

THE EFFECT OF THE RELEVANCE OF THE VALUE OF ACCOUNTING INFORMATION AND GOOD CORPORATE GOVERNANCE ON STOCK PRICES WITH COMPANY SIZE AS A MODERATION VARIABLE

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Abstract

This study aims to empirically investigate the impact of the value relevance of accounting information and Good Corporate Governance (GCG) on the stock prices of Indonesian banking companies. Furthermore, it examines the moderating role of firm size in these relationships within the dynamic context of the post-PSAK 71 regulatory environment. Utilizing a quantitative associative design, this research employs a balanced panel data methodology. The sample consists of 24 banks listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024, yielding 120 firm-year observations. Value relevance is proxied by Earnings Per Share (EPS), GCG is measured by a dummy variable reflecting compliance with OJK guidelines, and firm size is measured by the natural logarithm of total assets. The Random Effects Model (REM), selected through Chow, Hausman, and Lagrange Multiplier tests, is used for hypothesis testing alongside Moderated Regression Analysis (MRA). The results indicate that the value relevance of accounting information (EPS) has a significant positive effect on stock prices, supporting Signaling Theory. Conversely, Good Corporate Governance (GCG) does not exhibit a significant direct effect on stock prices. Notably, firm size significantly strengthens the relationship between value relevance and stock price. However, it does not moderate the relationship between GCG and stock price. This study provides timely empirical evidence from the Indonesian banking sector following the implementation of PSAK 71. It contributes to the literature by clarifying the contingent role of firm size, demonstrating that it amplifies financial signals but not governance signals, thus offering a nuanced understanding of value relevance and governance in an emerging market context.

Keywords: Value Relevance, Corporate Governance, Stock Prices, Firm Size

1. Introduction

The banking sector constitutes the cornerstone of a nation's financial system, acting as a critical intermediary that channels funds from surplus units to deficit units, thereby fueling economic growth and development (Sholikhah et al., 2022). In Indonesia, the stability and health of this sector are paramount, governed by stringent regulations such as Bank Indonesia Regulation No. 13/1/PBI/2011 and OJK Circular Letter No. 14/SEOJK.03/2017, which mandate banks to conduct self-assessments to maintain their financial soundness. This regulatory emphasis underscores that banking is an industry built on trust; its performance and stability are inextricably linked to public confidence, which in turn influences its ability to generate profit and attract depositor funds.

A key indicator of a bank's market perception and performance is its stock price. Predicting stock prices, however, remains a formidable challenge due to their non-linear, non-stationary nature and susceptibility to a multitude of external factors, including economic conditions, political events, and collective investor sentiment (Htun et al.,

2024; Mohan et al., 2023). Despite this complexity, the ability to forecast stock trends is invaluable for investors seeking to minimize risk and maximize returns.

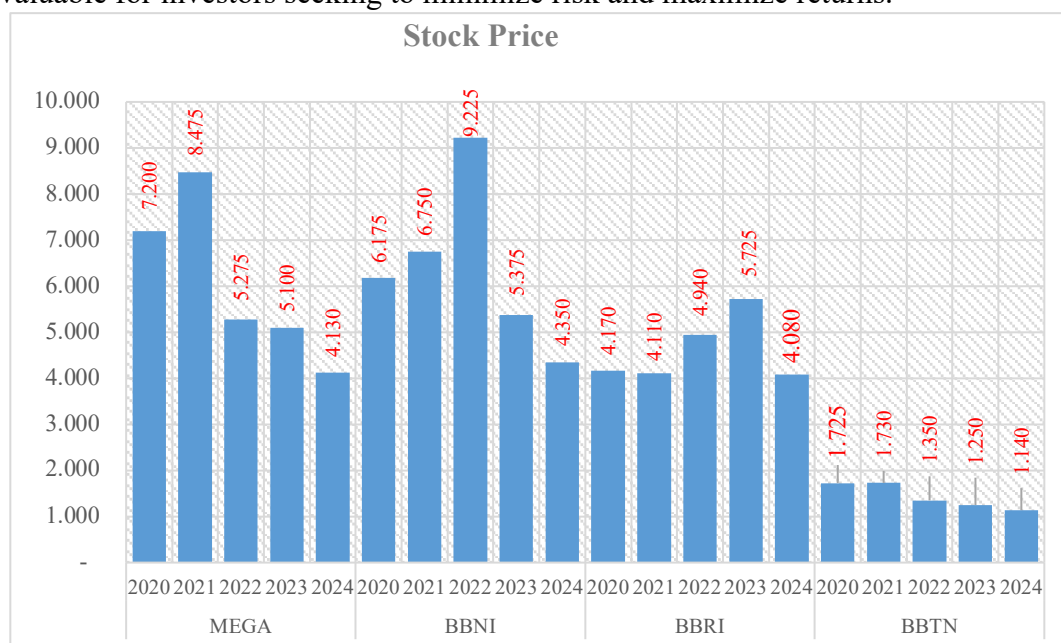


Figure 1. Share Price of MEGA, BBNI, BBRI, BBTN, Year 2020-2024

Based on figure 1.1 above, it shows that the share price at Mega bank for the period 2020 – 2024 has increased and decreased. It can be seen that in 2021 there was an increase from the previous year, from 7,200 to 8,475, then in 2022 it dropped to 5,275, in 2023 it dropped to 5,100 and in 2024 it dropped to 4,130. Then the share price at Bank BNI increased in 2021 from 6,175 to 6,750 the previous year, in 2022 it rose to 9,225, then in 2023 it fell to 5,375, in 2024 it fell to 4,350. Then the share price at Bank BRI decreased in 2021 from 4,170 to 4,110 the previous year, in 2022 it rose to 4,940, then in 2023 it rose to 5,725, in 2024 it fell to 4,080. Then the share price at Bank TN increased in 2021 from 1,725 to 1,730 the previous year, in 2022 it fell to 1,350, then in 2023 it fell to 1,250 and in 2024 it fell to 1,140.

The fundamental analysis posits that a company's intrinsic value, and by extension its stock price, is driven by its financial performance and governance structures. From an accounting perspective, the value relevance of information—the ability of financial statement figures to explain variations in stock prices—is a central tenet. Key metrics such as Earnings Per Share (EPS) and Book Value Per Share (BVPS) are traditionally regarded as significant determinants of stock prices, as they provide insights into a company's profitability and net asset value (Lako, 2018; Fitri et al., 2016). Concurrently, strong corporate governance (GCG) mechanisms, encompassing principles of transparency, accountability, independence, responsibility, and fairness, are critical for mitigating agency problems, enhancing investor confidence, and fostering sustainable performance (Martadinata et al., 2021; Nita & Istikhoroh, 2019).

The landscape of financial reporting for Indonesian banks underwent a significant transformation with the full adoption of PSAK 71, which converged with IFRS 9, effective 1 January 2020. This new standard introduced substantial changes in the recognition and measurement of financial instruments, potentially altering the value relevance of traditional accounting metrics like earnings and book value (Rizal & Shauk, 2019; Schaap, 2020). This regulatory shift presents a compelling research context, as it may have disrupted the informational value of financial statements for investors.

Despite extensive research on value relevance and corporate governance, empirical findings remain mixed. Some studies confirm the significant influence of EPS, BVPS, and GCG on stock prices (Wardhaningrum et al., 2022; Selvi, 2022), while others report inconsistent or insignificant results (Hasnawati, 2022; Setyorini, 2024). This inconsistency highlights a critical research gap, particularly concerning the Indonesian banking sector in the post-PSAK 71 era. Furthermore, the role of corporate governance as a mechanism that might strengthen or clarify the relationship between accounting information and market value in this new regulatory environment is underexplored.

Therefore, this study aims to investigate the impact of value relevance (proxied by EPS and BVPS) and corporate governance on the stock prices of Indonesian banks listed on the Indonesia Stock Exchange. It further seeks to examine the role of corporate governance as a moderating variable in the relationship between value relevance and stock prices in the period following the implementation of PSAK 71. By addressing this gap, the research contributes to the existing literature by providing timely empirical evidence on the interplay between accounting information, governance mechanisms, and market valuation in a dynamic regulatory setting. The findings are expected to offer valuable insights for investors, bank management, standard-setters, and regulators in assessing the effectiveness of financial disclosure and governance practices in the contemporary banking industry.

2. Theoretical Background

2.1 Signalling Theory

Signalling Theory, as formalized by Spence (1973), posits that in markets characterized by information asymmetry, firms with positive future prospects have an incentive to convey credible signals to the market to distinguish themselves from lower-quality counterparts (Morris, 1997). In the context of corporate finance and accounting, management actions and disclosed information serve as these signals. For instance, a commitment to sustainable practices through Green Accounting or robust governance structures through Good Corporate Governance (GCG) can function as positive signals of managerial competence, long-term viability, and ethical operation. Conversely, actions such as frequent equity issuance can be interpreted as a negative signal, potentially indicating overvaluation and leading to a decline in stock price. The theory suggests that the market reacts to these signals, adjusting stock prices accordingly based on whether the news is perceived as "good" or "bad." Therefore, the value relevance of accounting information is intrinsically linked to its ability to act as a reliable signal to investors.

2.2 Agency Theory

Agency Theory, developed by Jensen and Meckling (1976), addresses the inherent conflicts of interest that arise in the principal-agent relationship within a firm. Principals (shareholders) delegate decision-making authority to agents (managers), who may pursue their own self-interest at the expense of the principals'. This divergence creates agency costs, which include costs of monitoring, bonding, and residual loss. Financial reporting and strong governance mechanisms are fundamental tools to mitigate these costs. Transparent and relevant accounting information reduces information asymmetry, allowing shareholders to better monitor management. Furthermore, GCG mechanisms—such as independent boards, audit committees, and institutional ownership—align the interests of managers with those of shareholders by enforcing accountability and oversight. Thus, from an agency perspective, high-quality information and effective

governance are not merely operational concerns but are crucial for reducing risk and enhancing firm value.

2.3 Stock Price

The stock price is the market valuation of a company's equity at a given time, determined by the equilibrium of supply and demand in the capital market (Brigham & Houston, 2014). It reflects the market's collective expectation of the firm's future cash flows and risk profile. The closing price is often used in research as it represents the consensus value at the end of a trading period. Stock prices are influenced by a confluence of internal factors (e.g., financial performance, dividend policy, governance) and external factors (e.g., macroeconomic conditions, interest rates, regulatory changes). For investors, the movement of stock prices is a primary indicator of investment return and risk.

2.4 Value Relevance of Accounting Information

Value relevance is defined as the ability of financial statement information to capture and summarize information that influences stock prices (Barth & Landsman, 2001). It is a critical quality attribute of accounting information, emphasizing its decision-usefulness for investors. According to the IASB Conceptual Framework, relevant information must have predictive and confirmatory value. The two primary accounting-based metrics used to assess value relevance are:

- 1) Earnings Per Share (EPS): This metric indicates the amount of profit attributable to each common share. A higher EPS signals greater profitability and potential for future dividends, making it a strong positive signal to the market.
- 2) Book Value Per Share (BVPS): This represents the net asset value per share. It acts as a measure of the safety net available to shareholders in case of liquidation and is a key input in various valuation models.

2.5 Good Corporate Governance (GCG)

GCG refers to the system of rules, practices, and processes by which a company is directed and controlled (OECD, 2015). It aims to balance the interests of a company's many stakeholders, ensure accountability, and facilitate prudent management. This study focuses on four key mechanisms:

- 1) Managerial Ownership: The percentage of shares owned by a company's directors and managers. It aligns their interests with shareholders, potentially reducing agency costs.
- 2) Institutional Ownership: The proportion of shares held by large entities like pension funds or insurance companies. These investors have the resources and incentive to actively monitor management.
- 3) Independent Commissioners: Members of the board of commissioners who are free from any material relationship with the company or its management, ensuring objective oversight.
- 4) Audit Committee: A sub-committee of the board of commissioners responsible for overseeing financial reporting, audit processes, and internal controls.

2.6 Firm Size

Firm size is a key control and moderating variable, typically measured as the natural logarithm of total assets. Larger firms often possess several advantages: they are more

visible, have easier access to capital markets, exhibit greater stability, and are subject to more intense scrutiny from analysts and regulators. Consequently, the market may react differently to information and governance signals from large firms compared to smaller ones.

2.7 Hypothesis Development

- 1) Based on Signalling Theory, EPS and BVPS are fundamental signals of a company's financial health. Higher earnings and a strong asset base are expected to be positively perceived by the market, leading to an increase in stock price. This hypothesis posits a direct, significant relationship between these accounting metrics and market valuation. *H1: Value relevance of accounting information has a significant effect on stock price.*
- 2) Rooted in Agency Theory, effective GCG mechanisms reduce information asymmetry and mitigate agency conflicts. This enhances investor confidence in the firm's management and future prospects. Therefore, stronger governance is hypothesized to lead to a higher stock price as it signals reduced risk and improved oversight. *H2: Good Corporate Governance has a significant effect on stock price.*
- 3) Larger firms are more transparent and followed by more analysts, making their financial information more widely disseminated and trusted. The market is likely to place greater weight and credibility on the accounting signals (EPS, BVPS) released by large, well-established companies. Thus, firm size is expected to act as a positive moderator. *H3: Firm size strengthens the effect of value relevance of accounting information on stock price.*
- 4) The monitoring and signaling benefits of GCG are potentially more pronounced for larger firms. Their complex operations and significant impact on the economy make robust governance particularly crucial. Investors may perceive strong governance in a large firm as a more powerful and credible signal of stability and performance, thereby strengthening its positive impact on stock price. *H4: Firm size strengthens the effect of Good Corporate Governance on stock price.*

3. Methods

3.1. Research Design

This study employs a quantitative associative research design with a positivist approach. The objective is to examine the causal influence and relationship between independent and dependent variables through hypothesis testing (Sekaran & Bougie, 2017; Sugiyono, 2019). The research model investigates the direct effects of the value relevance of accounting information and good corporate governance (GCG) on stock price, and further analyzes whether firm size moderates these relationships.

To achieve this, we utilize a balanced panel data methodology, combining cross-sectional data from multiple banking firms with time-series data over a five-year period (2020–2024). This approach offers significant advantages, including greater data variability, more degrees of freedom, reduced collinearity among variables, and the ability to control for unobserved individual heterogeneity (Gujarati & Porter, 2015).

3.2. Population and Sample

The study's population comprises all banking sector companies listed on the Indonesia Stock Exchange (IDX) during the five-year observation period from 2020 to 2024. A purposive (judgmental) sampling technique was applied to select the sample based on

specific criteria to ensure data availability, consistency, and relevance to the research objectives. The detailed sampling procedure is presented in Table 1.

Table 1. Sample Selection Criteria

No.	Selection Criteria	Number of Companies
1	Banking companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024.	47
2	Less: Banks that did not publish complete annual financial reports for the entire 2020–2024 period.	(11)
3	Less: Banks that did not report a net profit (positive earnings) throughout the 2020–2024 period.	(12)
	Final Number of Bank Samples	24
	Number of Years (Time Series Dimension)	5
	Total Observations (24 banks × 5 years)	120

This filtering process resulted in a final balanced panel data sample of 24 banks with 120 firm-year observations, ensuring the data's robustness for subsequent panel data regression analysis.

3.3. Variable Definition and Measurement

All variables, their definitions, and measurement methods are summarized in Table 2.

Table 2. Variable Operationalization

Variable	Symbol	Measurement	Scale
Stock Price	Y	Yearly average of the monthly closing share price.	Ratio
Value Relevance of Accounting Information	X1	Earnings Per Share (EPS): Net Income After Tax divided by the number of outstanding shares.	Ratio
Good Corporate Governance (GCG)	X2	A dummy variable scoring 1 if the bank fully complies with all 25 guidelines of the Financial Services Authority (OJK) Circular Letter, and 0 otherwise.	Dummy
Firm Size (Moderator)	Z	Natural logarithm of the company's total assets. Ln(Total Assets)	Ratio

3.4. Data Type and Source

This study relies on secondary data collected from the official websites of the Indonesia Stock Exchange (www.idx.co.id) and the individual banking companies. The data extracted includes annual financial reports and GCG disclosure reports for the period 2020–2024.

3.5. Data Analysis Technique

The data analysis was conducted using EViews 12 software and followed a structured process. First, descriptive statistics—including the mean, median, maximum, minimum, and standard deviation—were calculated to summarize the central tendency and dispersion of all variables. Subsequently, the analysis proceeded with panel data regression model estimation. Three models were evaluated: the Common Effect Model (CEM), which pools all data without accounting for individual or time effects; the Fixed Effect Model (FEM), which controls for time-invariant individual characteristics using

dummy variables; and the Random Effect Model (REM), which treats individual effects as random variables. The most appropriate model was selected through a series of statistical tests: the Chow test was used to choose between CEM and FEM, the Hausman test to decide between FEM and REM, and the Lagrange Multiplier (LM) test to select between CEM and REM.

Following model selection, classical assumption tests were performed to ensure the robustness of the results, particularly if the CEM or FEM was chosen, as these rely on Ordinary Least Squares (OLS) estimation. These tests included the Jarque-Bera test for normality of residuals, Variance Inflation Factor (VIF) assessment for multicollinearity, the Breusch-Pagan-Godfrey test for heteroscedasticity, and the Durbin-Watson statistic for autocorrelation. Once the model was deemed robust, hypothesis testing was conducted. The F-test evaluated the overall significance and goodness-of-fit of the regression model, while the t-test examined the partial significance of each independent variable's influence on the dependent variable. The explanatory power of the model was measured using the Adjusted R² coefficient.

Finally, to examine the moderating role of firm size, Moderated Regression Analysis (MRA) was employed by incorporating interaction terms into the model. The equation used was:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 Z + \beta_4 (X_1 Z) + \beta_5 (X_2 Z) + e$$

Where:

Y = Stock Price

X₁ = Value Relevance (EPS)

X₂ = Good Corporate Governance (GCG)

Z = Firm Size (Moderator)

X₁Z = Interaction term between Value Relevance and Firm Size

X₂Z = Interaction term between GCG and Firm Size

α = Constant

β₁, β₂, β₃, β₄, β₅ = Regression coefficients

e = Error term

4. Results and Discussion

4.1. Descriptive Statistics

Descriptive statistics for all variables were calculated to understand the central tendency and dispersion of the data. The results are presented in Table 1.

Table 3. Descriptive Statistics of Research Variables

Statistic	Stock Price (Y)	Value Relevance (X ₁) (EPS)	GCG (X ₂)	Firm Size (Z) (Ln(Assets))
Mean	2336.142	24.036	0.938	19.577
Median	980.000	17.128	0.960	18.966
Maximum	9925.000	99.105	1.000	30.269
Minimum	50.000	0.286	0.440	15.495
Std. Deviation	2593.636	21.885	0.082	3.422
Observations	120	120	120	120

Source: EViews 12 Data Processing

The results indicate a high degree of variation in Stock Price (Y), with values ranging from IDR 50 to IDR 9,925 and a substantial standard deviation (2593.636), reflecting the volatility inherent in the banking sector. Value Relevance, proxied by Earnings Per Share (EPS), also shows significant variability (Std. Dev. = 21.885), with a mean of 24.036.

The Good Corporate Governance (GCG) variable has a high mean (0.938), indicating that most banks in the sample demonstrate strong compliance with OJK guidelines, though a minimum value of 0.440 shows some variation. Firm Size (Z), measured by the natural logarithm of total assets, displays a reasonable spread around its mean of 19.577.

4.2. Panel Model Selection and Classical Assumption Tests

4.2.1. Panel Model Selection Results

A series of statistical tests were conducted to determine the most appropriate estimator for the panel data analysis. The results are summarized in Table 2.

Table 4. Panel Data Model Selection Tests

Test	Purpose	Statistic	p-value	Selected Model	Conclusion
Chow Test	CEM vs. FEM	Cross-section Chi-square = 216.316	0.0000	Fixed Effect Model (FEM)	FEM is preferred over CEM.
Hausman Test	FEM vs. REM	Chi-Sq. Statistic = 1.401	0.4962	Random Effect Model (REM)	REM is preferred over FEM.
Lagrange Multiplier (LM) Test	CEM vs. REM	Cross-section Breusch-Pagan = 146.464	0.0000	Random Effect Model (REM)	REM is preferred over CEM.

Source: EViews 12 Data Processing

Final Selected Model: Based on the sequence of tests, the Random Effects Model (REM) was identified as the most consistent and efficient estimator for this dataset and was used for all subsequent hypothesis testing.

4.2.2. Classical Assumption Tests Results

After selecting the REM and applying a logarithmic transformation to the data to achieve normality, diagnostic tests were conducted to ensure the validity of the regression results. The outcomes are presented in Table 4.

Table 5. Classical Assumption Tests Results

Assumption Test	Test Method	Test Statistic	p-value	Inference	Conclusion
Normality	Jarque-Bera	5.672	0.1652	$p > 0.05$	Residuals are normally distributed.
Multicollinearity	Correlation Matrix	Max	r	< 0.90	No multicollinearity detected.
Heteroscedasticity	Glejser Test	Chi-Square = 1.334	0.5133	$p > 0.05$	Homoscedasticity assumption upheld.
Autocorrelation	Durbin-Watson	d = 1.547	-	$-2 < d < 2$	No autocorrelation detected.

Source: EViews 12 Data Processing

The Durbin-Watson statistic value between -2 and +2 indicates no autocorrelation. There is no standard p-value for this test.

4.3. Hypothesis Testing Results

4.3.1. Direct Effect Hypothesis Testing (H1 & H2)

The results of the hypothesis tests for the direct effects are presented in Table 2.

Table 6. Results of Direct Effect Hypothesis Testing (Random Effects Model)

Variable	Coefficient	Std. Error	t-Statistic	p-value	Hypothesis
C (Constant)	-444.8185	1390.585	-0.320	0.7496	
Value Relevance (X_1)	40.50635	6.9231	5.851	0.0000	H1: Supported
GCG (X_2)	1926.808	1380.910	1.395	0.1656	H2: Not Supported
F-statistic	17.81712			0.000000	
Adjusted R^2	0.220				

- 1) H1: Supported. The value relevance of accounting information (EPS) has a positive and statistically significant effect on stock price ($\beta = 40.506$, $p < 0.01$). This finding supports Signaling Theory, indicating that higher earnings are perceived by the market as a positive signal of a bank's performance and future prospects, leading to an increase in its stock price.
- 2) H2: Not Supported. Contrary to Agency Theory expectations, Good Corporate Governance (GCG) did not have a significant direct effect on stock price ($\beta = 1926.808$, $p > 0.10$). This suggests that, on its own, the level of GCG compliance as measured does not directly influence investor valuation in the Indonesian banking sector. The model was statistically significant overall (F-stat. p-value = 0.0000) and explained approximately 22% of the variance in stock prices (Adjusted $R^2 = 0.220$).

4.3.2. Moderating Effect Hypothesis Testing (H3 & H4)

To test the moderating role of firm size, Moderated Regression Analysis (MRA) was employed. The results are shown in Table 3.

Table 7. Results of Moderated Regression Analysis (MRA)

Variable	Coefficient	Std. Error	t-Statistic	p-value	Hypothesis
C	7430.533	5368.510	1.384	0.1690	
X_1 (EPS)	-120.6090	67.2266	-1.794	0.0755	
X_2 (GCG)	-5989.958	4820.446	-1.243	0.2166	
Z (Firm Size)	-396.3177	249.9278	-1.586	0.1156	
X_1 Z	8.686453	3.6013	2.412	0.0175	H3: Supported
X_2 Z	388.0447	214.9656	1.805	0.0737	H4: Not Supported

- 1) H3: Supported. Firm size significantly moderates the relationship between value relevance (EPS) and stock price (β for interaction term = 8.686, $p < 0.05$). The positive coefficient indicates that the positive effect of EPS on stock price is stronger for larger banks. This aligns with the notion that larger firms are more transparent and closely monitored by analysts, making their financial signals more credible and impactful.
- 2) H4: Not Supported. Firm size does not significantly moderate the relationship between GCG and stock price at the conventional 5% level (β for interaction term = 388.045, $p \approx 0.074$). Although the relationship is positive and marginally significant, it does not meet the threshold for statistical significance, suggesting that the effect of GCG on stock price is not consistently different based on a bank's size.

4.4. Discussion

The findings offer nuanced insights into the drivers of stock prices in the Indonesian banking sector is:

- 1) The strong support for H1 confirms the paramount importance of fundamental financial performance. Earnings per share (EPS) remains a powerful and reliable signal to investors, who heavily rely on profitability indicators to assess a bank's health and growth potential. This result is consistent with prior studies (Alifiono et al., 2022; Schaap, 2020) and strongly reinforces Signaling Theory.
- 2) The rejection of H2, indicating no direct effect of GCG on stock price, is a critical finding. It suggests that investors may perceive GCG compliance as a "hygiene factor" or a minimum requirement rather than a differentiating factor that directly commands a market premium. In other words, while strong governance is expected, its absence would be penalized, but its presence above a certain threshold does not automatically lead to a higher valuation. This could be because the market assumes all listed banks adhere to basic OJK guidelines, thus discounting the incremental information value of GCG scores in their pricing models.
- 3) The support for H3 introduces an important contingency. The moderating effect of firm size on the value relevance relationship indicates that the market scrutinizes and values the earnings of larger banks more highly. Larger institutions have greater visibility, more analyst coverage, and are often considered "too big to fail," which amplifies the impact of their financial performance signals on their stock price.
- 4) Finally, the lack of support for H4 further underscores the complex role of GCG. The finding that firm size does not strengthen the GCG-stock price link implies that the market's assessment of governance quality is not necessarily dependent on the bank's scale. Investors might evaluate governance based on other qualitative factors or may believe that governance challenges and opportunities are present across banks of all sizes, thus negating a clear moderating effect.

This study contributes to Signaling and Agency Theory by demonstrating that the potency of signals (like EPS) can be contingent on firm characteristics (like size). It also suggests that in emerging markets, the direct signaling power of governance mechanisms may be secondary to raw financial performance in driving short-term market valuations.

For bank managers, the primary focus should remain on delivering strong and transparent financial performance, as this is the most direct path to enhancing shareholder value. While maintaining strong governance is essential for risk management and regulatory compliance, managers should not expect it alone to be a primary driver of their stock price. For investors, the findings highlight the importance of focusing on earnings quality, especially in larger, more stable banks, where this information is most value-relevant.

5. Conclusion

This study aimed to empirically investigate the influence of the value relevance of accounting information and Good Corporate Governance (GCG) on the stock prices of Indonesian banking companies, with firm size as a moderating variable. Based on the analysis of a balanced panel dataset of 24 banks over the period 2020–2024, the following conclusions are drawn:

- 1) Value Relevance of Accounting Information: The variable Earnings Per Share (EPS), as a proxy for value relevance, has a positive and statistically significant effect on stock prices. This finding robustly supports Hypothesis 1 (H1). It confirms that

accounting information, specifically profitability measures, remains a critical and powerful signal for investors in the Indonesian banking sector, directly influencing their valuation and investment decisions.

- 2) Good Corporate Governance (GCG): Contrary to the initial hypothesis, the composite measure of GCG compliance does not have a significant direct effect on stock prices. Therefore, Hypothesis 2 (H2) is rejected. This suggests that while GCG is a fundamental aspect of risk management and regulatory compliance, the market, in its current state, may perceive it as a baseline expectation rather than a differentiating factor that directly commands a stock price premium.
- 3) Moderating Effect of Firm Size on Value Relevance: Firm size significantly strengthens the positive relationship between value relevance (EPS) and stock price. Thus, Hypothesis 3 (H3) is supported. This indicates that the financial signals emitted by larger banks are deemed more credible and impactful by the market. Their greater transparency, analyst coverage, and systemic importance amplify the effect of their reported earnings on investor perception and, consequently, their market valuation.
- 4) Moderating Effect of Firm Size on GCG: Firm size does not significantly moderate the relationship between GCG and stock price. Consequently, Hypothesis 4 (H4) is rejected. The effect of governance practices on market value does not systematically differ between large and small banks, implying that governance quality is assessed by investors on its own merits, independent of the bank's scale.

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