirnov Test Results

N	Asymptotic significance 2-tailed	Standard	Description
715	0.728	>0.05	Normal data

Source: Data processed by SPSS, 2024

Table 5.
Multicollinearity Test Results

Variable	Tolerance	Standard	VIF	Standard	Description
Return on assets	0.288	>0.10	1.391	<10	No multicollinearity exists
Debt to equity ratio	0.257	>0.10	1.452	<10	No multicollinearity exists
Board size	0.374	>0.10	2.759	<10	No multicollinearity exists
Working capital	0.260	>0.10	1.541	<10	No multicollinearity exists
Gender diversity	0.336	>0.10	3.329	<10	No multicollinearity exists

Source: Data processed by SPSS, 2024

Table 6.
Autocorrelation Test Results

N	Asymptotic significance	Standard	Description
715	0.710	>0.05	Autocorrelation does not exist

Source: Data processed by SPSS, 2024

The results of the multicollinearity test in table 5 show that the tolerance value exceeds 0.1 or 10%. The VIF score also reveals that there are independent variables with values less than 10, meaning that at a 95% validity level or a significance level of 0.05, there are no indicators of multicollinearity in this study's regression model.

Table 6 reveals that the asymptotic significance value was 0.710 for 715 respondents, which was greater than the standard value of 0.05. As a result, we can conclude that autocorrelation is not present in the regression data.

The Spearman-Rho test was used to assess heteroscedasticity, which entails regressing the absolute value of the residual against the value of the independent variable. According to the test results in table 7, all independent variables have a significance level greater than 0.05 (5%), implying that the regression equation is devoid of heteroscedasticity.

Variable	Sig.	Standard	Description
Return on assets	0.759	>0.05	Heteroscedasticity does not exist
Debt to equity ratio	0.282	>0.05	Heteroscedasticity does not exist
Board size	0.563	>0.05	Heteroscedasticity does not exist
Working capital	0.621	>0.05	Heteroscedasticity does not exist
Gender diversity	0.347	>0.05	Heteroscedasticity does not exist

Table 7. Heteroscedasticity Test Results

Source: Data processed by SPSS, 2024

Hypothesis	Variable Relations	β	t-stat	p-value	Description
Direct Influence:					
H1	ROA → FRV	0.123	3.330	0.029*	Accepted
H1	DER → FRV	0.111	3.292	0.034*	Accepted
H2	BSZ → FRV	0.128	3.382	0.001*	Accepted
H3	WCT → FRV	0.124	3.118	0.026*	Accepted
R Square				0.812	
Adjusted R^2				0.813	
F Statistics				5.236	
F Test Significance				0.001	
Moderating Regression Test:					
H4	GDV*ROA → FRV	0.105	2.815	0.045*	Moderation
H4	GDV*DER → FRV	0.143	2.916	0.040*	Moderation
H5	GDV*BSZ → FRV	0.125	2.564	0.048*	Moderation
H6	GDV*WCT → FRV	0.132	3.473	0.046*	Moderation
R Square				0.838	
Adjusted R^2				0.825	
F Statistics				4.872	
F Test Significance				0.001	
*p<0.05					

Table 8. Hypothesis Testing

Source: Data processed by SPSS, 2024

The Adjusted R-squared coefficient for the firm's value is 0.813, showing that financial performance, board size, and working capital account for 81.3% of the variation in firm value, with the remaining 18.7% explained by variables outside the model. The F-test findings in table 8 how that the F count is 5.236, with a significance level of 0.001. This indicates that the independent variables, namely financial performance, board size, and working capital, are fit, as the significance value is less than 0.05 or 5%. The R2 score for direct influence is 0.812, or 81.2%, and after moderated regression analysis, it rises to 0.838, or 83.8%. It may be inferred that gender diversity (moderating variable) can enhance the relationship between financial performance, board size, and working capital on firm value, as shown in picture 1. Table 8 supports hypotheses 1 (H1), 2 (H2), and 3 (H3), indicating that financial performance, board size, and working capital all have a significant positive impact on firm value. Hypotheses 4 (GDV*FPM → FRV), hypotheses 5 (GDV*BSZ → FRV), and hypotheses 6 (GDV*WCT → FRV) are significant at a p-value of 0.05, indicating that gender diversity can moderate the impact of financial performance, board size, and working capital on firm value.

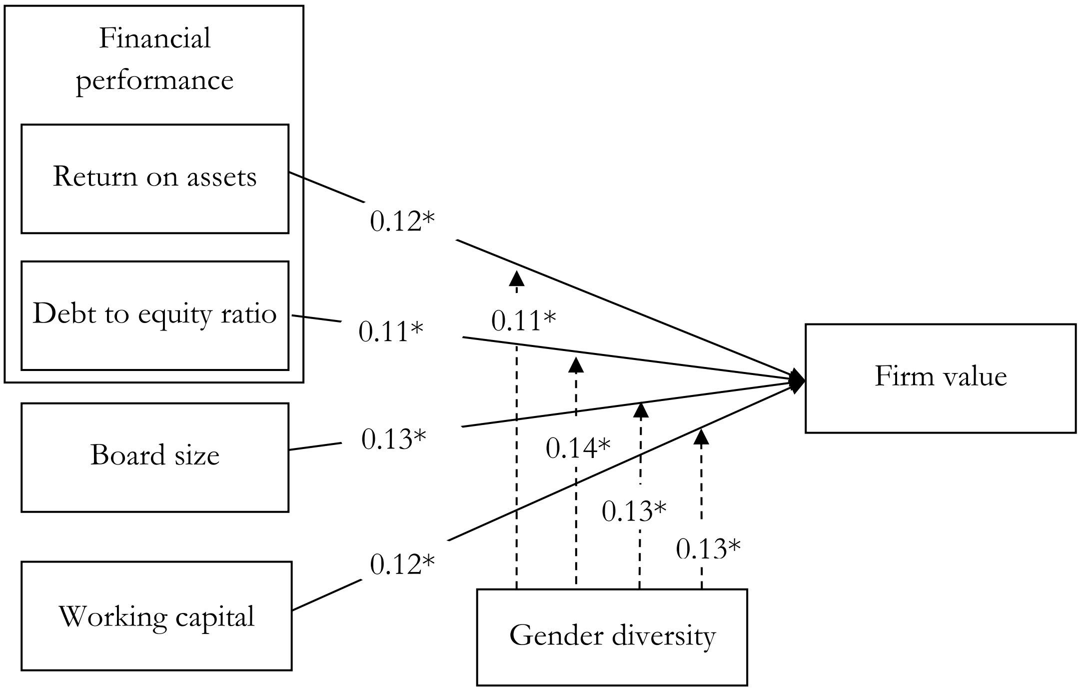

Figure 1. Research Model

The Relationship between Financial Performance and Firm Value

Financial performance has a positive effect on firm value. The first hypothesis proposed in this research has been confirmed. This study correlates with the findings of Alwan & Risman (2023), Fadhila et al. (2024), Kurniati (2019), Suhadak et al. (2024), and Susilo et al. (2019). According to the research, a high return on assets value indicates that the corporation can efficiently manage its assets to earn significant profits. Positive results show that more efficient asset rotation increases the company's profit margin and impacts growing corporate value in stock returns one year later. This finding is supported by the signalling theory, which posits those businesses can increase their value by disclosing information about themselves to other parties. According to the research, the debt-to-equity ratio is low, indicating that the company is not unduly reliant on debt to fund its growth. The lower the ratio of debt to equity, the less pressure the company places on creditors, and thus, the company's profit will rise, affecting its value.

The Relationship between Board Size and Firm Value

Board size has a positive effect on firm value. The second hypothesis presented in this research is confirmed. This study correlates with the findings Bakri et al. (2024), Khanh et al. (2020), Noguera (2020), Subhani et al. (2024), Thapa (2024), and Usman & Yahaya (2023). An extensive board will assist corporate management in operating more effectively with the complexities of the business environment and organizational culture. This discovery is consistent with agency theory, which posits that the more extensive the board, the greater the capacity to resolve issues. Adding one board member can improve decision-making effectiveness, efficiency, and quality, allowing the company to attract investors and increase its value.

The Relationship between Working Capital and Firm Value

Working capital has a positive effect on firm value. The third hypothesis presented in this study is approved. This study correlates with the findings of Altaf (2018), Caballero et al. (2020), Dhole et al. (2019), Ilham et al. (2022), Ullah et al. (2023), and Vijayakumaran (2019). orking capital is an essential aspect of every business because it is one of the determining factors in the company's short-term operational activity. These operational actions affect the company's income. This result is consistent with agency theory, which posits that companies that generate sustainable earnings or contribute value can optimize their working capital utilization. Companies with efficient working capital will impact increasing company value.

The Relationship between Financial Performance, Gender Diversity, and Firm Value

Gender diversity can moderate the association between financial performance and firm value. The fourth hypothesis presented in this study is approved. This study correlates with the findings of Almulhim & Aljughaiman (2023), Al-Shaer et al. (2023), Fuentes et al. (2023), Kabir et al. (2023), Karim et al. (2023), Khunkaew et al. (2023), Oware & Mallikarjunappa (2023), and Ummah & Yuliana (2023). This discovery aligns with agency theory, which asserts that gender diversity enhances board monitoring and independence. The female board is also viewed as having remarkable managerial skills and attributes that will help the firm achieve higher financial goals. Gender diversity in board composition can enhance a company's financial performance. Great financial performance will indicate an increase in firm value, thereby influencing investors' investment decisions and sentiments.

The Relationship between Board Size, Gender Diversity, and Firm Value

Gender diversity can moderate the association between board size and firm value. The fifth hypothesis presented in this research is approved. This study correlates with the findings of Al-Shaer et al. (2023), Amin et al. (2022), Anas et al. (2022), Gonçalves et al. (2022), Muhammad et al. (2023), and Pandey et al. (2023). The long-term goal for the company is to improve its value. Implementing good corporate governance is one strategy to boost the company's value. Board size is a critical corporate governance mechanism for defining a company's performance and increasing its value. Including female members on the board indicates that the company has established good corporate governance. This finding is consistent with agency theory, which states that management collaboration is required to achieve performance, and it is supported by good governance, which asserts that gender diversity in a corporation is vital to boost the firm's value.

The Relationship between Working Capital, Gender Diversity, and Firm Value

Gender diversity can moderate the association between working capital and firm value. The sixth hypothesis presented in this study is approved. This study correlates with the findings of Hatane et al. (2023), Khanh et al. (2020), Pasalao et al. (2024), Rindorindo & Soewignyo (2022), and Zaid et al. (2020). The higher the capital adequacy, the better the company's performance, which will raise its value. Women and men are supposed to react differently to risk. Therefore, gender diversity in management offers various ideas and options for evaluating effective working capital. Companies with women in management can make better decisions and positively impact the company. This result lines up with agency theory, which holds that gender diversity can lead to strengthened working capital, which enhances firm value.

CONCLUSION

The study and test findings show that financial performance, board size, and working capital benefit firm value. Gender diversity can moderate the impact of financial performance, board size, and working capital on firm value. A high company value shows that investors can trust the company's performance and prospects. Investors are likely to avoid firms that have insufficient corporate governance implementation. One strategy to strengthen corporate governance is diversifying the board and boosting firm value. Measuring gender diversity considers dummy variables and ratios, ignoring the impact of each person's unique decision-making style. Executives in business are the primary focus of gender diversity. Therefore, more research on the other parties that affect corporate risk-taking decisions is necessary. The next study will employ various proxies to measure firm value characteristics, such as price book value and earning ratio. For future research, the author can include a more extended period to demonstrate the consistency of the research variables used. Future research can use samples from different types of firms to generalize the research findings.

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