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## Economic Value Added and External Financing Needs on Firm Value with Good Corporate Governance in Technology Sector Companies

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### Abstract

Firm value in Indonesia's technology sector remains fluctuating and unstable despite the sector's high growth potential. This condition raises questions regarding the role of economic value added, external financing needs, and good corporate governance in influencing firm value. The purpose of this study is to analyze the effect of economic value added and external financing needs on firm value and to examine the moderating role of good corporate governance in technology sector companies listed on the Indonesia Stock Exchange. This research employs a quantitative approach using panel data from 24 companies over the 2021–2024 period. Data analysis is conducted using a random effect model regression with classical assumption tests and moderated regression analysis. The results show that economic value added has a negative and significant effect on firm value, while external financing needs have no significant effect. In addition, good corporate governance does not strengthen the relationship between external financing needs and firm value but weakens the relationship between economic value added and firm value. The conclusion indicates that firm value in the technology sector is more strongly driven by growth expectations and market dynamics rather than traditional financial indicators and corporate governance mechanisms.

### Keywords

Economic Value Added, External Financing Needs, Firm Value, Good Corporate Governance, Technology Sector.

## 1. Introduction

The global business environment has become increasingly dynamic due to rapid technological advancement, globalization, and the growing complexity of economic conditions. These circumstances require firms to maintain a competitive advantage while simultaneously enhancing firm value as an indicator of long-term corporate success. In this context, capital markets serve a strategic role as financial intermediaries that connect investors with firms requiring funding through financial instruments such as stocks and bonds (Sipayung et al., 2023). In addition to supporting corporate financing activities, capital markets contribute to economic growth and reflect the level of investor confidence in corporate prospects. Firms capable of demonstrating strong performance generally receive positive market responses, which are reflected in increasing stock prices and higher firm value (Purnamawati et al., 2023).

Firm value reflects investors' perceptions of a company's future prospects and ability to generate profits, where higher firm value indicates stronger investor confidence and greater shareholder wealth because it is closely related to stock price movements (Husnan & Pudjiastuti, 2015; Nuradawiyah & Susilawati, 2020; Wangi & Aziz, 2023). Firm value is commonly measured using Price to Earnings Ratio (PER), Tobin's Q, and Price to Book Value (PBV), with PBV being the most widely used indicator because it better captures market expectations, including for firms experiencing losses (Sudiyatno et al., 2021; Hartati et al., 2024). In Indonesia's technology sector, firm value has shown considerable volatility due to high growth opportunities, substantial innovation costs, and financing needs. During 2021–2023, PBV declined significantly before beginning to recover in 2024, while the sector's stock performance fell by  $-15.44\%$  in 2023 (Adiputra et al., 2020; Bisnis.com, 2025). Persistent losses at firms such as GoTo and Bukalapak further highlight the importance of financial management and corporate governance in enhancing firm value (Bisnis Market, 2024; Industri Kontan, 2024; Kontan Investasi, 2024; IDN Financials, 2024b).

Economic Value Added (EVA) is widely recognized as a significant factor influencing firm value because it reflects a company's capability to generate earnings after considering the cost of capital utilized (Biddle et al., 1997). Based on the Resource-Based View (RBV), firms that effectively utilize their resources and financial capital are more likely to obtain competitive advantages and create greater economic value for shareholders (Barney, 1991). A positive EVA indicates successful value creation and may contribute to higher firm value. Nevertheless, technology companies frequently encounter challenges in sustaining positive EVA due to intensive research and development activities, uncertainty in investment outcomes, and high capital costs (Kořová & Kljucnikov, 2020; Zenzerović & Benazić, 2023; Mahgribi, 2024; Ganie et al., 2025). Furthermore, External Financing Needs (EFN) describe the extent to which firms rely on external funding sources to finance growth and innovation (Bae et al., 2012). Under Signaling Theory, financing decisions communicate information regarding a firm's future prospects and financial condition to investors (Spence, 1973; Judijanto, 2024; East Asia Forum, 2024).

Previous studies by Tobing et al. (2022) and Kallianiotis and Drakos (2022) investigating the effects of EVA and EFN on firm value have produced inconsistent findings. Several studies indicate that EVA positively influences firm value, whereas others report negative or insignificant effects (Verjenia & Yanti, 2020; Wijaya, 2022). Similarly, empirical evidence by Tindriyati (2020) and Sari et al. (2022) regarding EFN remains inconclusive, with some studies by Bahrin et al. (2020) finding a negative relationship with firm value, while others suggest a positive effect when external financing is utilized efficiently to support corporate growth. These inconsistent findings reveal a research gap that requires further examination

(Nirmala et al., 2022; Tut, 2024; Purnamawati & Dautrey, 2025). Therefore, this study incorporates Good Corporate Governance (GCG) as a moderating variable to strengthen the relationship between EVA, EFN, and firm value through improved transparency and financial management practices (DeFeo et al., 2010; Purnamawati et al., 2017; Fox et al., 2019).

This study aims to analyze the effects of economic value added and external financing needs on firm value and to examine the moderating role of good corporate governance in technology sector companies listed on the Indonesia Stock Exchange. This study is expected to provide theoretical contributions to the development of literature concerning firm value and corporate governance, while also offering practical implications for companies, investors, and regulators in formulating policies and strategies to enhance firm value.

## **2. Literature Review and Hypothesis Development**

### ***2.1. The Effect of Economic Value Added on Firm Value***

Resource-Based View (RBV) theory explains that sustainable competitive advantage is achieved when firms are able to manage internal resources that possess valuable, rare, inimitable, and non-substitutable characteristics (Barney, 1991). These strategic resources enable firms to generate superior value that competitors cannot easily replicate. One indicator commonly used to measure value creation is Economic Value Added (EVA), which reflects a company's ability to produce returns exceeding its cost of capital. EVA is calculated by subtracting the capital charge from Net Operating Profit After Tax (NOPAT), where the capital charge is determined using the Weighted Average Cost of Capital (WACC) multiplied by invested capital (Biddle et al., 1997). Positive EVA indicates that a firm successfully creates economic value beyond its financing costs, thereby supporting shareholder wealth maximization. From the RBV perspective, positive EVA also reflects efficient resource utilization and strong managerial capability that may enhance firm value.

Nevertheless, prior studies examining the relationship between EVA and firm value have reported inconsistent findings. Several studies revealed that EVA positively influences firm value, suggesting that EVA serves as an important signal of corporate value creation (Kallianiotis & Drakos, 2022; Tobing et al., 2022). Conversely, other studies found negative or insignificant effects, particularly in sectors with different capital structures and risk characteristics (Verjenia & Yanti, 2020; Wijaya, 2022). In the technology sector, maintaining positive EVA is relatively difficult because firms require substantial investment in research and development and face high capital intensity (Kořová & Kljucnikov, 2020; Ganie et al., 2025). In addition, high WACC may increase capital costs and reduce EVA performance (Zenzerović & Benazić, 2023). However, firms with greater digital maturity tend to optimize EVA more effectively and strengthen value creation (Mahgribi, 2024).

H1: Economic value added has a positive and significant effect on firm value.

### ***2.2. The Effect of External Financial Needs on Firm Value***

External Financing Needs (EFN) describe the extent to which firms rely on external financing sources, including debt and equity, to finance operational activities and business expansion when internal funds are inadequate (Spence, 1973; Brigham & Ehrhardt, 2017). A high level of EFN reflects stronger dependence on external capital and demonstrates how firms manage the balance between growth opportunities and internal financing capability. According to Signaling Theory, corporate financing decisions communicate information to investors regarding a firm's financial condition and future prospects. External financing may provide positive signals when utilized efficiently for productive purposes, such as research

and development or expansion activities, which can contribute to higher firm value. Excessive reliance on external funding without sufficient financial performance may indicate inefficiency and financial instability, thereby weakening investor confidence and reducing firm value.

Empirical evidence regarding the effect of EFN on firm value remains inconclusive. Some studies indicate that excessive external financing negatively affects firm value because it increases financial risk and financing obligations (Tindriyati, 2020; Sari et al., 2022). On the other hand, Bahrin et al. (2020) demonstrated that EFN can positively influence firm value when external funds are allocated effectively to support corporate growth. In the technology industry, EFN is particularly significant because firms require substantial capital and continuous investment to sustain innovation and expansion (Judijanto, 2024). Indonesian technology companies, such as PT GoTo Gojek Tokopedia Tbk and PT Mekar Investama Teknologi, frequently depend on external funding to support their business development strategies (IDN Financials, 2024a). However, high dependence on external capital may also elevate perceived investment risk due to uncertain returns in the technology sector (EquitiesFirst, 2025). Therefore, EFN may simultaneously signal both growth potential and financial vulnerability.

H2: External financing needs have a positive and significant effect on firm value.

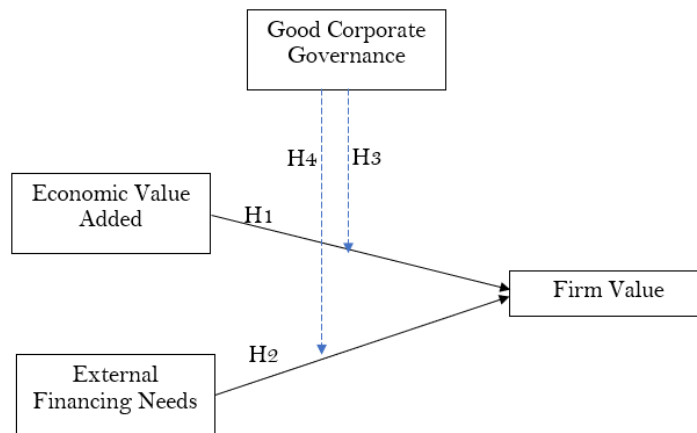
### **2.3. Good Corporate Governance as a Moderator Variable**

Good Corporate Governance (GCG) represents a system of principles and mechanisms intended to ensure that companies are managed in a transparent, accountable, responsible, independent, and fair manner to protect stakeholders and support sustainable value creation (Spence, 1973). Within the framework of Signaling Theory, GCG improves the reliability and credibility of information disclosed to the market, particularly regarding financial performance indicators such as EVA. Although positive EVA indicates that a firm generates returns above its cost of capital, investors also evaluate the quality of corporate governance to determine whether such performance reflects sustainable value creation rather than opportunistic managerial behavior. In practice, managers may misuse positive EVA to justify excessive compensation or inefficient expansion activities. Governance mechanisms, including board monitoring, financial disclosure, and shareholder protection, play a crucial role in ensuring that EVA contributes to enhancing firm value in the long term (Supriono, 2022; Alkadrie & Khairunnisa, 2023).

External financing needs indicate the extent to which firms require external financing, such as debt or equity issuance, to support investment, operational, and expansion activities when internal funds are inadequate. A high level of EFN may be interpreted positively as a signal of growth opportunities, but it may also raise concerns regarding financial risk and capital structure weakness. Previous studies demonstrate that GCG enhances the credibility of financial decisions and increases investor trust in corporate management (Djuminah et al., 2023; Rosyati et al., 2024). This issue is especially significant in Indonesia's technology sector, where firms depend heavily on external financing to fund research and development, digital infrastructure, and market expansion. Effective implementation of GCG through transparent reporting practices and protection of shareholder rights can reduce investor concerns and strengthen confidence that external financing is managed efficiently to support sustainable value creation.

H3: Good corporate governance strengthens the influence of economic value added on company value.

H4: Good corporate governance strengthens the influence of external financing needs on firm value.



**Figure 1.** Conceptual Framework

Figure 1 shows a research model depicting the direct and moderating effects between variables, where economic value added and external financing needs each have a direct effect on firm value (H1 and H2). Furthermore, good corporate governance acts as a moderating variable that influences the relationship between EVA and firm value (H3) and the relationship between EFN and firm value (H4). Thus, this model explains that firm value is not only influenced by economic performance and financing needs, but also by the quality of corporate governance, which can strengthen or weaken this relationship.

**3. Methods**

This study employs a quantitative method with a descriptive approach to investigate the effects of Economic Value Added (EVA) and External Financing Needs (EFN) on firm value, as well as the moderating role of Good Corporate Governance (GCG) in technology sector companies listed on the Indonesia Stock Exchange (IDX). A quantitative approach is considered appropriate because it is consistent with the positivist paradigm, which emphasizes the use of numerical data to examine hypotheses objectively and systematically.

The study utilizes secondary data derived from the annual financial statements of technology sector companies listed on the IDX during the 2021–2024 period. The data were collected from the official IDX website, corporate websites, as well as supporting sources such as academic publications, financial journals, and industry reports related to the technology sector. The population consists of all technology sector firms listed on the IDX between 2021 and 2024. The sampling process applies a purposive sampling technique by establishing specific criteria to ensure that the selected sample is relevant to the objectives of the study.

Based on the sampling process, 47 technology companies were initially identified. However, 18 firms were excluded because they were not consistently listed during the 2021–2024 period, while an additional 5 firms were excluded due to incomplete financial reports. The final sample comprises 24 companies that satisfied all selection criteria. With a four-year observation period, the study includes 96 observation units (24 firms × 4 years). The 2021–2024 period was selected to capture important developments within the technology sector, including post-pandemic recovery, valuation corrections, and the initial stage of sectoral recovery, while also ensuring sufficient and consistent data availability for robust analysis.

The variables examined in this study include firm value, economic value added, external financing needs, and good corporate governance, all of which are measured

using a ratio scale. Firm value is proxied by Price to Book Value (PBV), calculated as the market price per share divided by the book value per share. EVA is measured using the formula  $EVA = NOPAT - (WACC \times \text{Invested Capital})$ . EFN is calculated using the formula  $EFN = (A/S) \times \Delta S - (L/S) \times \Delta S - PM \times S1 \times (1 - d)$ . Meanwhile, GCG is proxied by the proportion of independent commissioners, measured as the ratio of independent commissioners to the total number of board commissioners.

To ensure data validity and examine the proposed hypotheses, this study employs panel data analysis using STATA software. Several classical assumption tests are conducted, including the normality test (Skewness/Kurtosis test), multicollinearity test (Pairwise Pearson Correlation Matrix and Variance Inflation Factor/VIF), heteroskedasticity test (Breusch-Pagan/Cook-Weisberg test), and autocorrelation test (Wooldridge test). Furthermore, the Chow test, Hausman test, and Lagrange Multiplier test are applied to determine the most appropriate panel data estimation model among the Common Effect Model, Fixed Effect Model, and Random Effect Model. Hypothesis testing is subsequently performed using multiple linear regression analysis and Moderated Regression Analysis (MRA) to examine both the direct effects of EVA and EFN on firm value and the moderating role of GCG through interaction variables.

#### 4. Results

The initial descriptive statistical analysis revealed the presence of several extreme observations, particularly in the firm value variable proxied by PBV, where certain values were substantially higher than the majority of the dataset. The existence of outliers may distort regression results by influencing coefficient estimates and increasing error variance, thereby producing biased and less representative models (Gujarati & Porter, 2009). Therefore, this study conducted an outlier detection and removal procedure (cut outlier) prior to further analysis. A total of five observations were identified as outliers and excluded from the dataset, specifically observations from MLPT during 2021–2024 and MTDL in 2021. In panel data analysis, each firm-year combination is treated as a single observation. Thus, only the extreme observations were removed without excluding the entire firms from the sample. Consequently, the total number of observations decreased from 96 to 91.

Following the data cleaning process, this study applied a logarithmic transformation to improve data distribution. Although outliers had been removed, several variables still exhibited considerable dispersion and skewness, which could potentially violate regression assumptions and reduce the stability of estimation results. Logarithmic transformation is commonly employed to reduce skewness, stabilize variance, and improve data normality, thereby generating more reliable and accurate regression estimates (Feng et al., 2014). Recent studies by Alshamrani (2025) and Eltehiwy and AbuEl-Magd (2025) also support the effectiveness of transformation techniques in enhancing statistical analysis for non-normally distributed data. However, because several variables, particularly EVA and EFN, contained negative values, direct logarithmic transformation could not be performed. To overcome this issue, a constant adjustment based on the minimum value of each variable was applied before the transformation process, ensuring that all data could be transformed appropriately.

Table 1 summarizes the descriptive statistical analysis after the dataset underwent outlier elimination and logarithmic transformation. These procedures were implemented to reduce the effect of extreme observations and to improve the distributional properties of the data, thereby increasing the robustness of the subsequent regression analysis. The firm value variable shows an average value of 0.306545, with values ranging from  $-1.264134$  to  $1.735906$ . The relatively broad range indicates considerable differences in firm value across technology sector

companies. Moreover, firm value exhibits the largest standard deviation of 0.606805, implying that this variable has the highest level of dispersion among all variables examined in the study.

**Table 1.** Descriptive Statistical Analysis After Data Deletion and Transformation

Variable	Mean	Maximum	Minimum	Std. Dev.
Firm Value	0.306545	1.735906	-1.264134	0.606805
Economic Value Added	11.81451	12.26512	11.37380	0.110230
External Financing Needs	13.30111	13.84191	12.22059	0.190145
Good Corporate Governance	-0.361753	-0.176091	-0.477121	0.110057

Economic value added variable records a mean value of 11.81451 and a relatively small standard deviation of 0.110230, indicating that the economic value added data are fairly uniform across observations following the transformation process. Likewise, external financing needs have an average value of 13.30111 with a standard deviation of 0.190145, reflecting a moderate level of variation in firms' dependence on external financing. Meanwhile, good corporate governance reports a mean value of -0.361753 and the lowest standard deviation, amounting to 0.110057, which suggests that the governance practices among the sampled companies are relatively consistent. The transformed variables demonstrate improved stability and distribution, making the dataset more appropriate for panel regression analysis.

**Table 2.** Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	7.398399	(22.63)	0.0000
Cross-section Chi-square	116.148663	22	0.0000

Table 2 displays the results of the Chow test conducted to identify the most appropriate panel data estimation model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). The test results indicate that the probability value of the Cross-section F-statistic is 0.0000, which is below the 0.05 significance threshold. Likewise, the Cross-section Chi-square statistic also produces a probability value of 0.0000. Since both probability values are smaller than 0.05, the null hypothesis favoring the CEM is rejected. The FEM is considered the more appropriate estimation model for this study, as it is better able to account for differences and specific characteristics among technology sector companies during the research period.

**Table 3.** Hausman and Lagrange Multiple Test

Test	Indicator	Result
	Test	Cross-section random
Hausman Test	Chi-Sq. Statistic	4.921501
	Chi-Sq. d.f.	5
	Prob.	0.4255
	Cross-section (Breusch-Pagan)	47.17148 (0.0000)
Lagrange Multiplier	Time (Breusch-Pagan)	4.653263 (0.0310)
	Both (Breusch-Pagan)	51.82474 (0.0000)

The results of the Hausman test in Table 3 show a Chi-square value of 4.921501 with a probability of 0.4255. Because the probability exceeds the 0.05 significance level, the Random Effect Model (REM) is preferred over the Fixed Effect Model (FEM). This indicates that variations across firms are more appropriately modeled as random rather than fixed, making REM a more efficient estimator for the relationships among the variables. Furthermore, the Breusch-Pagan Lagrange Multiplier test yields a cross-section statistic of 47.17148 with a probability value of

0.0000. Since this value is below 0.05, the REM is also favored over the Common Effect Model (CEM), suggesting the presence of significant individual random effects among firms in the panel data.

In summary, the model selection tests provide mixed outcomes. The Chow test supports the use of FEM compared to CEM, while both the Hausman test and the Lagrange Multiplier test indicate that REM is more appropriate. Based on these combined results, the REM is selected as the most suitable estimation model because it captures firm heterogeneity as random variation and better reflects the structure of the panel data. Consequently, REM is applied in this study to examine the effects of EVA and EFN on firm value, with GCG serving as the moderating variable.

**Table 4.** Normality Test and Multicollinearity Test

Test	Statistics/Variable	Value/VIF
Normality Test	Jarque–Bera	4.126418
	Probability	0.127046
Multicollinearity Test	Economic Value Added	1.030408
	External Financing Needs	1.053565
	Good Corporate Governance	1.025717

Table 4 reports the outcomes of the normality and multicollinearity tests used to assess the adequacy of the regression model. The Jarque–Bera test for normality shows a statistic of 4.126418 with a probability value of 0.127046, which exceeds the 0.05 significance level, indicating that the residuals are normally distributed and the normality assumption is fulfilled. Furthermore, the multicollinearity test based on the Variance Inflation Factor (VIF) reveals very low values for all independent variables, namely economic value added (1.030408), external financing needs (1.053565), and good corporate governance (1.025717), all of which are well below the critical threshold of 10. This suggests that there is no indication of multicollinearity among the explanatory variables. These results demonstrate that the regression model satisfies the classical assumption tests and is suitable for subsequent empirical analysis.

**Table 5.** Heteroscedasticity and Autocorrelation

Test	Statistics	Value	Prob.
Heteroscedasticity	F-statistic	2.188331	0.0629
	Obs*R-squared	10.37808	0.0652
	Scaled explained SS	9.861721	0.0792
Autocorrelation	F-statistic	41.31114	0.0512
	Obs*R-squared	29.99984	0.0709

Table 5 reports the outcomes of the heteroscedasticity and autocorrelation tests used to assess whether the regression model fulfills classical assumption criteria. In the heteroscedasticity test, the F-statistic shows a probability value of 0.0629, while the Obs\*R-squared and Scaled Explained SS tests yield probabilities of 0.0652 and 0.0792, respectively. Since all values exceed the 0.05 significance level, it indicates that the model does not exhibit heteroscedasticity, implying that the residual variance remains relatively constant across observations.

For the autocorrelation test, the F-statistic produces a probability of 0.0512, and the Obs\*R-squared test shows a probability of 0.0709. Because both values are greater than 0.05, it can be inferred that there is no significant autocorrelation issue in the model. These results confirm that the regression model satisfies the assumptions of homoscedasticity and error independence, making it appropriate for further empirical analysis.

**Table 6.** Panel Data Regression Analysis

Variable	Coefficient	t-statistic	Prob.	Conclusion
Constant	58.49331	2.594600	0.0112	-
Economic Value Added → Firm Value	-3.915015	-2.347662	0.0212	H1 Rejected
External Financing Needs → Firm Value	-0.892626	-1.272989	0.2065	H2 Rejected
Good Corporate Governance → Firm Value	170.1536	2.558748	0.0123	-
Good Corporate Governance*Economic Value Added → Firm Value	-10.69619	-2.157313	0.0338	H3 Rejected
Good Corporate Governance*Economic Value Added → Firm Value	-3.279602	-1.681806	0.0963	H4 Rejected

Table 6 reports the results of the panel data regression using the Random Effect Model. The constant shows a coefficient of 58.49331 with a t-statistic of 2.594600 and a significance level of 0.0112. The economic value added variable has a negative coefficient of -3.915015 with a t-statistic of -2.347662 and a probability of 0.0212, leading to the rejection of H1. Likewise, external financing needs records a coefficient of -0.892626 with a t-statistic of -1.272989 and a probability of 0.2065, indicating that H2 is also rejected. On the other hand, good corporate governance exhibits a positive coefficient of 170.1536 with a t-statistic of 2.558748 and a probability of 0.0123.

For the interaction terms, good corporate governance moderating the effect of economic value added on firm value shows a coefficient of -10.69619 with a t-statistic of -2.157313 and a probability value of 0.0338, indicating that the effect is statistically significant at the 5% level, and H3 is rejected based on the study's predefined criteria. Meanwhile, the interaction between good corporate governance and external financing needs on firm value yields a coefficient of -3.279602 with a t-statistic of -1.681806 and a probability value of 0.0963, which is not statistically significant at the 5% level, leading to the rejection of H4.

**Table 7.** Coefficients of Determination

Test	Value
R-squared	0.093060
Adjusted R-squared	0.039710
S.E. of Regression	0.372461
F-statistic	1.744345
Prob (F-statistic)	0.133259

Table 7 presents the coefficient of determination results, which are used to assess the explanatory strength of the regression model. The R-squared value of 0.093060 indicates that only 9.31% of the variation in firm value can be explained by the independent variables, namely economic value added, external financing needs, and good corporate governance, while the remaining variation is influenced by other factors not included in the model. Similarly, the Adjusted R-squared value of 0.039710 shows an even lower explanatory power after adjusting for the number of predictors, reinforcing that the model has limited ability to explain changes in firm value.

Furthermore, the standard error of regression is 0.372461, which reflects the average deviation between the observed and estimated values in the model. The F-statistic value of 1.744345 with a probability of 0.133259 indicates that the model as a whole is not statistically significant at the 5% significance level, meaning that the

independent variables jointly do not have a significant effect on firm value. These results suggest that the regression model has relatively weak explanatory power in explaining variations in firm value within the study sample.

## 5. Discussion

The findings indicate that Economic Value Added (EVA) has a negative and significant effect on firm value, contrary to the expected positive relationship. This suggests that in the technology sector, firm value is more strongly driven by growth expectations than by current financial performance. EVA is highly influenced by the cost of capital, and when firms are unable to generate returns above this cost, value creation becomes less attractive to investors (Nianty & Safitri, 2023). This condition is particularly relevant for technology firms, which require substantial and continuous investment in innovation and research and development, resulting in high capital charges that may offset operational performance (Jin & Li, 2023; Zenzerović & Benazić, 2023). In some cases, studies by Huaman-Roque (2025) suggest the increased investment can even suppress EVA despite firm expansion. Moreover, EVA does not fully capture intangible assets such as innovation capability and digital transformation capacity (Xie et al., 2022). In modern capital markets, especially within the technology industry, valuation is increasingly driven by future growth expectations rather than current fundamentals, which leads investors to interpret EVA more cautiously under uncertainty (Koller et al., 2020; Lou et al., 2023; Guo, 2025). These results are consistent with previous studies by Angelina and Salim (2021), Wijaya (2022), and Tobing (2022), reporting a negative relationship between EVA and firm value.

External Financing Needs (EFN) do not exhibit a significant effect on firm value, indicating that external financing is not a dominant factor in investor valuation decisions. Although signaling theory suggests that EFN reflects growth opportunities, in practice, this signal appears weak. Firms generally prefer internal financing, while external funding is often considered a secondary option that may signal liquidity constraints rather than growth potential (Gea et al., 2025). In addition, external financing increases financial risk, including debt obligations and bankruptcy exposure (Rosyid et al., 2024; Wang et al., 2025; Kadasah & Gazzaz, 2025). The relationship between capital structure and firm value is widely recognized as context-dependent and inconsistent across studies (Ningsih & Sulastiningsih, 2024; Gea et al., 2025). In the technology sector, reliance on external financing is common due to high innovation and capital requirements, which reduces its signaling relevance. Investors in this sector tend to focus more on growth potential and macroeconomic conditions rather than financing structure (Ahmed et al., 2024; Chiu, 2024; Ma et al., 2025). These findings align with Hong et al. (2023), who also reported an insignificant relationship between EFN and firm value.

Furthermore, Good Corporate Governance (GCG), proxied by institutional ownership, significantly weakens the relationship between EVA and firm value. This indicates that institutional investors prioritize long-term stability and risk management over short-term financial performance (Malini et al., 2021; Heling & Lastanti, 2024). As a result, EVA may be interpreted as a measure of short-term efficiency rather than sustainable value creation (Ahmed et al., 2024). This finding is consistent with previous studies by Ningsih and Sulastiningsih (2024) and Gea et al. (2025), suggesting that governance mechanisms do not always strengthen financial relationships and may even alter their direction depending on contextual conditions.

In contrast, GCG does not moderate the relationship between EFN and firm value, implying that institutional ownership does not significantly influence how external financing decisions are perceived by the market. This result is consistent with studies showing that capital structure does not always have a significant effect on firm value (Amin, 2021). Investors tend to place greater emphasis on financial

risk considerations, while external financing is often viewed as a normal characteristic of high-growth firms rather than a distinct valuation signal (Anisah et al., 2023). Additionally, moderating variables do not always function effectively in financial relationships (Kamisanti et al., 2025). These findings highlight that in the technology sector, firm value is primarily shaped by growth expectations and uncertainty rather than traditional financial indicators or governance mechanisms alone.

## **6. Conclusion**

This study finds that economic value added has a negative and significant effect on firm value, indicating that in the technology sector, firm value is more strongly driven by growth expectations than by current financial performance. In contrast, external financing needs do not have a significant effect on firm value, suggesting that external financing is not a key determinant in investor valuation decisions. Furthermore, good corporate governance does not strengthen the relationship between external financing needs and firm value, but it weakens the relationship between economic value added and firm value. These findings indicate that in the technology sector, traditional financial indicators and governance mechanisms are not yet the primary drivers of firm value formation compared to growth expectations and market dynamics.

The implications of this study suggest that company management should place greater emphasis on growth-oriented strategies, innovation, and market expectations to enhance firm value. For investors, the results highlight the importance of considering non-financial factors, such as industry prospects and technological developments, in investment decision-making. This study is limited by its relatively small sample size, short observation period, and the use of a limited set of variables, namely economic value added, external financing needs, and good corporate governance. Therefore, future research is recommended to expand the sample to other sectors, extend the observation period, and include additional variables such as innovation capability, digital transformation, and macroeconomic factors to provide a more comprehensive understanding of firm value determinants.

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