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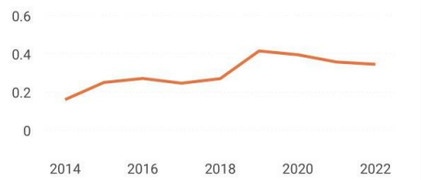

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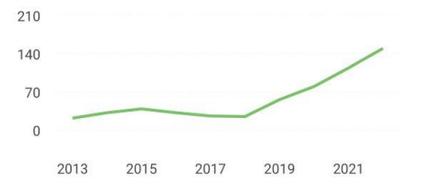

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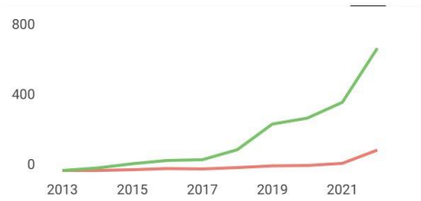

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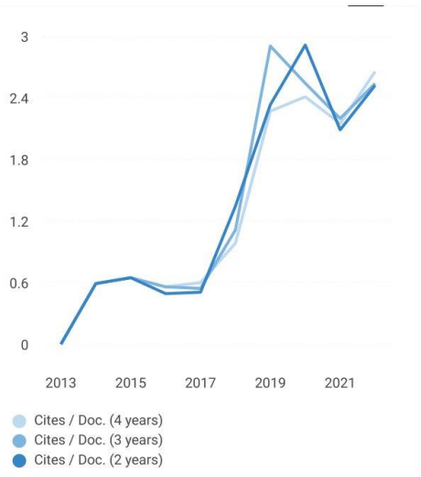

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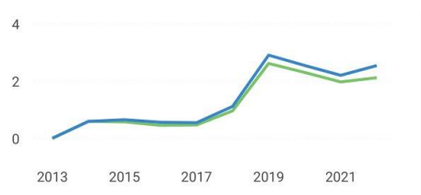

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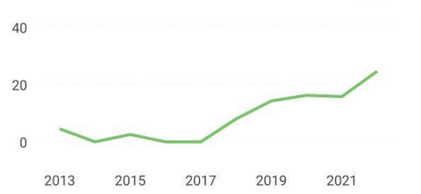

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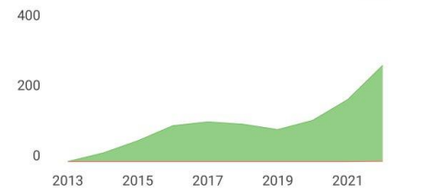

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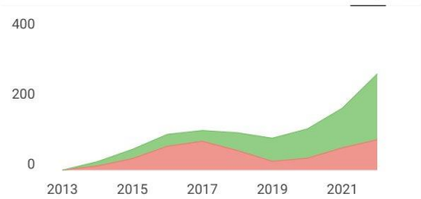

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Abstract: The primary objective of this research is to examine the relationship between Good Corporate Governance (GCG), value chain, and bank asset growth in Indonesian State-Owned banks. Additionally, this study aims to determine whether value chain mediates the relationship between GCG and bank asset growth. This research employs a quantitative method. Data is collected using a questionnaire with a Likert scale ranging from 1

to 7. The respondents in this study are employees and managers working in state-owned banks in Indonesia. The total sample size used in this research is 239 samples. Data analysis is conducted using SmartPLS 4 software. The results of this study demonstrate that GCG has a significant positive relationship with the value chain of the bank. However, the direct relationship between GCG and bank asset growth is not statistically significant. The results of the mediation analysis show that value chain mediates the relationship between GCG and bank asset growth, emphasizing the critical role of value chain in optimizing the impact of GCG on bank asset growth

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MANUSCRIPT ATTACHMENT

ESTIMATING THE MEDIATING ROLE OF VALUE CHAIN IN GOOD CORPORATE GOVERNANCE AND ASSET GROWTH

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Abstract

The primary objective of this research is to examine the relationship between Good Corporate Governance (GCG), value chain, and bank asset growth in Indonesian State-Owned banks. Additionally, this study aims to determine whether value chain mediates the relationship between GCG and bank asset growth. This research employs a quantitative method. Data is collected using a questionnaire with a Likert scale ranging from 1 to 7. The respondents in this study are employees and managers working in state-owned banks in Indonesia. The total sample size used in this research is 239 samples. Data analysis is conducted using SmartPLS 4 software. The results of this study demonstrate that GCG has a significant positive relationship with the value chain of the bank.

Keywords: Good Corporate Governance, Corporate Assets Growth, Value Chain, Bank, State-Owned Enterprises.

1. Introduction

Good Corporate Governance (GCG) is a framework that underlies globally recognized principles and best practices applied in the management and oversight of companies, including financial institutions such as banks. The principles of GCG are designed to create an operational environment aligned with ethical values, transparency, accountability, and fairness (Mangasih et al., 2020). The first principle of GCG is transparency, emphasizing the importance for companies to provide clear, accurate, and easily accessible information to stakeholders. This includes accurate financial reporting, ownership structure, as well as relevant company policies and practices. With good transparency, companies help stakeholders understand and evaluate performance and operations (Ramli & Setiany, 2021; Riswandari et al., 2023; Scherer & Voegtlin, 2020). Furthermore, GCG emphasizes accountability, requiring management and the company's board of directors to be responsible for the actions and decisions made. This includes ethical decision-making and accountability to stakeholders in achieving business objectives and legal compliance (Mahboob, 2022; Audria & Susan, 2019).

In Indonesia, the banking industry plays a crucial role in accelerating the country's economic growth. As one of the main foundations in the financial system, banks in Indonesia have a significant role in supporting various economic sectors, from microbusinesses to large enterprises, as well as investment and international trade (Ramli & Setiany, 2021). Banks function as intermediaries that connect those in need of capital with those providing funds, creating a vital capital flow for economic growth (Rissy, 2019; Kalangi & Tewu, 2022). State-Owned Enterprises (SOEs) banks have a more profound strategic role in Indonesia's economy. As government-owned financial institutions, state-owned banks are expected to act as agents of economic growth oriented not only toward profit but also sustainable development and societal well-being. These banks have a special responsibility to support national development initiatives and create a conducive business environment for various economic sectors (Sharma et al., 2018; Rizkia & Fardiansyah, 2023).

However, after the Asian financial crisis in 1997 and the global financial crisis from 2008 to 2010, the implementation of Good Corporate Governance (GCG) by Indonesian banks still lags behind compared to other Asian countries (Utami et al., 2021). Therefore, this research focuses on analyzing the implementation of GCG in the Indonesian banking industry, particularly in four banks owned by the Indonesian government (Bank Mandiri, Bank BRI, Bank BNI, and Bank BTN). In 2016, these four banks were ranked among the largest banks in terms of total assets. They are limited liability companies with the majority of shares owned by the Indonesian government (Adinugraha, 2023). Compared to other industries, the Indonesian banking sector is more heavily regulated by authorities from various parties, including the government, central bank, and the Financial Services Authority (OJK). According to Almagtome et al. (2020), one effective way to convey a company's corporate governance to stakeholders is through annual reports. This can be used to convey the company's image and message, gain trust and credibility, and enhance corporate performance. Moreover, Zhou et al. (2023) explain that high-quality disclosure in annual reports can create a strong external impression. Masud et al. (2018) also state that annual reports are a crucial tool in supporting good corporate governance and can help companies establish a strong foundation for long-term growth and success.

2. Literature Review and Hypothesis Development

Asset growth is an indicator of a company's ability to expand its range of products and the overall volume of assets. This growth can be illustrated by an increasing product portfolio or business scale

expansion (Aslam & Haron, 2020). However, asset growth is not solely dependent on a company's internal policies; it is also influenced by various factors, including internal-external company dynamics and the local industry climate. One crucial consideration in managing asset growth is the source of funding used (Li et al., 2021; Novitasari & Bernawati, 2020). In situations where a company experiences high growth, existing capital must be utilized as a funding source to support expansion, thus avoiding the need for additional debt. By using internal capital, a company can minimize interest costs and potentially avoid conflicts of interest between shareholders and company management (agency costs) (Mukherjee & Sen, 2019; Masud et al., 2018). Conversely, companies with lower growth rates may opt for debt as a form of financing. Debt is a source of funding that allows a company to borrow funds from external parties, with an obligation to pay interest periodically. This can be a better option in situations where a company does not have sufficient internal resources to support growth (Davis, 2021).

Corporate governance (GCG) primarily aims to create a framework that ensures a company operates with transparency, accountability, and responsibility, thereby safeguarding the interests of shareholders and other stakeholders (Chouaibi et al., 2022). In efforts to reduce agency problems, GCG integrates principles such as the presence of independent directors, an audit committee responsible for monitoring financial reports and ensuring compliance with regulations, and attention to CEO and top executive management compensation structures (Riswandari et al., 2023). GCG has received increasing attention following financial crises and prominent corporate failures. Society and shareholders are increasingly urging companies to implement strong corporate governance, even though this may entail additional costs in the short term (Malini, 2021). Companies that implement GCG effectively tend to create long-term value, win shareholder trust, and avoid conflicts and scandals that can damage their reputation. In addition to regulatory compliance, GCG also involves ethical and integrity aspects in conducting business (Bobillo et al., 2018; Utami et al., 2021; Lubis, 2023). Riswandari et al. (2023) asserted that their investigation revealed the intermediary function of the value chain, facilitating the impact of innovation strategies and corporate governance (GCG) on the operational performance of Indonesian manufacturing enterprises.

According to Setyahadi & Narsa (2020), there are various international guidelines that can be used as a reference for adopting good corporate governance (GCG) practices, including the use of the Corporate Governance Perception Index (CGPI). CGPI is a tool or index used to measure the perception of the extent to which a company or entity applies GCG principles. The importance of using international guidelines like CGPI is to ensure that companies or entities adhere to globally recognized best practices in corporate governance. However, GCG implementation is not static (Tang, 2022; Riswandari et al., 2023; Jamil et al., 2021). In a continually changing context, the implementation of GCG must be regularly reviewed and evaluated to ensure the quality of its implementation is maintained. Changes in laws, regulations, and shareholder demands can influence a company's GCG practices. Therefore, periodic evaluation is necessary to ensure that the company continues to comply with relevant standards and regulations. This also ensures that GCG remains in line with the latest developments in business practices and corporate governance. Through regular evaluations, companies can assess whether there are areas that need improvement in their GCG implementation and take corrective actions as needed (Zhou et al., 2023).

Rose et al. (2021) found a positive and significant relationship between the Corporate Governance Perception Index (CGPI) and company performance. This indicates that companies that implement good corporate governance tend to achieve better performance. Purbawangsa et al. (2020) also affirmed that corporate governance has had a positive impact on company profitability. This is due to the improved corporate governance that can enhance public trust in the company, which, in turn, makes individuals more loyal to the organization. Furthermore, Ruwanti et al. (2019) stated that the better the corporate governance, the higher the company's asset growth. With increased trust, people are more willing to buy the company's shares, which can support the growth of the company's assets. Audria & Susan (2019) found that asset growth has a positive and significant impact on company profitability, measured by Return on Assets (ROA). Asset growth can be one of the key factors supporting better value chain. Davis (2021) also stated that the better the corporate governance, the better the asset growth. Based on several previous research findings, the hypotheses in this study are summarized as follows:

Hypothesis 1: Good corporate governance has a positive impact on value chain.
Hypothesis 2: Good corporate governance has a positive impact on corporate assets growth.
Hypothesis 3: Value chain has a positive impact on corporate assets growth.
Hypothesis 4: Value chain mediates the relationship between good corporate governance and corporate assets growth.

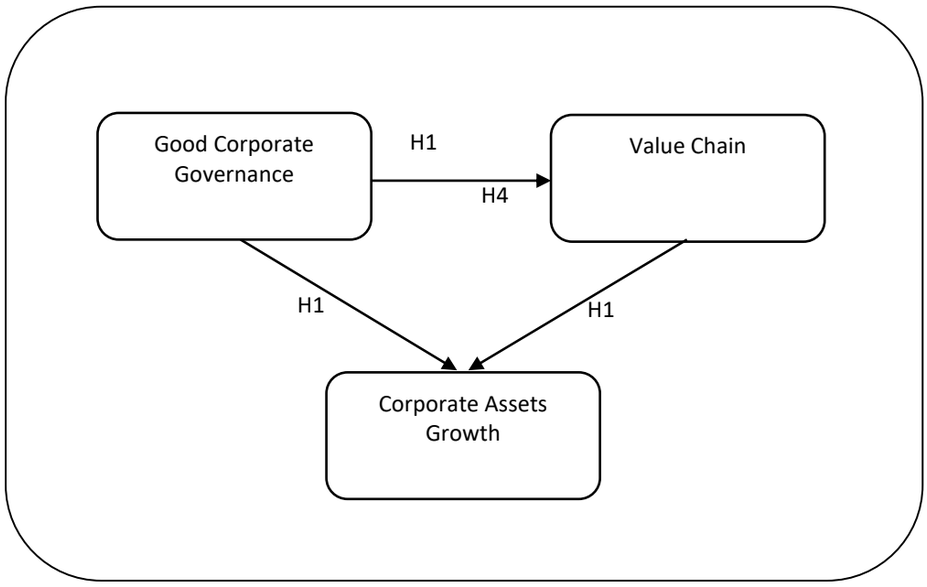

Figure 1. Model framework

3. Research Method

This research utilizes a quantitative method that focuses on the collection and analysis of data based on numerical and statistical figures. Data is gathered using a questionnaire with a Likert scale ranging from 1 to 7. The Likert scale allows respondents to express their level of agreement or disagreement with specific statements relevant to the research. The respondents in this study are managers working in state-owned banks in Indonesia. A total of 300 questionnaires were distributed to the respondents. Out of the total questionnaires, 248 were successfully collected. However, there were 9 questionnaires that were not completed in full, resulting in a sample size of 239 questionnaires for this research. In the data analysis, the analytical tool used in this research is the SmartPLS 4 software, which is capable of analyzing data within the framework of Structural Equation Modeling (SEM). This research method provides a comprehensive framework for data collection, processing, and analysis with the aim of uncovering the relationships between good corporate governance, value chain, and corporate assets growth.

4. Research Result

Within the framework of this research, there are three main variables that are the focus of analysis, namely good corporate governance (GCG), value chain, and corporate assets growth. To measure these variables, each variable is represented by several indicators. There is a total of 5 indicators for the GCG variable, 6 indicators for the value chain variable, and 6 indicators for the corporate asset's growth variable. Each indicator is selected with the aim of reflecting important aspects of their respective latent variables. The initial phase of this research is the indicator reliability test, which aims to ensure that the indicators used are reliable in measuring the latent variables. The research employs the standard factor loading test as an evaluation method. Standard factor loading is used to measure the extent to which each indicator can represent the latent variable. Indicators that are considered reliable are those with a standard factor loading value greater than 0.6.

The results of this phase are important as they provide confidence that the indicators used are appropriate for measuring the latent variables. If these indicators have significant standard factor loading values, it indicates that the indicators effectively reflect the represented latent variables. The results of the standard factor loading test can be seen in Table 1.

Table 1. Standard factor loading

Variable	Indicator	Std. Loading Factor
Good Corporate Governance	GCG1	0.773
	GCG2	0.801
	GCG3	0.895
	GCG4	0.858
	GCG5	0.792
Value Chain	VC1	0.842
	VC2	0.797
	VC3	0.856
	VC4	0.791
	VC5	0.689

	VC6	0.756
Corporate Assets Growth	CAG1	0.867
	CAG2	0.803
	CAG3	0.834
	CAG4	0.845

The standard factor loading values listed in the above Table 1 depict how well each indicator can measure the latent variables. The results of this test provide insight into how effectively these indicators represent the central focus of the research. For the GCG variable, the results show that all five of its indicators (GCG1, GCG2, GCG3, GCG4, and GCG5) have significant standard factor loading values, ranging from 0.773 to 0.895. This indicates that the GCG indicators strongly measure the latent variable "good corporate governance." Likewise, for the value chain variable, all six indicators (VC1, VC2, VC3, VC4, VC5, and VC6) also exhibit high standard factor loading values, ranging from 0.689 to 0.856, demonstrating the effective measurement of the latent variable " value chain." Similarly, the corporate assets growth variable has six indicators (CAG1, CAG2, CAG3, CAG4), each of which shows significant standard factor loading values, ranging from 0.803 to 0.867. This confirms the effectiveness of these indicators in measuring the latent variable "corporate assets growth." These results provide confidence that the indicators used in this study are reliable in measuring the latent variables representing GCG, value chain, and corporate assets growth.

The subsequent analysis consists of reliability and validity tests. The reliability test aims to evaluate the extent to which the instruments or indicators used in the research are consistent and reliable. The main purpose of the reliability test is to ensure that the measuring instruments or indicators provide stable and consistent results when used repeatedly on the same subjects or objects. The accepted reliability value should exceed 0.7, meaning that the measuring instrument is considered reliable if its reliability coefficient exceeds this threshold. High reliability values indicate that the measuring instruments used in the research can produce consistent and reliable results.

On the other hand, the validity test is another stage in the research that aims to assess the extent to which the instruments or indicators used genuinely measure the latent variables. Validity refers to whether the measuring instruments genuinely reflect the concept or variable under investigation. The accepted validity value should exceed 0.6. This indicates that the instrument can be considered valid if its validity value surpasses this threshold. With sufficiently high validity values, it can be concluded that the instruments or indicators used can adequately measure the variable or construct under investigation, and the results provided by these instruments can be considered an accurate representation of that variable.

Table 2. Reliability and Validity

Variable	Cronbach's alpha	Composite reliability (CR)	Average variance extracted (AVE)
Good Corporate Governance	0.883	0.895	0.681
Value Chain	0.881	0.904	0.624
Corporate Assets Growth	0.861	0.892	0.702

Composite reliability is a measure that indicates the extent to which the researched constructs are reliable or consistent. The results in Table 2 above show that the three main variables, namely GCG, value chain, and corporate assets growth, exhibit high levels of reliability. The values of Composite Reliability (CR) for these three variables are 0.895, 0.904, and 0.892, respectively. These figures exceed the common threshold typically considered a good indicator of reliability (> 0.7).

Average Variance Extracted (AVE) measures the extent to which the variance is explained by the constructs themselves compared to the variance caused by measurement errors. The results in Table 2 indicate that the AVE values for GCG are 0.681, for value chain are 0.624, and for corporate assets growth are 0.702. High AVE values suggest that these constructs have a good ability to explain the variation in their own indicators. Therefore, the results in the table show that these three variables have high levels of reliability and valid constructs, supporting the measurement's reliability and validity in this research.

Validity tests can also be conducted using a technique called cross-loading analysis. Cross-loading analysis is an approach that helps researchers gain a more detailed understanding of the validity of each indicator used in the measurement tool. In cross-loading analysis, each indicator is analyzed to determine the extent to which it contributes to the measured construct. This test examines how much the indicators "cross" or relate to other constructs that they should not be associated with. The results of cross-loading analysis can provide insights into whether each indicator is exclusively related to the latent variable it should measure or if there is potential contamination from other constructs.

Table 3. Cross loading

Variable	Indicator	Good Corporate	Value Chain	Corporate Assets

		Governance		Growth
Good Corporate Governance	GCG1	0.773	0.364	0.155
	GCG2	0.801	0.242	0.155
	GCG3	0.895	0.394	0.238
	GCG4	0.858	0.347	0.308
	GCG5	0.792	0.352	0.323
Value Chain	VC1	0.429	0.842	0.369
	VC2	0.362	0.797	0.348
	VC3	0.231	0.856	0.335
	VC4	0.399	0.791	0.407
	VC5	0.172	0.689	0.201
	VC6	0.281	0.756	0.221
Corporate Assets Growth	CAG1	0.235	0.346	0.867
	CAG2	0.189	0.286	0.803
	CAG3	0.167	0.292	0.834
	CAG4	0.351	0.428	0.845

Hypothesis testing is the final stage of analysis in research to evaluate the influence and relationships between the studied variables. Two criteria are used to determine whether hypotheses can be accepted or rejected. First, the study refers to the T statistic value. A hypothesis is considered acceptable if the obtained T statistic value exceeds 1.96. This value indicates that the test results are statistically significant, meaning there is a significant relationship between the studied variables. This validates the hypotheses proposed in the research. Additionally, the research also examines the p-value. A hypothesis is considered acceptable if the p-value is less than 0.05. This p-value indicates the statistical significance level of the hypothesis test results. If the p-value is less than 0.05, it shows that the test results are significant and support the research hypotheses. Hypothesis testing results that meet one or both of these criteria provide a strong basis for concluding the existence of a relationship or influence between the studied variables.

Table 4. Hypothesis Testing

Hypothesis	T statistics	P values	Information
Good Corporate Governance -> Value Chain	5.669	0.000	Significant
Good Corporate Governance -> Corporate Assets Growth	1.491	0.137	Not Significant
Value Chain -> Corporate Assets Growth	4.434	0.000	Significant
Good Corporate Governance-> Value Chain -> Corporate Assets Growth	3.545	0.042	Significant

The hypothesis testing results in Table 4 above indicate that the relationship between Good Corporate Governance (GCG) and value chain is statistically significant. The T statistic value obtained is 5.669, and the p-value is 0.000 (less than 0.05). These results show that the relationship between GCG and value chain is significant. In other words, the test results support a strong relationship between GCG and a company's value chain. For the second hypothesis, the results show that the relationship between GCG and corporate assets growth does not have a statistically significant impact. The T statistic value is 1.491, and the p-value is 0.137 (more than 0.05), indicating that there is no strong statistical evidence to support a significant relationship between GCG and corporate asset growth. In other words, this hypothesis is not supported by the statistical results in this study.

Furthermore, the third hypothesis suggests that the relationship between value chain and corporate assets growth is statistically significant. The T statistic value is 4.434, and the p-value is 0.000 (less than 0.05), indicating that the relationship between value chain and corporate asset growth is significant. This suggests that the test results support a strong relationship between value chain and corporate asset growth. Furthermore, the fourth hypothesis can also be confirmed that value chain mediates the relationship between Good Corporate Governance and corporate asset growth. This is supported by the T statistic value obtained, which is 3.545 (> 1.96), and the p-value is 0.042 (< 0.05). With the obtained values, it means that the fourth hypothesis in this study is also accepted.

The results of this research show that good GCG practices have a positive impact on the value chain of banks. This reaffirms the importance of strong GCG implementation in state-owned financial institutions. By implementing GCG effectively, state-owned banks can improve the quality of their corporate governance, promote transparency, accountability, and fairness, and minimize risks. Furthermore, good GCG can enhance the trust of investors and customers, which, in turn, can boost value chain.

Although the relationship between GCG and asset growth was not confirmed in this study, it does not diminish the importance of GCG in the context of state-owned banks. State-owned banks still need to maintain good GCG practices to meet the governance standards required in the banking industry. Even if the direct relationship with asset growth may not always be proven, GCG still has positive implications for other aspects of bank performance and sustainability. The results of this study also indicate that value chain plays a mediating role in the relationship between GCG and asset growth. This suggests that good corporate governance quality can enhance the value chain of the bank, which, in turn, affects asset growth. This underscores the importance of managing value chain effectively, such as improving profitability and operational efficiency, as part of the strategy to achieve sustainable asset growth.

5. Conclusion

The results of this study demonstrate that Good Corporate Governance (GCG) has a significant positive influence on the value chain of banks, underscoring the importance of effective GCG implementation in the context of state-owned banks in Indonesia. However, the relationship between GCG and corporate assets growth was not statistically confirmed. Additionally, this research found that value chain acts as a mediator in the relationship between GCG and bank asset growth. This indicates that the value chain of the bank plays a crucial role in optimizing the impact of GCG on asset growth. These findings have implications for state-owned banks, suggesting that strong GCG implementation has the potential to enhance value chain, promote transparency, and build trust among shareholders and customers.

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PEER REVIEW PROCESS

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Dear Author,

I hope this message reaches you well. We have carefully reviewed your captioned manuscript "ESTIMATING THE MEDIATING ROLE OF VALUE CHAIN IN GOOD CORPORATE GOVERNANCE AND ASSET GROWTH". in your research, there are several important revisions required before we can proceed with the process review. In particular, we ask that you rephrase the abstract to make it clearer and more concise summary of your study. Additionally, we encourage you to expand the introduction and conclusion sections. Lastly, please improve the introduction section to make sense for future research. Once you have made these revisions, please resubmit your manuscript. We will then continue with peer review process. We appreciate your understanding and look forward to receiving your revised work. If you have any questions or require further clarification, please do not hesitate to contact us.
Thank you for your contribution to our journal.

Regards,

Editor

Uncertain Supply Chain Management

RESUBMITTED REVISED MANUSCRIPT

ESTIMATING THE MEDIATING ROLE OF VALUE CHAIN IN GOOD CORPORATE GOVERNANCE AND ASSET GROWTH

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Abstract

The primary objective of this research is to examine the relationship between Good Corporate Governance (GCG), value chain, and bank asset growth in Indonesian State-Owned banks. Additionally, this study aims to determine whether value chain mediates the relationship between GCG and bank asset growth. This research employs a quantitative method. Data is collected using a questionnaire with a Likert scale ranging from 1 to 7. The respondents in this study are employees and managers working in state-owned banks in Indonesia. The total sample size used in this research is 239 samples. Data analysis is conducted using SmartPLS 4 software. The results of this study demonstrate that GCG has a significant positive relationship with the value chain of the bank. However, the direct relationship between GCG and bank asset growth is not statistically significant. The results of the mediation analysis show that value chain mediates the relationship between GCG and bank asset growth, emphasizing the critical role of value chain in optimizing the impact of GCG on bank asset growth.

Keywords: Good Corporate Governance, Corporate Assets Growth, Value Chain, Bank, State-Owned Enterprises.

1. Introduction

Good Corporate Governance (GCG) is a framework that underlies globally recognized principles and best practices applied in the management and oversight of companies, including financial institutions such as banks. The principles of GCG are designed to create an operational environment aligned with ethical values, transparency, accountability, and fairness (Mangasih et al., 2020). The first principle of GCG is transparency, emphasizing the importance for companies to provide clear, accurate, and easily accessible information to stakeholders. This includes accurate financial reporting, ownership structure, as well as relevant company policies and practices. With good transparency, companies help stakeholders understand and evaluate performance and operations (Ramli & Setiany, 2021; Riswandari et al., 2023; Scherer & Voegtlin, 2020). Furthermore, GCG emphasizes accountability, requiring management and the company's board of directors to be responsible for the actions and decisions made. This includes ethical decision-making and accountability to stakeholders in achieving business objectives and legal compliance (Mahboob, 2022; Audria & Susan, 2019).

In Indonesia, the banking industry plays a crucial role in accelerating the country's economic growth. As one of the main foundations in the financial system, banks in Indonesia have a significant role in supporting various economic sectors, from microbusinesses to large enterprises, as well as investment and international trade (Ramli & Setiany, 2021). Banks function as intermediaries that connect those in need of capital with those providing funds, creating a vital capital flow for economic growth (Rissy, 2019; Kalangi & Tewu, 2022). State-Owned Enterprises (SOEs) banks have a more profound strategic role in Indonesia's economy. As government-owned financial institutions, state-owned banks are expected to act as agents of economic growth oriented not only toward profit but also sustainable development and societal well-being. These banks have a special responsibility to support national development initiatives and create a conducive business environment for various economic sectors (Sharma et al., 2018; Rizkia & Fardiansyah, 2023).

However, after the Asian financial crisis in 1997 and the global financial crisis from 2008 to 2010, the implementation of Good Corporate Governance (GCG) by Indonesian banks still lags behind compared to other Asian countries (Utami et al., 2021). Therefore, this research focuses on analyzing the implementation of GCG in the Indonesian banking industry, particularly in four banks owned by the Indonesian government (Bank Mandiri, Bank BRI, Bank BNI, and Bank BTN). In 2016, these four banks were ranked among the largest banks in terms of total assets. They are limited liability companies with the majority of shares owned by the Indonesian government (Adinugraha, 2023). Compared to other industries, the Indonesian banking sector is more heavily regulated by authorities from various parties, including the government, central bank, and the Financial Services Authority (OJK). According to Almagtome et al. (2020), one effective way to convey a company's corporate governance to stakeholders is through annual reports. This can be used to convey the company's image and message, gain trust and credibility, and enhance corporate performance. Moreover, Zhou et al. (2023) explain that high-quality disclosure in annual reports can create a strong external impression. Masud et al. (2018) also state that annual reports are a crucial tool in supporting good corporate governance and can help companies establish a strong foundation for long-term growth and success.

Previous research has primarily focused on the level of disclosure and the implementation of good corporate governance. There is very little research specifically analyzing the influence of good corporate governance (GCG) in affecting stakeholder trust, especially in state-owned banks. Therefore, this research aims to fill this gap by analyzing the implementation of Good Corporate Governance (GCG) and value chain in the context of creating company asset growth, particularly in state-owned banks. This research is expected to provide in-depth insights into the relationship between GCG, bank asset growth, and value chain, and can offer guidance to state-owned banks, regulators, and other stakeholders to strengthen corporate governance and support sustainable economic growth in Indonesia.

2. Literature Review and Hypothesis Development

Asset growth is an indicator of a company's ability to expand its range of products and the overall volume of assets. This growth can be illustrated by an increasing product portfolio or business scale expansion (Aslam & Haron, 2020). However, asset growth is not solely dependent on a company's internal policies; it is also influenced by various factors, including internal-external company dynamics and the local industry climate. One crucial consideration in managing asset growth is the source of funding used (Li et al., 2021; Novitasari & Bernawati, 2020). In situations where a company experiences high growth, existing capital must be utilized as a funding source to support expansion, thus avoiding the need for additional debt. By using internal capital, a company can minimize interest costs and potentially avoid conflicts of interest between shareholders and company management (agency costs) (Mukherjee & Sen, 2019; Masud et al., 2018). Conversely, companies with lower growth rates may opt for debt as a form of financing. Debt is a source of funding that allows a company to borrow funds from external parties, with an obligation to pay interest periodically. This can be a better option in situations where a company does not have sufficient internal resources to support growth (Davis, 2021).

Corporate governance (GCG) primarily aims to create a framework that ensures a company operates with transparency, accountability, and responsibility, thereby safeguarding the interests of shareholders and other stakeholders (Chouaibi et al., 2022). In efforts to reduce agency problems, GCG integrates principles such as the presence of independent directors, an audit committee responsible for monitoring financial reports and ensuring compliance with regulations, and attention to CEO and top executive management compensation structures (Riswandari et al., 2023). GCG has received increasing attention following financial crises and prominent corporate failures. Society and shareholders are increasingly urging companies to implement strong corporate governance, even though this may entail additional costs in the short term (Malini, 2021). Companies that implement GCG effectively tend to create long-term value, win shareholder trust, and avoid conflicts and scandals that can damage their reputation. In addition to regulatory compliance, GCG also involves ethical and integrity aspects in conducting business (Bobillo et al., 2018; Utami et al., 2021; Lubis, 2023). Riswandari et al. (2023) asserted that their investigation revealed the intermediary function of the value chain, facilitating the impact of innovation strategies and corporate governance (GCG) on the operational performance of Indonesian manufacturing enterprises.

According to Setyahadi & Narsa (2020), there are various international guidelines that can be used as a reference for adopting good corporate governance (GCG) practices, including the use of the Corporate Governance Perception Index (CGPI). CGPI is a tool or index used to measure the perception of the extent to which a company or entity applies GCG principles. The importance of using international guidelines like CGPI is to ensure that companies or entities adhere to globally recognized best practices in corporate governance. However, GCG implementation is not static (Tang, 2022; Riswandari et al., 2023; Jamil et al., 2021). In a continually changing context, the implementation of GCG must be regularly reviewed and evaluated to ensure the quality of its implementation is maintained. Changes in laws, regulations, and shareholder demands can influence a company's GCG practices. Therefore, periodic evaluation is necessary to ensure that the company continues to comply with relevant standards and regulations. This also ensures that GCG remains in line with the latest developments in business practices and corporate governance. Through regular evaluations, companies can assess whether there are areas that need improvement in their GCG implementation and take corrective actions as needed (Zhou et al., 2023).

Rose et al. (2021) found a positive and significant relationship between the Corporate Governance Perception Index (CGPI) and company performance. This indicates that companies that implement good corporate governance tend to achieve better performance. Purbawangsa et al. (2020) also affirmed that corporate governance has had a positive impact on company profitability. This is due to the improved corporate governance that can enhance public trust in the company, which, in turn, makes individuals more loyal to the organization. Furthermore, Ruwanti et al. (2019) stated that the better the corporate governance, the higher the company's asset growth. With increased trust, people are more willing to buy the company's shares, which can support the growth of the company's assets. Audria & Susan (2019) found that asset growth has a positive and significant impact on company profitability, measured by Return on Assets (ROA). Asset growth can be one of the key factors supporting better value chain. Davis (2021) also stated that the better the corporate governance, the better the asset growth. Based on several previous research findings, the hypotheses in this study are summarized as follows:

Hypothesis 1: Good corporate governance has a positive impact on value chain.
Hypothesis 2: Good corporate governance has a positive impact on corporate assets growth.
Hypothesis 3: Value chain has a positive impact on corporate assets growth.
Hypothesis 4: Value chain mediates the relationship between good corporate governance and corporate assets growth.

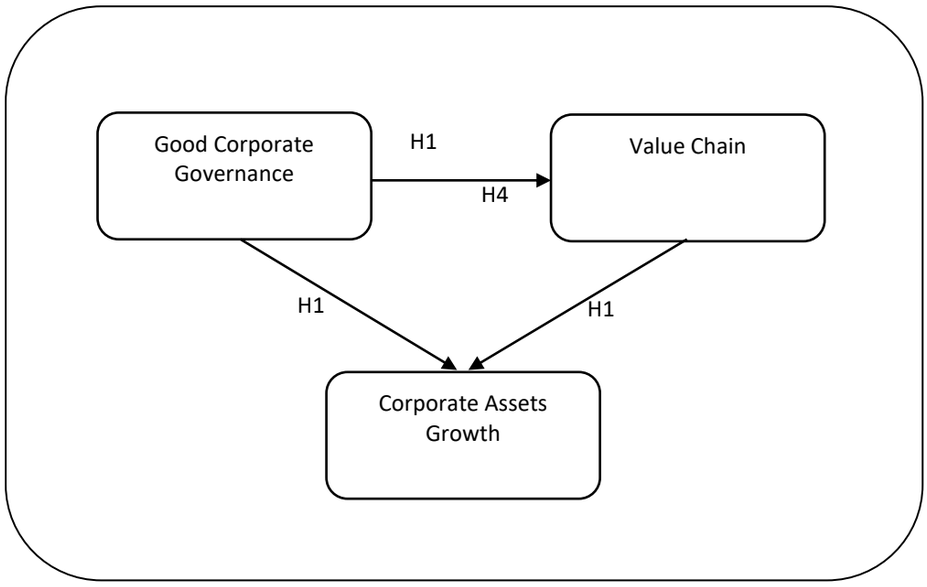

Figure 1. Model framework

3. Research Method

This research utilizes a quantitative method that focuses on the collection and analysis of data based on numerical and statistical figures. Data is gathered using a questionnaire with a Likert scale ranging from 1 to 7. The Likert scale allows respondents to express their level of agreement or disagreement with specific statements relevant to the research. The respondents in this study are managers working in state-owned banks in Indonesia. A total of 300 questionnaires were distributed to the respondents. Out of the total questionnaires, 248 were successfully collected. However, there were 9 questionnaires that were not completed in full, resulting in a sample size of 239 questionnaires for this research. In the data analysis, the analytical tool used in this research is the SmartPLS 4 software, which is capable of analyzing data within the framework of Structural Equation Modeling (SEM). This research method provides a comprehensive framework for data collection, processing, and analysis with the aim of uncovering the relationships between good corporate governance, value chain, and corporate assets growth.

4. Research Result

Within the framework of this research, there are three main variables that are the focus of analysis, namely good corporate governance (GCG), value chain, and corporate assets growth. To measure these variables, each variable is represented by several indicators. There is a total of 5 indicators for the GCG variable, 6 indicators for the value chain variable, and 6 indicators for the corporate asset's growth variable. Each indicator is selected with the aim of reflecting important aspects of their respective latent variables. The initial phase of this research is the indicator reliability test, which aims to ensure that the indicators used are reliable in measuring the latent variables. The research employs the standard factor loading test as an evaluation method. Standard factor loading is used to measure the extent to which each indicator can represent the latent variable. Indicators that are considered reliable are those with a standard factor loading value greater than 0.6.

The results of this phase are important as they provide confidence that the indicators used are appropriate for measuring the latent variables. If these indicators have significant standard factor loading values, it indicates that the indicators effectively reflect the represented latent variables. The results of the standard factor loading test can be seen in Table 1.

Table 1. Standard factor loading

Variable	Indicator	Std. Loading Factor
Good Corporate Governance	GCG1	0.773
	GCG2	0.801
	GCG3	0.895
	GCG4	0.858
	GCG5	0.792

Value Chain	VC1	0.842
	VC2	0.797
	VC3	0.856
	VC4	0.791
	VC5	0.689
	VC6	0.756
Corporate Assets Growth	CAG1	0.867
	CAG2	0.803
	CAG3	0.834
	CAG4	0.845

The standard factor loading values listed in the above Table 1 depict how well each indicator can measure the latent variables. The results of this test provide insight into how effectively these indicators represent the central focus of the research. For the GCG variable, the results show that all five of its indicators (GCG1, GCG2, GCG3, GCG4, and GCG5) have significant standard factor loading values, ranging from 0.773 to 0.895. This indicates that the GCG indicators strongly measure the latent variable "good corporate governance." Likewise, for the value chain variable, all six indicators (VC1, VC2, VC3, VC4, VC5, and VC6) also exhibit high standard factor loading values, ranging from 0.689 to 0.856, demonstrating the effective measurement of the latent variable " value chain." Similarly, the corporate assets growth variable has six indicators (CAG1, CAG2, CAG3, CAG4), each of which shows significant standard factor loading values, ranging from 0.803 to 0.867. This confirms the effectiveness of these indicators in measuring the latent variable "corporate assets growth." These results provide confidence that the indicators used in this study are reliable in measuring the latent variables representing GCG, value chain, and corporate assets growth.

The subsequent analysis consists of reliability and validity tests. The reliability test aims to evaluate the extent to which the instruments or indicators used in the research are consistent and reliable. The main purpose of the reliability test is to ensure that the measuring instruments or indicators provide stable and consistent results when used repeatedly on the same subjects or objects. The accepted reliability value should exceed 0.7, meaning that the measuring instrument is considered reliable if its reliability coefficient exceeds this threshold. High reliability values indicate that the measuring instruments used in the research can produce consistent and reliable results.

On the other hand, the validity test is another stage in the research that aims to assess the extent to which the instruments or indicators used genuinely measure the latent variables. Validity refers to whether the measuring instruments genuinely reflect the concept or variable under investigation. The accepted validity value should exceed 0.6. This indicates that the instrument can be considered valid if its validity value surpasses this threshold. With sufficiently high validity values, it can be concluded that the instruments or indicators used can adequately measure the variable or construct under investigation, and the results provided by these instruments can be considered an accurate representation of that variable.

Table 2. Reliability and Validity

Variable	Cronbach's alpha	Composite reliability (CR)	Average variance extracted (AVE)
Good Corporate Governance	0.883	0.895	0.681
Value Chain	0.881	0.904	0.624
Corporate Assets Growth	0.861	0.892	0.702

Composite reliability is a measure that indicates the extent to which the researched constructs are reliable or consistent. The results in Table 2 above show that the three main variables, namely GCG, value chain, and corporate assets growth, exhibit high levels of reliability. The values of Composite Reliability (CR) for these three variables are 0.895, 0.904, and 0.892, respectively. These figures exceed the common threshold typically considered a good indicator of reliability (> 0.7).

Average Variance Extracted (AVE) measures the extent to which the variance is explained by the constructs themselves compared to the variance caused by measurement errors. The results in Table 2 indicate that the AVE values for GCG are 0.681, for value chain are 0.624, and for corporate assets growth are 0.702. High AVE values suggest that these constructs have a good ability to explain the variation in their own indicators. Therefore, the results in the table show that these three variables have high levels of reliability and valid constructs, supporting the measurement's reliability and validity in this research.

Validity tests can also be conducted using a technique called cross-loading analysis. Cross-loading analysis is an approach that helps researchers gain a more detailed understanding of the validity of each indicator used in the measurement tool. In cross-loading analysis, each indicator is analyzed to determine the extent to which it contributes to the measured construct. This test examines how much the indicators "cross"

or relate to other constructs that they should not be associated with. The results of cross-loading analysis can provide insights into whether each indicator is exclusively related to the latent variable it should measure or if there is potential contamination from other constructs.

Table 3. Cross loading

Variable	Indicator	Good Corporate Governance	Value Chain	Corporate Assets Growth
Good Corporate Governance	GCG1	0.773	0.364	0.155
	GCG2	0.801	0.242	0.155
	GCG3	0.895	0.394	0.238
	GCG4	0.858	0.347	0.308
	GCG5	0.792	0.352	0.323
Value Chain	VC1	0.429	0.842	0.369
	VC2	0.362	0.797	0.348
	VC3	0.231	0.856	0.335
	VC4	0.399	0.791	0.407
	VC5	0.172	0.689	0.201
	VC6	0.281	0.756	0.221
Corporate Assets Growth	CAG1	0.235	0.346	0.867
	CAG2	0.189	0.286	0.803
	CAG3	0.167	0.292	0.834
	CAG4	0.351	0.428	0.845

Hypothesis testing is the final stage of analysis in research to evaluate the influence and relationships between the studied variables. Two criteria are used to determine whether hypotheses can be accepted or rejected. First, the study refers to the T statistic value. A hypothesis is considered acceptable if the obtained T statistic value exceeds 1.96. This value indicates that the test results are statistically significant, meaning there is a significant relationship between the studied variables. This validates the hypotheses proposed in the research. Additionally, the research also examines the p-value. A hypothesis is considered acceptable if the p-value is less than 0.05. This p-value indicates the statistical significance level of the hypothesis test results. If the p-value is less than 0.05, it shows that the test results are significant and support the research hypotheses. Hypothesis testing results that meet one or both of these criteria provide a strong basis for concluding the existence of a relationship or influence between the studied variables.

Table 4. Hypothesis Testing

Hypothesis	T statistics	P values	Information
Good Corporate Governance -> Value Chain	5.669	0.000	Significant
Good Corporate Governance -> Corporate Assets Growth	1.491	0.137	Not Significant
Value Chain -> Corporate Assets Growth	4.434	0.000	Significant
Good Corporate Governance-> Value Chain -> Corporate Assets Growth	3.545	0.042	Significant

The hypothesis testing results in Table 4 above indicate that the relationship between Good Corporate Governance (GCG) and value chain is statistically significant. The T statistic value obtained is 5.669, and the p-value is 0.000 (less than 0.05). These results show that the relationship between GCG and value chain is significant. In other words, the test results support a strong relationship between GCG and a company's value chain. For the second hypothesis, the results show that the relationship between GCG and corporate assets growth does not have a statistically significant impact. The T statistic value is 1.491, and the p-value is 0.137 (more than 0.05), indicating that there is no strong statistical evidence to support a significant relationship between GCG and corporate asset growth. In other words, this hypothesis is not supported by the statistical results in this study.

Furthermore, the third hypothesis suggests that the relationship between value chain and corporate assets growth is statistically significant. The T statistic value is 4.434, and the p-value is 0.000 (less than 0.05), indicating that the relationship between value chain and corporate asset growth is significant. This suggests that the test results support a strong relationship between value chain and corporate asset growth. Furthermore, the fourth hypothesis can also be confirmed that value chain mediates the relationship between Good Corporate Governance and corporate asset growth. This is supported by the T statistic value obtained, which is 3.545 (> 1.96), and the p-value is 0.042 (< 0.05). With the obtained values, it means that the fourth hypothesis in this study is also accepted.

The results of this research show that good GCG practices have a positive impact on the value chain of banks. This reaffirms the importance of strong GCG implementation in state-owned financial institutions. By implementing GCG effectively, state-owned banks can improve the quality of their corporate governance, promote transparency, accountability, and fairness, and minimize risks. Furthermore, good GCG can enhance the trust of investors and customers, which, in turn, can boost value chain.

Although the relationship between GCG and asset growth was not confirmed in this study, it does not diminish the importance of GCG in the context of state-owned banks. State-owned banks still need to maintain good GCG practices to meet the governance standards required in the banking industry. Even if the direct relationship with asset growth may not always be proven, GCG still has positive implications for other aspects of bank performance and sustainability. The results of this study also indicate that value chain plays a mediating role in the relationship between GCG and asset growth. This suggests that good corporate governance quality can enhance the value chain of the bank, which, in turn, affects asset growth. This underscores the importance of managing value chain effectively, such as improving profitability and operational efficiency, as part of the strategy to achieve sustainable asset growth.

5. Conclusion

The results of this study demonstrate that Good Corporate Governance (GCG) has a significant positive influence on the value chain of banks, underscoring the importance of effective GCG implementation in the context of state-owned banks in Indonesia. However, the relationship between GCG and corporate assets growth was not statistically confirmed. Additionally, this research found that value chain acts as a mediator in the relationship between GCG and bank asset growth. This indicates that the value chain of the bank plays a crucial role in optimizing the impact of GCG on asset growth. These findings have implications for state-owned banks, suggesting that strong GCG implementation has the potential to enhance value chain, promote transparency, and build trust among shareholders and customers. As the owners of state-owned banks, the government must continue to prioritize the effective implementation of GCG to support bank performance. It is also important to develop the value chain correctly, enhance profitability, and operational efficiency to facilitate sustainable asset growth. This study has some limitations, including not considering external factors that may influence the relationship between variables. Therefore, future research is expected to explore the external factors affecting the relationship between GCG, value chain, and asset growth.

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Dear *Firdaus Amyar*

I would like to confirm that your paper entitled "**Estimating the mediating role of value chain in good corporate governance and asset growth**" with *Moermahadi Soerja Djanegara, Bambang Pamungkas, Bahrullah Akbar and Suwarno Suwarno* has been accepted for publication on Uncertain Supply Chain Management, An international journal.

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Estimating the mediating role of value chain in good corporate governance and asset growth

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ABSTRACT

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Keywords:
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The primary objective of this research is to examine the relationship between Good Corporate Governance (GCG), value chain, and bank asset growth in Indonesian State-Owned banks. Additionally, this study aims to determine whether value chain mediates the relationship between GCG and bank asset growth. This research employs a quantitative method. Data is collected using a questionnaire with a Likert scale ranging from 1 to 7. The respondents in this study are employees and managers working in state-owned banks in Indonesia. The total sample size used in this research is 239 samples. Data analysis is conducted using SmartPLS 4 software. The results of this study demonstrate that GCG has a significant positive relationship with the value chain of the bank. However, the direct relationship between GCG and bank asset growth is not statistically significant. The results of the mediation analysis show that value chain mediates the relationship between GCG and bank asset growth, emphasizing the critical role of value chain in optimizing the impact of GCG on bank asset growth.

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1. Introduction

Good Corporate Governance (GCG) is a framework that underlies globally recognized principles and best practices applied in the management and oversight of companies, including financial institutions such as banks. The principles of GCG are designed to create an operational environment aligned with ethical values, transparency, accountability, and fairness (Mangasih et al., 2020). The first principle of GCG is transparency, emphasizing the importance for companies to provide clear, accurate, and easily accessible information to stakeholders. This includes accurate financial reporting, ownership structure, as well as relevant company policies and practices. With good transparency, companies help stakeholders understand and evaluate performance and operations (Ramli & Setiany, 2021; Riswandari et al., 2023; Scherer & Voegtlin, 2020). Furthermore, GCG emphasizes accountability, requiring management and the company's board of directors to be responsible for the actions and decisions made. This includes ethical decision-making and accountability to stakeholders in achieving business objectives and legal compliance (Mahboob, 2022; Audria & Susan, 2019; Martínez-Ferrero & García-Meca, 2020).

In Indonesia, the banking industry plays a crucial role in accelerating the country's economic growth. As one of the main foundations in the financial system, banks in Indonesia have a significant role in supporting various economic sectors, from microbusinesses to large enterprises, as well as investment and international trade (Ramli & Setiany, 2021). Banks function as intermediaries that connect those in need of capital with those providing funds, creating a vital capital flow for economic growth (Rissy, 2019; Kalangi & Tewu, 2022). State-Owned Enterprises (SOEs) banks have a more profound strategic role in Indonesia's economy. As government-owned financial institutions, state-owned banks are expected to act as agents of

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economic growth oriented not only toward profit but also sustainable development and societal well- being. These banks have a special responsibility to support national development initiatives and create a conducive business environment for various economic sectors (Sharma et al., 2018; Rizkia & Fardiansyah, 2023). However, after the Asian financial crisis in 1997 and the global financial crisis from 2008 to 2010, the implementation of Good Corporate Governance (GCG) by Indonesian banks still lags behind compared to other Asian countries (Utami et al., 2021). Therefore, this research focuses on analyzing the implementation of GCG in the Indonesian banking industry, particularly in four banks owned by the Indonesian government (Bank Mandiri, Bank BRI, Bank BNI, and Bank BTN). In 2016, these four banks were ranked among the largest banks in terms of total assets. They are limited liability companies with the majority of shares owned by the Indonesian government (Adinugraha, 2023). Compared to other industries, the Indonesian banking sector is more heavily regulated by authorities from various parties, including the government, central bank, and the Financial Services Authority (OJK). According to Almagtome et al. (2020), one effective way to convey a company's corporate governance to stakeholders is through annual reports. This can be used to convey the company's image and message, gain trust and credibility, and enhance corporate performance. Moreover, Zhou et al. (2023) explain that high-quality disclosure in annual reports can create a strong external impression. Masud et al. (2018) also state that annual reports are a crucial tool in supporting good corporate governance and can help companies establish a strong foundation for long-term growth and success.

Previous research has primarily focused on the level of disclosure and the implementation of good corporate governance. There is very little research specifically analyzing the influence of good corporate governance (GCG) in affecting stakeholder trust, especially in state-owned banks. Therefore, this research aims to fill this gap by analyzing the implementation of Good Corporate Governance (GCG) and value chain in the context of creating company asset growth, particularly in state-owned banks. This research is expected to provide in- depth insights into the relationship between GCG, bank asset growth, and value chain, and can offer guidance to state-owned banks, regulators, and other stakeholders to strengthen corporate governance and support sustainable economic growth in Indonesia.

2. Literature Review and Hypothesis Development

Asset growth is an indicator of a company's ability to expand its range of products and the overall volume of assets. This growth can be illustrated by an increasing product portfolio or business scale expansion (Aslam & Haron, 2020). However, asset growth is not solely dependent on a company's internal policies; it is also influenced by various factors, including internal-external company dynamics and the local industry climate. One crucial consideration in managing asset growth is the source of funding used (Li et al., 2021; Novitasari & Bernawati, 2020). In situations where a company experiences high growth, existing capital must be utilized as a funding source to support expansion, thus avoiding the need for additional debt. By using internal capital, a company can minimize interest costs and potentially avoid conflicts of interest between shareholders and company management (agency costs) (Mukherjee & Sen, 2019; Masud et al., 2018). Conversely, companies with lower growth rates may opt for debt as a form of financing. Debt is a source of funding that allows a company to borrow funds from external parties, with an obligation to pay interest periodically. This can be a better option in situations where a company does not have sufficient internal resources to support growth (Davis, 2021).

Corporate governance (GCG) primarily aims to create a framework that ensures a company operates with transparency, accountability, and responsibility, thereby safeguarding the interests of shareholders and other stakeholders (Chouaibi et al., 2022). In efforts to reduce agency problems, GCG integrates principles such as the presence of independent directors, an audit committee responsible for monitoring financial reports and ensuring compliance with regulations, and attention to CEO and top executive management compensation structures (Riswandari et al., 2023). GCG has received increasing attention following financial crises and prominent corporate failures. Society and shareholders are increasingly urging companies to implement strong corporate governance, even though this may entail additional costs in the short term (Malini, 2021). Companies that implement GCG effectively tend to create long-term value, win shareholder trust, and avoid conflicts and scandals that can damage their reputation. In addition to regulatory compliance, GCG also involves ethical and integrity aspects in conducting business (Bobillo et al., 2018; Utami et al., 2021; Lubis, 2023). Riswandari et al. (2023) asserted that their investigation revealed the intermediary function of the value chain, facilitating the impact of innovation strategies and corporate governance (GCG) on the operational performance of Indonesian manufacturing enterprises.

According to Setyahadi & Narsa (2020), there are various international guidelines that can be used as a reference for adopting good corporate governance (GCG) practices, including the use of the Corporate Governance Perception Index (CGPI). CGPI is a tool or index used to measure the perception of the extent to which a company or entity applies GCG principles. The importance of using international guidelines like CGPI is to ensure that companies or entities adhere to globally recognized best practices in corporate governance. However, GCG implementation is not static (Tang, 2022; Riswandari et al., 2023; Jamil et al., 2021). In a continually changing context, the implementation of GCG must be regularly reviewed and evaluated to ensure the quality of its implementation is maintained. Changes in laws, regulations, and shareholder demands can influence a company's GCG practices. Therefore, periodic evaluation is necessary to ensure that the company continues to comply with relevant standards and regulations. This also ensures that GCG remains in line with the latest developments in business practices and corporate governance. Through regular evaluations, companies can assess whether there are areas that need improvement in their GCG implementation and take corrective actions as needed (Zhou et al., 2023).

Rose et al. (2021) found a positive and significant relationship between the Corporate Governance Perception Index (CGPI) and company performance. This indicates that companies that implement good corporate governance tend to achieve better performance. Purbawangsa et al. (2020) also affirmed that corporate governance has had a positive impact on company profitability. This is due to the improved corporate governance that can enhance public trust in the company, which, in turn, makes individuals more loyal to the organization. Furthermore, Ruwanti et al. (2019) stated that the better the corporate governance, the higher the company's asset growth. With increased trust, people are more willing to buy the company's shares, which can support the growth of the company's assets. Audria & Susan (2019) found that asset growth has a positive and significant impact on company profitability, measured by Return on Assets (ROA). Asset growth can be one of the key factors supporting a better value chain. Davis (2021) also stated that the better the corporate governance, the better the asset growth. Based on several previous research findings, the hypotheses in this study are summarized as follows:

Hypothesis 1: *Good corporate governance has a positive impact on the value chain.*
Hypothesis 2: *Good corporate governance has a positive impact on corporate assets growth*.
Hypothesis 3: *Value chain has a positive impact on corporate assets growth.*
Hypothesis 4: *Value chain mediates the relationship between good corporate governance and corporate assets growth.*

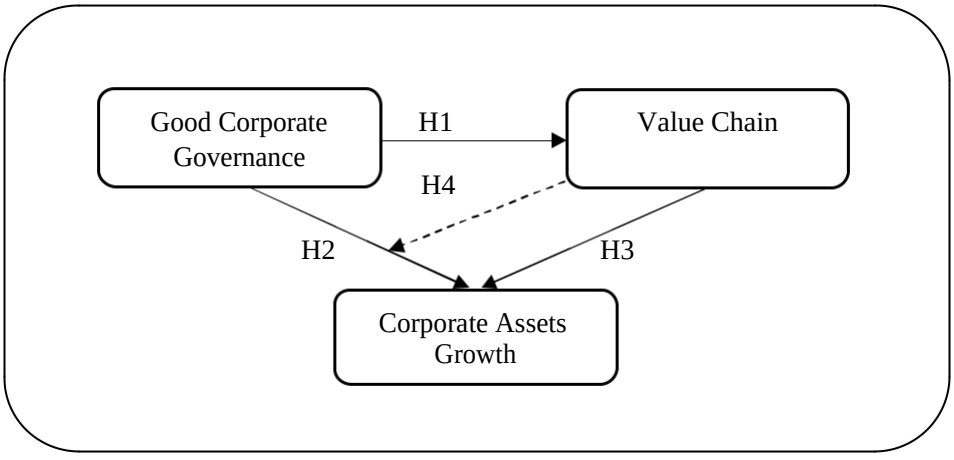

Fig. 1. Model framework

3. Research Method

This research utilizes a quantitative method that focuses on the collection and analysis of data based on numerical and statistical figures. Data is gathered using a questionnaire with a Likert scale ranging from 1 to 7. The Likert scale allows respondents to express their level of agreement or disagreement with specific statements relevant to the research. The respondents in this study are managers working in state-owned banks in Indonesia. A total of 300 questionnaires were distributed to the respondents. Out of the total questionnaires, 248 were successfully collected. However, there were 9 questionnaires that were not completed in full, resulting in a sample size of 239 questionnaires for this research. In data analysis, the analytical tool used in this research is the SmartPLS 4 software, which is capable of analyzing data within the framework of Structural Equation Modeling (SEM). This research method provides a comprehensive framework for data collection, processing, and analysis with the aim of uncovering the relationships between good corporate governance, value chain, and corporate assets growth.

4. Research Result

Within the framework of this research, there are three main variables that are the focus of analysis, namely good corporate governance (GCG), value chain, and corporate assets growth. To measure these variables, each variable is represented by several indicators. There are a total of 5 indicators for the GCG variable, 6 indicators for the value chain variable, and 6 indicators for the corporate asset's growth variable. Each indicator is selected with the aim of reflecting important aspects of their respective latent variables. The initial phase of this research is the indicator reliability test, which aims to ensure that the indicators used are reliable in measuring the latent variables. The research employs the standard factor loading test as an evaluation method. Standard factor loading is used to measure the extent to which each indicator can represent the latent variable. Indicators that are considered reliable are those with a standard factor loading value greater than 0.6.

The results of this phase are important as they provide confidence that the indicators used are appropriate for measuring the latent variables. If these indicators have significant standard factor loading values, it indicates that the indicators effectively reflect the represented latent variables. The results of the standard factor loading test can be seen in Table 1.

Table 1
Standard factor loading

Variable	Indicator	Std. Loading Factor
Good Corporate Governance	GCG1	0.773
	GCG2	0.801
	GCG3	0.895
	GCG4	0.858
	GCG5	0.792
Value Chain	VC1	0.842
	VC2	0.797
	VC3	0.856
	VC4	0.791
	VC5	0.689
	VC6	0.756
Corporate Assets Growth	CAG1	0.867
	CAG2	0.803
	CAG3	0.834
	CAG4	0.845

The standard factor loading values listed in the above Table 1 depict how well each indicator can measure the latent variables. The results of this test provide insight into how effectively these indicators represent the central focus of the research. For the GCG variable, the results show that all five of its indicators (GCG1, GCG2, GCG3, GCG4, and GCG5) have significant standard factor loading values, ranging from 0.773 to 0.895. This indicates that the GCG indicators strongly measure the latent variable "good corporate governance." Likewise, for the value chain variable, all six indicators (VC1, VC2, VC3, VC4, VC5, and VC6) also exhibit high standard factor loading values, ranging from 0.689 to 0.856, demonstrating the effective measurement of the latent variable “value chain”. Similarly, the corporate assets growth variable has six indicators (CAG1, CAG2, CAG3, CAG4), each of which shows significant standard factor loading values, ranging from 0.803 to 0.867. This confirms the effectiveness of these indicators in measuring the latent variable "corporate assets growth." These results provide confidence that the indicators used in this study are reliable in measuring the latent variables representing GCG, value chain, and corporate assets growth.

The subsequent analysis consists of reliability and validity tests. The reliability test aims to evaluate the extent to which the instruments or indicators used in the research are consistent and reliable. The main purpose of the reliability test is to ensure that the measuring instruments or indicators provide stable and consistent results when used repeatedly on the same subjects or objects. The accepted reliability value should exceed 0.7, meaning that the measuring instrument is considered reliable if its reliability coefficient exceeds this threshold. High reliability values indicate that the measuring instruments used in the research can produce consistent and reliable results. On the other hand, the validity test is another stage in the research that aims to assess the extent to which the instruments or indicators used genuinely measure the latent variables. Validity refers to whether the measuring instruments genuinely reflect the concept or variable under investigation. The accepted validity value should exceed 0.6. This indicates that the instrument can be considered valid if its validity value surpasses this threshold. With sufficiently high validity values, it can be concluded that the instruments or indicators used can adequately measure the variable or construct under investigation, and the results provided by these instruments can be considered an accurate representation of that variable.

Table 2
Reliability and Validity

Variable	Cronbach's alpha	Composite reliability (CR)	Average variance extracted (AVE)
Good Corporate Governance	0.883	0.895	0.681
Value Chain	0.881	0.904	0.624
Corporate Assets Growth	0.861	0.892	0.702

Composite reliability is a measure that indicates the extent to which the researched constructs are reliable or consistent. The results in Table 2 above show that the three main variables, namely GCG, value chain, and corporate assets growth, exhibit high levels of reliability. The values of Composite Reliability (CR) for these three variables are 0.895, 0.904, and 0.892, respectively. These figures exceed the common threshold typically considered a good indicator of reliability (> 0.7). Average Variance Extracted (AVE) measures the extent to which the variance is explained by the constructs themselves compared to the variance caused by measurement errors. The results in Table 2 indicate that the AVE values for GCG are 0.681, for value chain are 0.624, and for corporate assets growth are 0.702. High AVE values suggest that these constructs have a good ability to explain the variation in their own indicators. Therefore, the results in the table show that these three variables have high levels of reliability and valid constructs, supporting the measurement's reliability and validity in this research. Validity tests can also be conducted using a technique called cross-loading analysis. Cross-loading analysis is an approach that helps researchers gain a more detailed understanding of the validity of each indicator used in the measurement tool. In cross-loading analysis, each indicator is analyzed to determine the extent to which it contributes to the measured construct. This test examines how much the indicators "cross" or relate to other constructs that they should not be associated with. The results of

cross-loading analysis can provide insights into whether each indicator is exclusively related to the latent variable it should measure or if there is potential contamination from other constructs.

Table 3
Cross loading

Variable	Indicator	Good Corporate Governance	Value Chain	Corporate Assets Growth
Good Corporate Governance	GCG1	0.773	0.364	0.155
	GCG2	0.801	0.242	0.155
	GCG3	0.895	0.394	0.238
	GCG4	0.858	0.347	0.308
	GCG5	0.792	0.352	0.323
Value Chain	VC1	0.429	0.842	0.369
	VC2	0.362	0.797	0.348
	VC3	0.231	0.856	0.335
	VC4	0.399	0.791	0.407
	VC5	0.172	0.689	0.201
	VC6	0.281	0.756	0.221
Corporate Assets Growth	CAG1	0.235	0.346	0.867
	CAG2	0.189	0.286	0.803
	CAG3	0.167	0.292	0.834
	CAG4	0.351	0.428	0.845

Hypothesis testing is the final stage of analysis in research to evaluate the influence and relationships between the studied variables. Two criteria are used to determine whether hypotheses can be accepted or rejected. First, the study refers to the T statistic value. A hypothesis is considered acceptable if the obtained T statistic value exceeds 1.96. This value indicates that the test results are statistically significant, meaning there is a significant relationship between the studied variables. This validates the hypotheses proposed in the research. Additionally, the research also examines the p- value. A hypothesis is considered acceptable if the p-value is less than 0.05. This p- value indicates the statistical significance level of the hypothesis test results. If the p-value is less than 0.05, it shows that the test results are significant and support the research hypotheses. Hypothesis testing results that meet one or both of these criteria provide a strong basis for concluding the existence of a relationship or influence between the studied variables.

Table 4
Hypothesis Testing

Hypothesis	T statistics	P values	Information
Good Corporate Governance → Value Chain	5.669	0.000	Significant
Good Corporate Governance → Corporate Assets Growth	1.491	0.137	Not Significant
Value Chain → Corporate Assets Growth	4.434	0.000	Significant
Good Corporate Governance→ Value Chain → Corporate Assets Growth	3.545	0.042	Significant

The hypothesis testing results in Table 4 above indicate that the relationship between Good Corporate Governance (GCG) and value chain is statistically significant. The T statistic value obtained is 5.669, and the p-value is 0.000 (less than 0.05). These results show that the relationship between GCG and the value chain is significant. In other words, the test results support a strong relationship between GCG and a company's value chain. For the second hypothesis, the results show that the relationship between GCG and corporate assets growth does not have a statistically significant impact. The T statistic value is 1.491, and the p-value is 0.137 (more than 0.05), indicating that there is no strong statistical evidence to support a significant relationship between GCG and corporate asset growth. In other words, this hypothesis is not supported by the statistical results in this study. Furthermore, the third hypothesis suggests that the relationship between value chain and corporate assets growth is statistically significant. The T statistic value is 4.434, and the p-value is 0.000 (less than 0.05), indicating that the relationship between value chain and corporate asset growth is significant. This suggests that the test results support a strong relationship between value chain and corporate asset growth. Furthermore, the fourth hypothesis can also be confirmed that value chain mediates the relationship between Good Corporate Governance and corporate asset growth. This is supported by the T statistic value obtained, which is 3.545 (> 1.96), and the p-value is 0.042 (< 0.05). With the obtained values, it means that the fourth hypothesis in this study is also accepted. The results of this research show that good GCG practices have a positive impact on the value chain of banks. This reaffirms the importance of strong GCG implementation in state-owned financial institutions. By implementing GCG effectively, state -owned banks can improve the quality of their corporate governance, promote transparency, accountability, and fairness, and minimize risks. Furthermore, good GCG can enhance the trust of investors and customers, which, in turn, can boost the value chain. Although the relationship between GCG and asset growth was not confirmed in this study, it does not diminish the importance of GCG in the context of state-owned banks. State-owned banks still need to maintain good GCG practices to meet the governance standards required in the banking industry. Even if the direct relationship with asset growth may not always be proven, GCG still has positive implications for other aspects of bank performance and sustainability. The results of this study also indicate that the value chain plays a mediating role in the relationship between GCG and asset growth. This suggests that good corporate governance quality can enhance the value chain of the bank, which, in turn, affects asset growth. This underscores the importance of managing the value chain

effectively, such as improving profitability and operational efficiency, as part of the strategy to achieve sustainable asset growth.

5. Conclusion

The results of this study demonstrate that Good Corporate Governance (GCG) has a significant positive influence on the value chain of banks, underscoring the importance of effective GCG implementation in the context of state-owned banks in Indonesia. However, the relationship between GCG and corporate assets growth was not statistically confirmed. Additionally, this research found that the value chain acts as a mediator in the relationship between GCG and bank asset growth. This indicates that the value chain of the bank plays a crucial role in optimizing the impact of GCG on asset growth. These findings have implications for state-owned banks, suggesting that strong GCG implementation has the potential to enhance value chain, promote transparency, and build trust among shareholders and customers. As the owners of state -owned banks, the government must continue to prioritize the effective implementation of GCG to support bank performance. It is also important to develop the value chain correctly, enhance profitability, and operational efficiency to facilitate sustainable asset growth. This study has some limitations, including not considering external factors that may influence the relationship between variables. Therefore, future research is expected to explore the external factors affecting the relationship between GCG, value chain, and asset growth.

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Estimating the mediating role of value chain in good corporate governance and asset growth

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Abstract: The primary objective of this research is to examine the relationship between Good Corporate Governance (GCG), value chain, and bank asset growth in Indonesian State-Owned banks. Additionally, this study aims to determine whether value chain mediates the relationship between GCG and bank asset growth. This research employs a quantitative method. Data is collected using a questionnaire with a Likert scale ranging from 1 to 7. The respondents in this study are employees and managers working in state-owned banks in Indonesia. The total sample size used in this research is 239 samples. Data analysis is conducted using SmartPLS 4 software. The results of this study demonstrate that GCG has a significant positive relationship with the value chain of the bank. However, the direct relationship between GCG and bank asset growth is not statistically significant. The results of the mediation analysis show that value chain mediates the relationship between GCG and bank asset growth, emphasizing the critical role of value chain in optimizing the impact of GCG on

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