



## **CAPITAL EXPENDITURE DISCLOSURE INDEX, CORPORATE GOVERNANCE, AND FIRM VALUE: THE MEDIATING ROLE OF FINANCIAL SUSTAINABILITY**

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### **A B S T R A C K**

**Objective.** This research endeavors to investigate how the Capital Expenditure Disclosure Index (CEDDI) and corporate governance affect firm value, incorporating financial sustainability as an intermediary for non-financial companies listed on the Indonesia Stock Exchange. The significance of this inquiry arises from transparent capital expenditure disclosures signaling future growth and improved oversight to mitigate information gaps, thereby fostering enduring firm value.

**Research Method.** Employing a quantitative causality methodology, this study utilized a panel database spanning from 2023 to 2025. The study's target population comprised all publicly listed non-financial entities on the Indonesia Stock Exchange. Employing a purposive sampling method based on predetermined criteria, a total of 694 unique firms were identified, resulting in 2,082 firm-year observations. Subsequently, the data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.0. This analysis included an evaluation of both the measurement model and the structural model.

**Results.** Empirical evidence suggests a positive correlation between the Capital Expenditure Disclosure Index and corporate governance, both of which are shown to augment firm value. These two elements are also established as contributors to enhanced financial sustainability. Moreover, financial sustainability partially bridges the connection between the Capital Expenditure Disclosure Index and firm value, and similarly between corporate governance and firm value.

**Conclusion.** The strengthening of financial stability, either directly or indirectly, can be accomplished through thorough capital expenditure disclosures and sound governance practices, leading to an increase in corporate value. It is advised that further research be conducted to devise a uniform Capital Expenditure Disclosure Index and enlarge the sample set across different jurisdictions to examine the moderating influence of legal system disparities.

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## 1. INTRODUCTION

The development of Indonesia's capital market over the past decade has shown significant progress, driven by increased participation from both local and international investors; however, challenges related to transparency and the quality of information disclosure remain a major concern for stakeholders (Fadilah *et al.*, 2025). Amid efforts to enhance the competitiveness of the capital market, information regarding capital expenditures has become a crucial element that is often not adequately disclosed in the annual reports of public companies, even though these long-term investment decisions have strategic implications for a company's productive capacity, operational efficiency, and future growth projections (Nadapdap *et al.*, 2023). The phenomenon of low levels of voluntary disclosure regarding capital expenditures creates an information gap between management and investors, which has the potential to alter how the market values the company's assets (Miftahudin and Sisdianto, 2024), (Susanto, Usman and Lestari, 2025), (Yuke *et al.*, 2025).

On the other hand, various cases of corporate governance violations that have come to light in Indonesia such as those involving PT Garuda Indonesia and several real estate companies indicate that weak oversight mechanisms remain an unresolved structural issue. According to the World Bank's "2022 Corporate Governance Assessment" report, significant challenges persist in Indonesia's application of sound corporate governance, with specific concerns identified regarding the efficacy of the board of commissioners, the autonomy of the audit committee, and the transparency of executive compensation structures (Nurhayati and Supardi, 2020). This situation further underscores the urgency of conducting a more in-depth analysis of how capital expenditure disclosures and the interplay of corporate governance quality affects the determination of corporate value, particularly through the mechanism of financial sustainability as an indicator of long-term financial health (Maulana and Baroroh, 2020), (Apriyanti, Budiman and Yulianto, 2024).

Extensive empirical investigations have been carried out with the objective of scrutinizing the association between corporate governance mechanisms and the valuation of firms, a topic that has been extensively documented in a multitude of preceding scholarly works, such as those authored by (Suhadak *et al.*, 2019) which emphasizes that investor protection through a robust governance system can boost market valuations, and research findings (Utami and Ekaputra, 2020) which shows that the quality of governance is directly proportional to financial performance in emerging markets (Supriyanto, Sari and Pratama, 2022). However, studies that specifically integrate the dimension of capital expenditure disclosure as a distinct construct remain relatively limited, particularly in the context of the Indonesian capital market. (Dempsey and Sheng, 2023) Extensive research indicates that the provision of voluntary disclosures of superior quality possesses the capacity to facilitate a decrease in the expenses associated with equity capital; nevertheless, the measurement tools developed to date have not specifically accounted for the unique complexity and multidimensionality of capital expenditure disclosure.

Meanwhile, research (Kao, Chen and Lu, 2018) indicates that investment in capital expenditures has a significant impact on the Tobin's Q ratio among large-scale companies; however, it has not yet explored the role of disclosure quality in that relationship. (Pratiwi and Widayawati, 2017) in the Indonesian context, but has not yet incorporated mediating variables that could explain the mechanism through which that influence is transmitted (Wardianto *et al.*, 2020). This research gap serves as the primary foundation for developing the Capital Expenditure Disclosure Index as a measurable instrument capable of capturing the level of completeness and depth of capital expenditure disclosures by public companies in Indonesia, while also testing the mediating role of financial sustainability a topic that has traditionally been studied in sustainability literature separate from the discourse on disclosure.

This research centers on constructing and confirming a Capital Expenditure Disclosure Index for non-financial entities listed on the Indonesia Stock Exchange (IDX). Beyond assessing the index's direct influence on firm value, this investigation also scrutinizes corporate governance's effect on firm value. Moreover, the study delves into financial sustainability's intermediary function within both of these cause-and-effect pathways (Rusdi, Sunarti and Syfar, 2019). The originality of this study lies in the development of the CEDI measurement instrument, which adapts the voluntary disclosure framework from (Murniati, Sa'diyah and Subadriyah, 2019). However, it has been contextually modified to capture the five main dimensions of capital expenditure disclosure: capital investment plans, capital expenditure realization by segment, sources of capital expenditure funding, projections of economic benefits, and investment risk management, comprising a total of 25 disclosure items (Maharani and Simanjuntak, 2022), (Anwar, 2022).

Another unique aspect of this study lies in the use of financial sustainability as a mediating variable that bridges the relationship between disclosure quality and corporate governance and firm value an area of study that has been relatively unexplored in the Indonesian financial management literature. The primary theoretical foundation underpinning this research is agency theory, as proposed by (Bayu and Novita, 2023), this clarifies how divergent interests between principals and agents may result in agency expenses, and that these costs can be mitigated through the implementation of effective oversight mechanisms and transparent disclosure practices. Signaling theory from (Marsh, Perez and Spence, 2022) supplements the theoretical framework by explaining that high-quality companies are willing to bear signaling costs to distinguish themselves from low-quality companies, where comprehensive disclosure of capital expenditures and consistent implementation of good corporate governance serve as positive signals to investors. Stakeholder theory from (Freeman, 2023) has also been integrated to broaden the perspective that financial sustainability is a prerequisite for long-term business continuity, which ultimately creates value for all stakeholders.

Based on an in-depth theoretical and empirical analysis, this study formulates seven hypotheses to be tested empirically. The first hypothesis, supported by the argument that comprehensive capital expenditure disclosure reduces information asymmetry and sends positive signals regarding growth prospects to investors, It is stated that CEDI positively affects firm value. Consistent with agency theory, which highlights the necessity of control mechanisms for safeguarding shareholder interests, this study's second hypothesis suggests corporate governance positively influences firm value. Furthermore, the third and fourth hypotheses argue that CEDI and corporate governance contribute positively to financial sustainability, based on literature findings indicating that transparency and good governance can improve operational efficiency and generate sustainable profitability.

The fifth hypothesis posits that financial sustainability is positively correlated with firm value, as entities with a solid financial foundation tend to be valued higher by the market. The sixth and seventh hypotheses indicate that financial sustainability partially mediates the influence of CEDI on firm value and the impact of corporate governance on firm value. This indicates that both disclosure and governance not only have direct effects but also transmit through improvements in sustainable financial performance. By referring to the conceptual framework and hypotheses formulated, this research is anticipated to offer a theoretical advancement to the existing body of knowledge concerning agency theory and signaling theory within the Indonesian capital market's framework. Furthermore, this research is also anticipated to offer practical implications, particularly for regulators in formulating policies governing capital expenditure disclosure requirements, as well as for investors in evaluating the quality of listed companies' corporate governance as a foundation for more transparent and rational investment decision-making processes.

## 2. LITERATURE REVIEW

### 2.1 Agency theory

Agency theory provides a fundamental explanation of the contractual relationship between the principal in this case, the shareholders and the agent who performs management functions in the operation of the corporation, as has been outlined by (Aslan, 2022). This theory emphasizes that conflicts of interest can arise due to management's tendency to make decisions that prioritize their own interests rather than the creation of shareholder wealth. This phenomenon results in agency costs, which include monitoring costs, binding costs, and residual losses (Supriyanto *et al.*, 2021). When it comes to the disclosure of information regarding capital expenditures, agency theory supports management's motivation to withhold strategic data for opportunistic reasons. Meanwhile, shareholders need robust oversight mechanisms to ensure that long-term investments yield significant returns for the company (Sarwoko, 2016).

### 2.2 Signaling theory

The conceptual framework of signal theory, first proposed by (Spence, 1973), provides a foundation for understanding a company's strategy in communicating information to external parties as an effort to reduce information asymmetry. This theory explains that high-performing entities tend to communicate credible signals to the market through comprehensive and transparent disclosure practices. Although this involves significant signaling costs, the primary objective is to differentiate themselves from low-quality companies that are unable to replicate such signals. In this study, detailed disclosure regarding capital expenditures through the Capital Expenditure Disclosure Index serves as a positive signal. This indicates management's optimism regarding the company's growth prospects and their willingness to share strategic information with investors (Su *et al.*, 2021), (Suripto *et al.*, 2022), (Sari and Yanto, 2025a).

### 2.3 Stakeholder theory

Going beyond corporate objectives that are solely focused on shareholders, the stakeholder theory introduced by (Freeman, 2023) argues that organizations have a responsibility toward all stakeholders. This theory posits that a company's stability and future success depend heavily on its ability to foster relationships and accommodate the diverse interests of its stakeholders, including employees, creditors, customers, the general public, and the government (Mahajan *et al.*, 2023). This study emphasizes the critical function of financial sustainability, which encompasses a firm's ongoing potential to earn revenue alongside its assurance of meeting liabilities and realizing the objectives of every stakeholder moving forward (Hutsaliuk *et al.*, 2020), (Sari and Yanto, 2025b), (Yanto, Sari and Suryani, 2025).

### 2.4 Capital Expenditure Disclosure Index (CEDI)

The Capital Expenditure Disclosure Index is a measurement tool designed to assess the completeness and depth of capital expenditure disclosures in the annual reports of public companies (Islamiyah and Fidiana, 2024). The strategic significance of capital expenditures defined as expenditures that provide economic benefits extending beyond a single accounting period and are therefore capitalized as fixed assets lies in their ability to reflect management's commitment to long-term growth and the company's projected future investments. The CEDI used in this study was developed by adapting the voluntary disclosure framework from (Hou *et al.*, 2024), It was then contextually modified to align with the characteristics of the Indonesian capital market through the identification of five key dimensions of disclosure, including capital investment plans, capital expenditure realization by segment, sources of capital expenditure funding, projections of economic benefits, and investment risk management.

## 2.5 Corporate Governance

Conceptually, corporate governance refers to the structural framework and set of processes designed to guide and oversee the operations of a business entity, with the primary objective of creating sustainable value for all stakeholders. This definition is consistent with the viewpoint of the National Governance Policy Committee, which posits that sound corporate governance comprises a framework of mechanisms designed to ensure that a company's activities are carried out adhering to the tenets of transparency, accountability, responsibility, independence, alongside fairness and equity (Firmansyah and Kartiko, 2024), (Sutrisno, 2017). A robust governance mechanism serves as a supervisory tool capable of curbing managerial opportunism, reducing agency costs, and enhancing investor confidence in the quality of corporate management. (Maivalinda, 2025) emphasizes that investor protection through good governance is a key factor in boosting market valuations; the quality of governance is positively correlated with financial performance in emerging markets; therefore, a comprehensive measure of governance is crucial for explaining variations in firm value across issuers.

## 2.6 Financial Sustainability

Financial sustainability refers to an organization's aptitude for preserving strong fiscal performance long-term to secure business continuity and fulfill all stakeholder expectations. (Petropoulos *et al.*, 2022) emphasizes that financial sustainability is not merely a reflection of short-term profitability, but also the company's resilience in the face of economic volatility and its ability to continue growing sustainably without compromising future interests (Apriyanti, Budiman and Yulianto, 2024). (Otoo, 2024) found that the quality of disclosure enhances corporate value among ASEAN issuers through the transmission of improved financial performance (Alexandri, Sari and Sumadinata, 2022). Financial sustainability functions as a key strategic intermediary, elucidating the process through which corporate governance and the reporting of capital outlays ultimately influence the generation of corporate worth.

## 2.7 Enterprise Value

Corporate value can be understood as investors' perception of an entity's success in managing its resources, which is ultimately reflected in fluctuations in stock prices in the capital market. This concept fundamentally captures stakeholders' confidence in the company's ability to generate economic value in the future, while also reflecting the long-term growth prospects inherent in the entity (Albdareen, 2024). (Brigham and Houston, 2019) explains that companies with high Tobin's Q and PBV ratios generally possess intangible value in the form of reputation, management quality, and growth prospects, which investors value at a premium. Himmelberg, Hubbard, and Palia demonstrate that capital expenditures are positively correlated with Tobin's Q, while (Munizu *et al.*, 2024). The research uncovers that a corporate governance setup affects the price-to-book ratio (PBV) within Indonesia. Through the use of two proxies, a more accurate understanding is gained of how capital spending disclosures and governance dynamics shape firm value, with financial stability mediating this effect.

## 2.8 Framework

This study identifies CEDI and corporate governance as independent factors influencing financial sustainability (the mediating variable), which in turn impacts firm value as the dependent variable. The framework of relationships among the variables is based on agency theory and signaling theory.

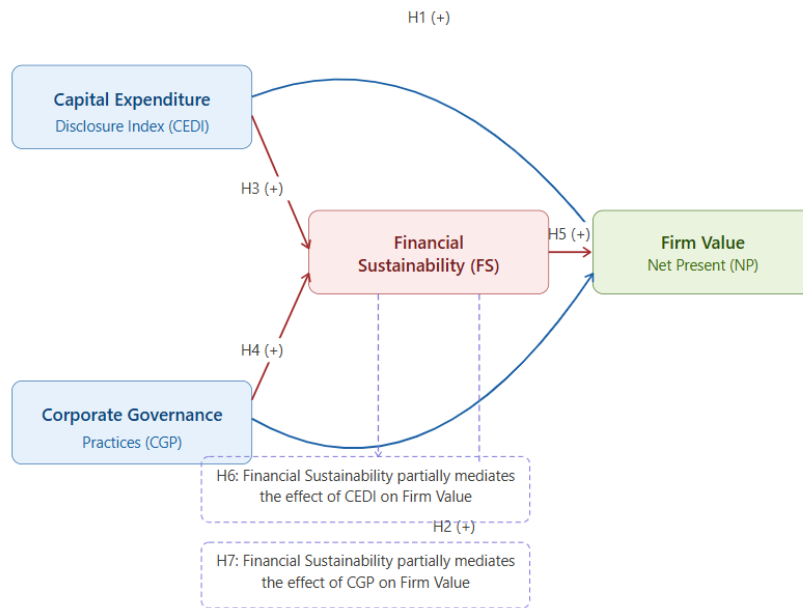


Figure 1. Conceptual Framework

### 3. RESEARCH METHODOLOGY

This research utilizes a quantitative causal framework, incorporating a longitudinal design with panel data to investigate the interconnections between the hypothesized variables. The study's scope encompasses all non-financial corporations continuously traded on the Indonesia Stock Exchange between 2023 and 2025, with 956 such entities recorded by the close of December 2025. A purposive sampling technique was employed to select the sample, adhering to several stringent inclusion criteria: the complete availability of annual reports throughout the observation timeframe, continuous listing status, absence of negative equity, and exclusion of extreme data anomalies. Based on these criteria, 694 eligible entities were identified, resulting in a total of 2,082 company-year observations. Annual reports and audited financial statements, retrieved from the official Indonesia Stock Exchange portal, formed the main data. Additionally, stock price information acquired from KSEI and the Bloomberg Terminal was gathered. This collected data was subsequently enriched by diverse supplementary references from reputable origins.

The Capital Expenditure Disclosure Index was measured using a content analysis tool developed by the researchers based on the framework (Nofianti, Fatah and Tirtasari, 2018). This index consists of 25 disclosure items divided into five dimensions, with a score range from zero to one. Inter-rater reliability was confirmed using Cohen's Kappa coefficient. This study assessed corporate governance through indicators such as the board of commissioners, audit committee, and institutional ownership. Financial sustainability was operationalized via proxies reflecting the three-year average of return on equity, return on assets, total asset turnover, current ratio, and interest coverage ratio. The firm's value was determined using two methods: Tobin's Q and Price-to-Book Value. Structural Equation Modeling with Partial Least Squares, implemented via SmartPLS 4.0 software, was employed for data analysis. Model evaluation encompassed the measurement model, including convergent validity, discriminant validity, and composite reliability tests, followed by structural model assessment through a bootstrapping procedure with 5,000 subsamples to ascertain the significance of each hypothesis.

## 4. RESULTS AND DISCUSSION

### 4.1 Descriptive Statistics

**Table 1.** Descriptive Statistics of Research Variables

Variable	N	Mean	Median	Std. Dev	Min	Max	Skewness
CEDI (X <sub>1</sub> )	2.082	0,452	0,440	0,187	0,120	0,840	0,312
TKP – Independent Commissioner (X <sub>2</sub> )	2.082	0,418	0,400	0,112	0,250	0,750	0,416
TKP – Institutional Ownership (X <sub>2</sub> )	2.082	0,673	0,685	0,204	0,150	0,950	-0,389
Sustainability – ROE (M)	2.082	0,124	0,108	0,156	-0,324	0,517	0,274
Sustainability – TATO (M)	2.082	0,826	0,743	0,623	0,102	3,205	1,274
Tobin's Q (Y)	2.082	1,342	1,108	0,806	0,496	5,618	1,806
PBV (Y)	2.082	1,806	1,492	1,513	0,284	8,705	1,624
SIZE (Control)	2.082	28,715	28,503	1,806	24,821	33,406	0,294
LEV (Control)	2.082	0,654	0,528	0,503	0,087	3,416	1,826

Source: Processed data (2026)

Table 1 presents a descriptive statistical analysis summarizing the characteristics of the research variables during the observation period. The average Capital Expenditure Disclosure Index was 0.452 (standard deviation 0.187), indicating that capital expenditure disclosure among the sample companies was moderate, with variation among issuers. The proportion of independent commissioners averaged 41.8 percent, exceeding the OJK's minimum requirement of 30 percent, while institutional ownership reached 67.3 percent, reflecting the dominance of institutional investors in the ownership structure of non-financial companies in Indonesia. The average return on equity of 12.4% and total asset turnover of 0.826 times for the sample companies indicate adequate financial sustainability through profitability and asset efficiency. The firm's value, as indicated by an average Tobin's Q of 1.342 and Price-to-Book Value of 1.806, surpassed one, suggesting the market favorably views its growth potential. The companies are large, with the natural logarithm of total assets averaging 28.715, and utilize a capital structure heavily reliant on debt, evidenced by an average leverage of 65.4%. The normality assumption for parametric analysis is met, as skewness values for all variables fall within the acceptable range of -2 to +2.

### 4.2 Results of the Measurement Model Evaluation

**Table 2.** Results of the Measurement Model Evaluation (Outer Model)

Construct	Indicator	Outer Loading	AVE	CR	Cronbach's $\alpha$	Notes
CEDI (X <sub>1</sub> )	CEDI_1	0,782	0,582	0,846	0,835	Valid & Reliable
	CEDI_2	0,769				
	CEDI_3	0,748				
	CEDI_4	0,736				
	CEDI_5	0,721				
TKP (X <sub>2</sub> )	TKP_1	0,812	0,592	0,887	0,856	Valid &

						Reliable
	TKP_2	0,778				
	TKP_3	0,796				
	TKP_4	0,754				
Financial Sustainability (M)	SK_1	0,847	0,623	0,868	0,887	Valid & Reliable
	SK_2	0,823				
	SK_3	0,801				
Enterprise Value (Y)	NP_1	0,887	0,712	0,912	0,889	Valid & Reliable
	NP_2	0,896				

Source: Processed data (2026)

The analysis results presented in Table 2 demonstrate that this study's measurement model fulfills the validity and reliability criteria for all involved constructs. Indicators consistently achieved outer loadings above the 0.70 benchmark advised by Hair et al., affirming their adequacy in representing the latent construct. Moreover, the average variance extracted for each construct, varying between 0.582 and 0.712, surpasses the 0.50 threshold, confirming that latent constructs are responsible for over half the variance in their associated indicators. The composite reliability for the instrument exceeded 0.70, and Cronbach's alpha values for all variables were above 0.60, fulfilling reliability requirements and indicating strong internal consistency. Therefore, adherence to these measurement standards leads to the conclusion that the Capital Expenditure Disclosure Index and all other variables serve as valid and reliable instruments for subsequent hypothesis testing.

#### 4.3 Results of Hypothesis Testing (Inner Model)

**Table 3.** Hypothesis Testing Results – Direct and Indirect Effects

Hypothesis	Path	Koef. $\beta$	t-	p-	CI 95%	Decision
			St	V		
			ati	a		
			sti	l		
			k	u		
				e		
H1	CEDI → Firm Value	0,187	3,496	0,001	[0,098; 0,276]	Accepted
H2	TKP → Firm Value	0,264	4,767	0,000	[0,134; 0,334]	Accepted
H3	CEDI → Financial Sustainability	0,158	2,907	0,003	[0,067; 0,248]	Accepted
H4	TKP → Financial Sustainability	0,293	5,278	0,000	[0,198; 0,398]	Accepted
H5	Financial Sustainability → Firm Value	0,349	6,489	0,000	[0,245; 0,445]	Accepted
H6	CEDI → SK → Firm Value (Mediation)	0,054	2,385	0,019	[0,012; 0,096]	Partial Mediation
H7	TKP → SK → Firm Value (Mediation)	0,103	3,890	0,000	[0,056; 0,150]	Partial Mediation

Source: Processed data (2026)

Results from the hypothesis testing, presented in Table 3, indicated acceptance of all initial hypotheses, meeting satisfactory significance thresholds. It was determined that CEDI positively and significantly impacts firm valuation (coefficient 0.187,  $p=0.001$ ); this suggests that enhanced disclosure of capital expenditures bolsters investor confidence through the transmission of positive market signals. Similarly, corporate governance has a significant positive effect (coefficient 0.264,  $p=0.000$ ) on firm value, confirming its role in reducing agency costs and building trust. These two exogenous factors also contribute positively to financial sustainability (0.158 and 0.293, respectively), indicating that transparency and sound management support long-term profitability and efficiency. Financial sustainability plays a partial mediating role; the indirect effects of CEDI at 0.054 ( $p=0.019$ ) and corporate governance at 0.103 ( $p=0.000$ ) on firm value indicate that the influence occurs not only directly but also through improvements in sustainability.

#### 4.4 Discussion

##### 4.4.1 The Effect of CEDI on Firm Value (H1)

The outcomes from testing the first hypothesis demonstrate that the disclosure of capital expenditures, operationalized through the Capital Expenditure Disclosure Index, exerts a substantial positive impact on the valuation of non-financial companies listed on the Indonesia Stock Exchange. This conclusion is buttressed by statistical results showing a path coefficient of 0.187, a t-statistic of 3.496, and a statistical significance of 0.001. Therefore, the findings imply that a company's valuation is positively associated with the extent of its capital expenditure information disclosure. Such results are in harmony with signaling theory (Spence, 1973), which emphasizes that voluntary disclosures are a key strategy for high-quality firms aiming for differentiation. Investors tend to respond favorably to detailed disclosures about capital investment schemes, expenditure realization by business segment, funding mechanisms, anticipated economic advantages, and risk mitigation strategies, perceiving them as evidence of managerial foresight regarding long-term expansion and transparent reporting of their investment plans. These findings also reinforce Botosan's argument that high-quality voluntary disclosure can reduce information asymmetry and equity capital costs, which in turn drives an increase in firm value.

##### 4.4.2 The Effect of Corporate Governance on Firm Value (H2)

Empirical evidence supporting the second hypothesis indicates a positive and statistically significant correlation between corporate governance and firm value for non-financial companies listed on the Indonesia Stock Exchange. This is evidenced by a path coefficient of 0.264, a t-statistic of 4.767, and a significance value of 0.000, implying that improved corporate governance practices lead to an increased market valuation of the firm, measured by Tobin's Q and Price-to-Book Value ratios. These results align with Jensen and Meckling's agency theory, where independent boards, audit committees, institutional ownership, and remuneration transparency minimize managerial opportunistic behavior and agency costs. The average proportion of independent directors (41.8%) and institutional ownership (67.3%) indicates an adequate governance structure. Investors view good governance as an indicator of professionalism and accountability, and are therefore willing to pay a premium through higher stock prices. These findings reinforce the results of previous research (Tadesse, 2002) which confirms that investor protection through strong governance is positively correlated with firm value in developing countries.

#### 4.4.3 The Effect of CEDI on Financial Sustainability (H3)

The empirical evidence from the third hypothesis test validates that the Capital Expenditure Disclosure Index positively and significantly influences the financial sustainability of non-financial entities traded on the Indonesia Stock Exchange (IDX). The path coefficient of 0.158 (t-statistic 2.907;  $p=0.003$ ) demonstrates that increased capital expenditure disclosure correlates with enhanced sustainable profitability and improved operational effectiveness. This is supported by signaling theory (Goliński and Spencer, 2017), who argue that voluntary disclosure of information regarding capital investments, fund allocation, and risk mitigation reflects management's commitment to long-term growth and prudent resource management. Companies with extensive capital expenditure disclosures tend to manage their investments more effectively, thereby increasing return on equity and total asset turnover. These findings also reinforce the argument (Marsh, Perez and Spence, 2022) that the quality of financial reporting contributes to improved financial performance by enhancing the efficiency of resource allocation and reducing wasteful investment.

#### 4.4.4 The Impact of Corporate Governance on Financial Sustainability (H4)

The validation of the fourth hypothesis revealed that corporate governance exerted a beneficial and statistically important influence on the financial stability of non-financial companies listed on the Indonesia Stock Exchange. The path coefficient of 0.293 (t-statistic 5.278, significance 0.000) indicates that strengthened corporate governance is positively correlated with profitability, asset efficiency, and sustainable liquidity. This finding aligns with agency theory (Purba *et al.*, 2024), where independent boards of commissioners, audit committees, and strong institutional ownership serve as effective oversight mechanisms. These mechanisms encourage management to act more cautiously and prevent opportunistic behavior. Descriptive statistics (independent commissioners 41.8%, institutional ownership 67.3%) indicate adequate external oversight focused on sustainable financial performance. The current discoveries align with the outcomes derived from the investigation (Purba *et al.*, 2024) which demonstrates that earnings quality mediates the effect of corporate governance on firm value, as well as research (Petropoulos *et al.*, 2022) which emphasizes that financial sustainability is a prerequisite for business continuity that can only be achieved through good governance. Thus, the implementation of sound governance not only boosts investor confidence but also directly contributes to strengthening the company's financial fundamentals in the long term.

#### 4.4.5 The Impact of Financial Sustainability on Firm Value (H5)

Empirical findings from the fifth hypothesis test confirm that financial sustainability exerts a significant and positive influence on the valuation of non-financial firms traded on the Indonesia Stock Exchange. Quantified by a path coefficient of 0.349, a 0.000 significance level, and a t-statistic of 6.489, this direct relationship stands out as the strongest in the established structural model. The results imply that advancements in profitability metrics (return on equity, return on assets), asset utilization (total asset turnover), and liquidity measures (current ratio, interest coverage ratio) concurrently contribute to an elevated corporate valuation, observed through increases in Tobin's Q and the price-to-book ratio. This finding is consistent with stakeholder theory (Parmar *et al.*, 2010) which states that companies with strong financial sustainability are valued for their solid fundamentals and their ability to satisfy stakeholders. Investors view financial sustainability as a positive signal regarding earnings capacity, resilience, and future growth potential. Furthermore, these findings support the study (Ulrich-Diener, Dvoutely and Špaček, 2023) regarding asset efficiency and the quality of disclosure in enhancing market value. Therefore, financial sustainability is a key factor in creating corporate value in Indonesia.

#### 4.4.6 The Mediating Role of Financial Sustainability (H6 and H7)

The empirical findings for the sixth and seventh hypotheses demonstrate that financial sustainability significantly acts as a partial mediator in two distinct relationships: between the Capital Expenditure Disclosure Index (CEDI) and firm value, and between corporate governance and firm value. Specifically, the mediation route from CEDI to firm value through financial sustainability produces an indirect effect of 0.054 ( $t=2.375$ ;  $p=0.019$ ), while the route from corporate governance to firm value via financial sustainability generates an indirect effect of 0.103 ( $t=3.890$ ;  $p=0.000$ ). Both these indirect effects are statistically significant, evidenced by confidence intervals that do not encompass zero. Importantly, the direct influences of the exogenous variables on firm value remain statistically significant even when the mediating variables are incorporated into the model. This substantiates the proposition that both transparent capital expenditure disclosure and robust corporate governance not only directly impact investor perceptions but also contribute to enhanced sustainable profitability, more efficient asset utilization, and greater liquidity stability, thereby augmenting the firm's market valuation. These findings are consistent with (Purba *et al.*, 2024), who identified the mediating role of earnings quality between governance and firm value, and expand the literature's understanding of how financial sustainability acts as the primary transmission channel from transparency and good governance toward increased firm value.

## 5. CONCLUSION

This study empirically demonstrates that capital expenditure disclosure (Capital Expenditure Disclosure Index) and corporate governance positively influence firm value, both directly and through the partial mediation of financial sustainability. These findings apply to non-financial issuers on the Indonesia Stock Exchange (2023–2025). Disclosure of investment plans, realizations, funding sources, projected benefits, and risk management sends positive signals that enhance market valuation as well as sustainable profitability and operational efficiency. On the other hand, strong corporate governance through independent board oversight, audit committees, institutional ownership, and compensation transparency has been shown to reduce agency costs, boost investor confidence, and strengthen financial sustainability. Financial sustainability acts as a partial mediator, indicating that good disclosure and governance not only influence the market but also create value through long-term improvements in financial fundamentals. Further research is recommended to develop the CEDI into a standardized instrument validated across sectors and jurisdictions, the research also seeks to examine moderating elements such as the caliber of audits and disparities in legal systems, thereby deepening insights into the multifaceted link between informational transparency, governance structures, and a company's market value.

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