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Investment Strategies: Financial Metrics, Governance, and Inflation in IDX Consumer Goods Firms

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Abstrack: This study examines how financial factors, corporate governance (GCG), and inflation affect managerial investment decisions in IDX-listed consumer goods companies. Financial variables include the Tax-to-Book Ratio and Net Profit Margin, while corporate governance factors comprise Independent Commissioners and the frequency of Board of Directors meetings with the Audit Committee. The study analyzes 39 companies (156 sample units) from 2020 to 2023 using the Structural Equation Modeling (SEM) method with Partial Least Squares (PLS). Findings reveal that financial and corporate governance variables significantly influence investment decisions, whereas inflation has no significant impact.
Keywords: Investment Decisions; Financial Metrics; Corporate Governance; SEM-PLS; Inflation.

Abstrak: Penelitian ini menganalisis pengaruh faktor keuangan, tata kelola perusahaan (GCG), dan inflasi terhadap keputusan investasi pada perusahaan sektor consumer goods. Variabel keuangan yang diuji adalah Tax-to-Book Ratio dan Net Profit Margin, sementara variabel tata kelola mencakup Komisaris Independen dan jumlah rapat Dewan Direksi dengan Komite Audit. Penelitian ini menggunakan data dari 39 perusahaan manufaktur sektor consumer goods yang terdaftar di BEI (2020 sampai 2023) dengan total 156 sampel. Teknik purposive sampling digunakan dalam pemilihan sampel, dan analisis data dilakukan dengan metode SEM-PLS. Hasil penelitian menunjukkan bahwa Tax-to-Book Ratio, Net Profit Margin, dan jumlah rapat Dewan Direksi dengan Komite Audit berpengaruh signifikan terhadap keputusan investasi manajemen. Namun, inflasi tidak memiliki pengaruh yang signifikan terhadap keputusan investasi perusahaan.
Kata kunci: Keputusan Investasi; Tax-to-Book Ratio; Net Profit Margin; Tata Kelola Perusahaan; SEM-PLS.

INTRODUCTION

Business competition in Indonesia is becoming increasingly intense, marked by the daily growth of new companies in the service, manufacturing, and trade sectors. These three sectors continuously compete to survive and achieve market leadership, as highlighted by Maulita, Nikensari, & Mukhtar, S. (2021). In this highly competitive business climate, innovation is the key to preventing bankruptcy. Technological advancements also play a crucial role in the economy, particularly in the industrial sector, influencing market dynamics and corporate strategies, as explained by Ellitan (2021) and Janah et al. (2023).

The consumer goods industry has attracted the attention of investors and management due to its stable growth, long-term prospects, and attractive dividend

potential, making it a preferred choice for investment. Research on managerial investment decision-making in this sector is essential, considering various financial ratios and macroeconomic factors such as inflation (Purnasari et al., 2020; Lestari & Pangestuti, 2022).

Profit is a key element in financial reports that serves the interests of shareholders and various stakeholders, including accountants and investors. Taxation is also a crucial consideration in financial reporting, as it directly affects company profits. To reduce the tax burden and improve performance, companies must implement effective tax planning strategies. Gunadi (2022) emphasizes that well-structured tax planning can attract investment interest from both management and investors.

The **Tax-to-Book Ratio** is an essential tool for evaluating tax planning by comparing taxable income with accounting income. This ratio reflects tax efficiency, compliance levels, and corporate tax risks. A high Tax-to-Book Ratio may prompt management to seek ways to reduce tax burdens, such as investing in assets that receive favorable tax treatment (Qurani, 2022; Wardani & Nugrahanto, 2022).

The **Net Profit Margin** measures a company's efficiency in converting revenue into net profit after accounting for all costs, including taxes. A high Net Profit Margin indicates strong profitability, providing internal funds for reinvestment in business expansion or new projects (Rahmadani et al., 2020).

Independent commissioners play a crucial role in managerial investment decision-making by ensuring that decisions align with good corporate governance (GCG) principles and shareholder interests. As individuals with no direct affiliation with the company, independent commissioners act as objective overseers, preventing high-risk investment decisions or those that primarily benefit management without considering the company's long-term sustainability. They also help balance the interests of various stakeholders by providing independent perspectives on investment feasibility, considering financial aspects, risks, and long-term impacts. Thus, the presence of independent commissioners enhances transparency, accountability, and the overall effectiveness of corporate investment management.

A concrete example of the role of **Independent Commissioners** in investment decision-making can be observed in PT Unilever Indonesia Tbk (UNVR). As a major consumer goods company in Indonesia, Unilever has a strong corporate governance structure, including the active involvement of independent commissioners in overseeing strategic decisions (Ashraf et al., 2020).

In 2021, Unilever Indonesia faced challenges due to the pandemic and shifting market trends. Independent commissioners played a role in overseeing the company's investment policies, including the decision to allocate funds toward product innovation and digital marketing rather than riskier physical expansion at the time. With the oversight of independent commissioners, Unilever ensured that its investment strategies aligned with shareholder interests while maintaining the company’s long-term sustainability.

Another example is PT Bank Central Asia Tbk (BBCA), where independent commissioners actively assess investments in the financial technology (fintech**)** sector. With their supervision, BCA exercised caution in allocating funds for fintech startup acquisitions, ensuring that such investments had strategic value and did not pose excessive risks to the company.

These examples illustrate that independent commissioners play a vital role in maintaining a balance between innovation, risk, and shareholder interests in investment decision-making.

Independent commissioners play a crucial role in managerial investment decision-making by ensuring that decisions align with good corporate governance (GCG) principles and shareholder interests (Trần, 2019). Existing research suggests that the proportion of independent directors on corporate boards has a significant impact on organizational performance and strategic decisions such as diversification (Zubeltzu-Jaka et al., 2019; Pradana et al, 2024).

The presence of independent directors on boards can mitigate the risk of managerial entrenchment and self-serving behavior, as they are expected to provide objective oversight and challenge management decisions. However, the effectiveness of independent directors in fulfilling this monitoring role remains a subject of debate, particularly in the context of emerging markets with concentrated ownership structures. (Deng, 2019; Pradana et al, 2024).

The frequency of meetings between the Board of Directors and the Audit Committee also influences managerial investment decisions, as more frequent meetings enable better coordination in assessing risks, opportunities, and the long-term impact of an investment (ElHawary, 2021; Nag & Chatterjee, 2020). During each meeting, the Board of Directors discusses optimal investment strategies, while the Audit Committee ensures that decisions undergo a transparent evaluation process, comply with corporate governance (GCG) principles, and adhere to financial regulations.

Frequent meetings also allow for closer monitoring of financial performance and investment risks, reducing the likelihood of speculative or poorly informed decision-making. Thus, a higher frequency of meetings enhances the quality of investment decisions, making them more accurate, strategic, and sustainability-oriented (Suharsono et al., 2020)

As one of Indonesia's largest banks, BRI has a strong corporate governance system. The Audit Committee and Board of Directors frequently hold meetings to evaluate investment decisions related to expanding digital banking services, such as acquiring Bank Raya Indonesia, which focuses on digital banking for MSMEs. With frequent meetings, these decisions are made while carefully considering financial risks and long-term potential.

Similarly, Telkom Indonesia actively invests in the technology and digital infrastructure sectors. Intensive meetings between the Board of Directors and the Audit Committee play a role in strategic decisions, such as investments in PT Dayamitra Telekomunikasi Tbk (Mitratel) to strengthen Indonesia’s telecommunications tower network. Strict oversight ensures that these investments align with long-term growth strategies and financial risk mitigation.

As a leading consumer goods company, Unilever holds regular meetings to discuss operational efficiency and investment strategies. One of the key investment decisions monitored by the Audit Committee is the company's strategy for investing in environmentally friendly products and increasing production capacity while adhering to sustainability standards.

Astra International also frequently conducts meetings between the Board of Directors and the Audit Committee to review investments across various sectors, including automotive, agribusiness, and financial services. The decision to expand investments in

electric vehicles and digitalization of automotive services is carefully monitored to ensure financial viability and long-term strategic benefits.

Another critical factor in managerial investment decision-making is inflation. Inflation is an external factor that significantly influences investment decisions. Inflation erodes the real value of money, meaning that investment returns must account for inflation to remain positive. High inflation is often accompanied by rising interest rates, which increase capital costs and affect the profitability of new investment projects (Adikerta & Abundanti, 2020; Suarka & Wiagustini, 2019; Riyanto & Asakdiyah, 2020; Ananda & Santoso, 2022). By considering these factors, management can make better investment decisions related to capital allocation, project selection, and long-term financial strategies.

The novelty of this research lies in its integrative examination of how non-financial corporate governance mechanisms and financial performance indicators jointly influence managerial investment decisions, particularly within the consumer goods industry. While prior studies have generally treated governance and financial factors separately, this research highlights their differentiated impacts—revealing that non-financial governance factors (e.g., frequency of board and audit committee meetings) significantly affect managerial investment behavior, whereas independent commissioners, despite being a core element of Good Corporate Governance (GCG), show no significant factor loading due to their limited operational influence. Furthermore, the study demonstrates that financial indicators, specifically the Tax-to-Book Ratio (TBR) and Net Profit Margin (NPM), play pivotal roles in shaping investment strategies by signaling tax efficiency, profitability, and financing flexibility. The findings also establish that macroeconomic factors such as inflation do not have a direct effect on managerial investment decisions, emphasizing that corporate-level governance and financial management practices are more decisive. This multifaceted approach provides a novel contribution by linking governance structure, financial indicators, and investment decision-making into a unified empirical framework, offering practical implications for enhancing governance effectiveness and investment quality in emerging markets.

THEORITICAL REVIEW

The trade-off theory, introduced by Miller in 1977, posits that optimal capital structure is achieved by balancing the costs and benefits of debt (Villamizar et al., 2025). According to Adair & Adaskow (2019) ; (Ai et al., 2021), this theory highlights the trade-off between tax savings from debt and bankruptcy costs, illustrating a balance between the advantages and drawbacks of leveraging. It also suggests that a firm's capital structure evolves over time due to changes in funding sources, necessitating optimal capital structure planning to maximize firm value (Ye et al., 2023).

In addition to the trade-off theory, this research incorporates signaling theory. This theory assumes that information is not equally available to all parties at the same time, leading to information asymmetry. Such asymmetry can result in undervaluation or suboptimal investment policies. Signaling theory suggests that management can provide signals to mitigate this asymmetry (Simorangkir, 2019). Management is believed to possess better information about the company than investors. Consequently, publicly disclosed information plays a vital role in investment decisions. Such information acts as a signal for investment decision-making (Anggraini, 2021).

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Stakeholder theory emphasizes that companies must consider all parties involved in their operations (Djohar & Angelina, 2022). This theory underscores that companies should not solely operate for their benefit but also create value for stakeholders. Corporate transparency in financial reporting and consistency with actual activities are crucial. Stakeholder support is essential for corporate sustainability and adaptability (Larassati et al., 2022). This theory highlights the importance of the relationship between a company and its stakeholders.

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Frequent meetings also allow for closer monitoring of financial performance and investment risks, reducing the likelihood of speculative or poorly informed decision-making. Thus, a higher frequency of meetings enhances the quality of investment decisions, making them more accurate, strategic, and sustainability-oriented (Suharsono et al., 2020). Accordingly, the hypothesis for this research is:

H1: Good Corporate Governance affects managerial investment decisions.

Non financial (independent commisioner and total meetings board of directors and audit committee) affect Financial (Tax to book ratio and net profit margin). The effects of non financial factors on the financial performance of a company are widely studied and documented in academic literature. Non financial factors refer to qualitative and quantitative measures that are not directly reflected in a company's financial statements (Wu et al., 2020). Independent commisioner affect tax to book ratio and net profit margin (Wu et al., 2020). Total meetings board of directors and audit committee affect tax to book ratio and net profit margin.(Ali et al., 2020). Accordingly, the hypothesis for this research is:

H2: Good Corporate Governance affects Financial.

The tax ratio serves as a corporate performance indicator that impacts investment decisions. Their research focused on manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2011 to 2012. Demonstrated that tax planning benefits companies by reducing tax payments, thereby increasing profits. This study focused on consumer goods manufacturing firms in the food and beverage subsector listed on the IDX from 2017 to 2019. Handini (2023)revealed that the tax-to-book ratio affects financial performance by reflecting equity management capabilities. An increase in the tax-to-book ratio may reduce this capability. Their research examined manufacturing companies listed on the IDX from 2015 to 2018.

Net Profit Margin influences managerial investment decisions. This ratio reflects a company's ability to generate profit from each unit of revenue. Their study concluded that a higher Net Profit Margin indicates efficiency and the company's ability to produce significant profit from its sales. The research was conducted on manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2011 to 2012 period.

Another study by Karim et al. (2023); demonstrated that **Net Profit Margin** affects managerial investment decisions due to its impact on stock fluctuations. This research focused on mining companies listed on the IDX between 2013 and 2018.

Net Profit Margin influences managerial investment decisions through earnings smoothing practices. These practices are often employed by management to improve the company's performance in the eyes of investors. This study was conducted on service companies listed on the IDX during the 2014 to 2016 period.

From the above findings, it can be concluded that **Net Profit Margin** reflects a company's ability to generate net income from every unit of revenue. This ratio also serves as an indicator of stock fluctuations, making it a critical factor in managerial investment decisions. Accordingly, the hypothesis for this research is:

H3: Financial affects managerial investment decisions.

Discovered that **Inflation** affects managerial investment decisions, as inflation can encourage investments. This study focused on property and real estate companies listed on the IDX from 2019 to 2021. Sia, Leong, & Puah (2023) found that inflation positively impacts managerial investment decisions by reflecting increased consumption, nominal income, goods circulation, and production levels, provided it remains under control. This study utilized time-series data from sources like the World Bank, Bank Indonesia, and BKPM, covering the 2005 to 2013 period.

Millania, Wahyudi, Mubarok, & Satyarini (2021) identified the adverse effects of inflation, such as currency depreciation, higher operational costs, decreased public consumption, and reduced demand, which ultimately affect total assets.

From these findings, it is clear that inflation significantly influences investment decisions as it serves as an indicator of macroeconomic stability. Accordingly, the hypothesis for this research is:

H4: Inflation affects managerial investment decisions.

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METHODS

Population and Sample. The research population comprises manufacturing companies in the consumer goods sector from 2020 to 2023. The sample selection and collection method used is purposive sampling, which selects samples based on specific required criteria. The criteria for companies to be included in the research sample are as follows: (1) Manufacturing companies in the consumer goods sector listed on the main board of the official Indonesia Stock Exchange (IDX) website. (2) Consumer goods companies that were listed or conducted an IPO before 2019. (3) Consumer goods companies that generated profits for four consecutive periods from 2020 to 2023. (4) Consumer goods companies that published their financial statements on the official IDX website from 2020 to 2023. (5) Consumer goods companies whose financial statements are presented in Indonesian Rupiah from 2020 to 2023.

Data Collection Technique. The research utilizes secondary data obtained from publicly available sources. The data includes annual financial reports over three periods, published on the official Indonesia Stock Exchange website at www.idx.com. Additionally, inflation data is obtained from the official website of Bank Indonesia at https://www.bi.go.id.

Operational Definitions of Research Variables. The dependent variable in this study is Investment Decisions. Investment Decisions refer to actions taken by financial managers to allocate assets before deciding to invest capital (OCBC, 2023). In this research, investment decisions are proxied by Total Asset Growth (TAG) or asset growth. This proxy is used because a company's asset growth essentially results from its investment decisions (ID) (Arizki et al., 2019).

$$ID = (TA_t - TA_{t-1}) / TA_{t-1} \quad \text{.....(1)}$$

In this study, the tax-to-book ratio is calculated by comparing a company's taxable income (fiscal profit) with its accounting profit (profit before tax). This comparison is used because the ratio can indicate whether a company has implemented effective tax planning. Companies with good tax planning typically exhibit only minor differences between their accounting profit and taxable income (Wardani & Nugrahanto, 2022).

$$Tax\ to\ Book\ Ratio = \frac{TI_{it}}{PTBI_{it}} \quad \text{.....(2)}$$

In this study, the Net Profit Margin (NPM) ratio is calculated by comparing net profit after tax (EAT) to net sales. The NPM ratio is used to demonstrate a company's ability to generate net profit relative to its sales level and to reflect its efficiency in controlling costs during a specific period (Nurlelah et al., 2024)

NPM) = EAT / Net Sales .....(3)

The independent commissioner variable in this study is calculated using the number of independent commissioners divided by the total number of board commissioners. (Deng, 2019; Johan, 2022).

The number of board of directors and audit committee meetings is based on data from the company's annual report. Inflation is measured using annual data obtained from Bank Indonesia. This measurement is used in this study because, as stated by Bank Indonesia (2020), the inflation measurement in Indonesia's economy uses the Consumer Price Index (CPI), which is one of the indicators used to measure inflation levels.

Data Analysis Technique. This study employs Partial Least Squares Structural Equation Modeling (PLS-SEM) using **SmartPLS** to analyze the relationships among financial metrics, governance, and inflation in IDX consumer goods firms. The choice of PLS-SEM is driven by the research objective and model characteristics rather than the nature of the data. PLS-SEM is particularly suitable for prediction-oriented research and for modeling latent constructs derived from multiple indicators (Hair et al., 2019; 2021; 2022; Changalima & Chuwa, 2025). It does not require strict normality assumptions and performs well with small to medium sample sizes, which are common in firm-level studies. In contrast, covariance-based SEM, such as **AMOS**, is more appropriate for theory testing and requires stricter assumptions, including large samples and normally distributed data. Therefore, PLS-SEM with bootstrapping provides more robust estimates for this study and is consistent with current SEM best practices.

The analysis consists of evaluating both the measurement model (outer model) and the structural model (inner model). The measurement model is assessed through convergent validity, discriminant validity, and reliability. Convergent validity is evaluated using factor loadings (more than 0.700), Average Variance Extracted (AVE more than 0.500), and Composite Reliability (CR more than 0.700). Discriminant validity is examined using the Fornell-Larcker criterion and the Heterotrait-Monotrait Ratio (HTMT less than 0.900) to ensure that constructs are distinct. Reliability is assessed using Cronbach's Alpha (more than 0.700) and Composite Reliability to confirm internal consistency.

The structural model is evaluated using several criteria. The coefficient of determination (R^2) measures the explanatory power of the model, while predictive relevance (Q^2 more than 0) assesses its predictive capability. Effect size (f^2) is used to evaluate the strength of relationships between constructs, with values of 0.020, 0.150, and 0.350 indicating small, medium, and large effects, respectively. Hypothesis testing is conducted using path coefficients, t-statistics, and p-values (p less than 0.050) obtained through bootstrapping procedures.

Mediation effects are assessed using the Variance Accounted For (VAF) approach, while moderation effects are evaluated using interaction terms or multi-group analysis (MGA). Model fit is additionally assessed using the Standardized Root Mean Square Residual (SRMR less than 0.080).

Model robustness is evaluated following the recommendations of Hair et al. (2019; 2021; Changalima & Chuwa, 2025). Collinearity is examined using Variance Inflation Factor (VIF) values (less than 5), confirming the absence of multicollinearity issues. The model's explanatory and predictive power are supported by R^2 and Q^2 values, while effect sizes (f^2) ensure that the results are not driven by a single predictor. Bootstrapping further confirms the stability and significance of the estimated relationships, indicating that the model is robust and reliable.

To address potential endogeneity, this study adopts several procedural and statistical remedies within PLS-SEM. First, the model specification is grounded in prior literature to minimize omitted variable bias. Second, full collinearity VIF values are examined, with

all values below the recommended threshold, indicating no critical endogeneity concerns. Third, robustness checks are conducted through alternative model specifications to ensure the consistency of results. Finally, bootstrapping procedures are applied to confirm the stability of the estimates. These approaches follow recent methodological recommendations (Hair et al., 2021) and are considered sufficient to mitigate potential endogeneity issues. Moreover, given the use of archival firm-level data and a theoretically grounded model specification, the risk of severe endogeneity is considered limited and unlikely to materially affect the study's conclusions.

RESULTS

This study focuses on consumer goods manufacturing companies listed on the main board of the Indonesia Stock Exchange (IDX), with an initial total of 96 companies. After excluding 17 companies that were either not listed or conducted an IPO after 2019, as well as 40 companies that incurred losses for four consecutive periods from 2020 to 2023, 39 companies met the research criteria. No companies were excluded due to financial statements being unavailable on the official IDX website, and none used foreign currency during the period. With four observation periods, the total number of observation units in this study reached 156 in show **Table 1**.

Table 1 shows the sample selection process. Initially, the study identified 96 consumer goods manufacturing companies listed on the main board of the Indonesia Stock Exchange. From this population, 17 companies were excluded because they were not listed or conducted an initial public offering before 2019. Furthermore, 40 companies were removed due to reporting losses for four consecutive years during the 2020 to 2023 period. No companies were excluded due to the absence of published financial statements on the official stock exchange website or due to the use of foreign currencies in their financial statements. After applying these criteria, the final sample consisted of 39 companies. With a four-year observation period (2020 to 2023), the study obtained a total of 156 firm-year observations.

Table 1. Sample Criteria

No.	Explanation	The number of companies	Observation Data
1	Consumer goods manufacturing companies listed on the main board of the Indonesia Stock Exchange	96	
2	Companies that were not listed or conducted an IPO before 2019	(17)	
3	Consumer goods companies that incurred losses for four consecutive periods in 2020 to 2023	(40)	
4	Consumer goods companies that did not publish their financial statements on the official stock exchange website during 2020–2023	(0)	
5	Consumer goods companies whose financial statements were denominated in foreign currencies during 2020 to 2023	(0)	
6	Total number of companies included in the study	**39**	
7	Total number of observation units over four periods (n x k)		**156**

Source: Processed Data by the Author

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Table 2 shows **Tax Planning Strategy**: the mean ratio of **7.660 per cent** suggests that companies in the dataset generally have moderate tax differences. Companies with higher ratios may engage in aggressive tax planning or defer more taxable income. Companies with lower ratios may follow conservative tax reporting practices. The standard deviation of **0.007** is relatively low, indicating that most companies' tax-to-book ratios do not vary significantly from the mean. A low dispersion suggests consistent tax practices across the dataset. The tax-to-book ratio ranges from 3.620 per cent to 10.510 per cent, meaning some companies experience significant differences between taxable and book income, while others have minimal differences. Companies near the maximum may have aggressive tax planning or temporary book-tax differences. Business Implications: A stable tax-to-book ratio with a narrow range suggests companies maintain consistent tax planning approaches. A higher tax-to-book ratio may indicate more aggressive tax strategies, increasing regulatory scrutiny. A lower ratio may suggest a conservative tax position, possibly leading to higher effective tax rates.

Table 2. Results of Descriptive Statistics Processing

	MIN	MAX	MEAN	SD
TaxTB	0.036	0.105	0.076	0.007
NPM	0.001	0.321	0.099	0.075
Inflation	0.016	0.055	0.029	0.015
Inversment By M	0.037	0.465	0.084	0.042
IndpCommisioner	1.000	5.000	2.000	0.956
Total Meetings	8.000	63.000	23.993	9.090

Source: Output PLS

On average, companies in this dataset have a net profit margin (NPM) of 9.93per cent, indicating a reasonable level of profitability after covering all costs. However, profitability varies widely, ranging from 0.110 per cent to 32.100 per cent, with a standard deviation of 7.590 per cent, suggesting significant differences in cost structures and efficiency. Industry & Business Implications: If the companies are in the same industry, the wide range (0.11per cent to 32.100 per cent) indicates disparities in cost control, pricing power, or operational efficiency. If they span different industries, the variation reflects differences in business models, with some sectors naturally having higher profit margins than others. Business Strategy Considerations: High NPM (near 32.100 per cent) suggests strong pricing power, efficient cost management, or operation in a high-margin industry. Low NPM (near 0.110 per cent) may indicate high costs, competitive pressure, or inefficiencies, requiring cost optimization, pricing strategy adjustments, or operational improvements. The 7.590 per cent standard deviation highlights that strategic choices and industry-specific factors play a major role in financial performance.

On average, companies in this dataset have two independent commissioners on their board. However, the number varies between one and five, with a moderate standard deviation of 0.960, indicating that most companies have between one and three independent commissioners but some have significantly more. Business & Governance Implications: Fewer independent commissioners (closer to 1) may weaken oversight, potentially affecting governance quality and investor confidence. More independent

commissioners (closer to 5) suggest stronger governance, improved transparency, and reduced conflicts of interest. The relatively consistent distribution (within one independent commissioner of the mean) indicates that governance structures are somewhat standardized, though some companies prioritize greater oversight. Strategic Considerations: Regulatory Compliance: Some industries or markets may require a minimum number of independent commissioners to meet corporate governance standards. Investor Confidence: A higher number of independent commissioners can enhance investor trust by ensuring objective oversight. Board Effectiveness: Striking the right balance can improve decision-making, risk management, and the company's long-term sustainability.

On average, companies hold 24 board and audit committee meetings per year. However, meeting frequency varies significantly, ranging from 8 to 63 meetings annually, with a standard deviation of 9.910, indicating substantial differences in governance practices. Business & Governance Implications: Fewer meetings (closer to 8) may suggest weaker oversight, slower decision-making, or a passive board approach. Frequent meetings (closer to 63) indicate active board engagement, which can enhance risk management and strategic planning but may also signal inefficiencies or excessive monitoring. The wide variation (8 to 63 meetings) and high standard deviation (9.910) suggest governance practices differ based on company size, industry regulations, or corporate culture. Strategic Considerations: Regulatory Compliance: Some industries or regions mandate a minimum number of board meetings. Operational Efficiency: Too many meetings can slow decision-making, while too few may weaken oversight. Corporate Governance Best Practices: Companies should balance governance needs with administrative efficiency to ensure effective oversight.

On average, inflation in this dataset is 2.920 per cent, indicating a moderate rate. Inflation ranges from 1.68per cent to 5.510 per cent, with periods of both low and relatively higher inflation. A standard deviation of 1.540 per cent suggests moderate fluctuations, though inflation remains relatively controlled. Economic & Business Implications: Stable inflation (2.920 per cent) supports economic stability, allowing businesses to plan investments and pricing effectively. Low inflation (closer to 1.680 per cent) may indicate weak demand or economic slowdown, leading to lower interest rates and reduced business costs. High inflation (closer to 5.510 per cent) could increase operational expenses and reduce consumer purchasing power. Strategic Considerations: For businesses: Prepare for moderate cost increases and adopt inflation-adjusted pricing strategies. For investors: Inflation impacts interest rates and market performance, influencing returns and monetary policy decisions. For policymakers: Keeping inflation within a stable range is essential for economic growth and financial stability.

On average, management invests 8.420 per cent of financial resources, reflecting a moderate level of commitment. Investment ranges from -3.780 per cent to 46.500 per cent, where negative values indicate divestment and possible lack of confidence, while high values signal strong belief in the company's prospects. A standard deviation of 4.240 per cent suggests moderate variability in investment levels across companies. Business & Financial Implications: Higher investment (closer to 46.500 per cent) indicates managerial confidence and alignment with shareholder interests, while lower or negative investment (closer to -3.780 per cent) may signal risk aversion or financial constraints. Strategic Considerations: For investors: High managerial investment suggests commitment, while divestment may raise concerns. For businesses: Low investment could indicate the need

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for better governance, incentives, or strategic improvements. For policymakers: Monitoring investment trends can provide insights into corporate governance practices and potential conflicts of interest.

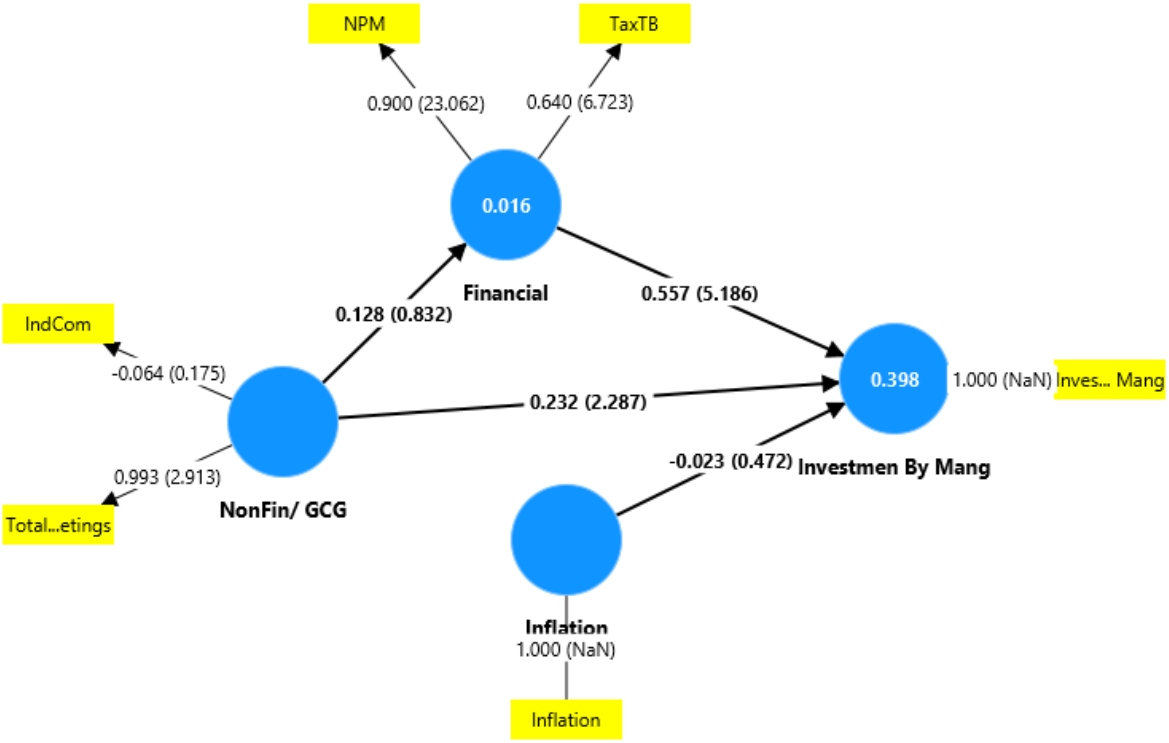

Figure 1. PLS Test Result
Source: Output PLS - factor loading and t-value

Figure 1 shows it can be explained that financial factors have a strong influence on management's investment decisions, while inflation has no significant impact. Non-financial factors do not affect financial factors but directly influence investment decisions. Overall, investment decisions are primarily driven by financial and non-financial factors rather than inflation.

Table 3 shows The path analysis results indicate that financial factors have a significant influence on management's investment decisions, with a path coefficient of 0.557, a t-value of 5.186 (more than 1.960), and a p-value of 0.000 (less than 0.050), demonstrating a strong and significant relationship. In contrast, inflation does not significantly affect management's investment decisions, with a coefficient of -0.023, a t-value of 0.472, and a p-value of 0.637 (more than 0.050). Non-financial factors also do not have a significant impact on financial factors (coefficient 0.128, t-value 0.832, p-value 0.405), but they do have a significant influence on management's investment decisions, with a coefficient of 0.232, a t-value of 2.287, and a p-value of 0.022 (less than 0.050). These findings suggest that management's investment decisions are more influenced by financial and non-financial factors rather than inflation.

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Table 3. Path Coefficient

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Financial -more than Investmen By Mang	0.557	0.600	0.107	5.186	0.000
Inflation -more than Investmen By Mang	-0.023	-0.017	0.048	0.472	0.637
NonFinancial -more than Financial	0.128	0.120	0.154	0.832	0.405
NonFinancial -more than Investmen By Mang	0.232	0.217	0.102	2.287	0.022

Source: Output PLS

Table 4 shows The total indirect effect analysis shows that non-financial factors have an insignificant indirect influence on management's investment decisions, with an original sample value of 0.072, a sample mean of 0.066, a standard deviation of 0.096, a t-value of 0.747 (less than 1.960), and a p-value of 0.455 (more than 0.050). This indicates that the indirect pathway through financial factors does not significantly contribute to explaining the relationship between non-financial factors and management's investment decisions. In other words, while non-financial factors may have a direct impact, their indirect influence through financial factors is not statistically supported in this study.

Table 4. Total Indirect Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
NonFinancial -more than Investmen By Mang	**0.072**	**0.066**	**0.096**	**0.747**	**0.455**

Source: Output PLS

Table 5 shows The analysis of the indirect effect of non-financial factors on management's investment decisions through financial factors shows an insignificant relationship. The original sample value is 0.072, with a sample mean of 0.066, a standard deviation of 0.096, a t-value of 0.747 (less than 1.960), and a p-value of 0.455 (moret than 0.050). These results indicate that financial factors do not act as a significant mediator between non-financial factors and investment decisions by management. In other words, while non-financial factors may directly influence investment decisions, their impact through financial factors is not statistically supported in this study.

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Table 5. Total Specific Indirect Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
NonFinancial -more than Financial -more than Investmen By Mang	0.072	0.066	0.096	0.747	0.455

Source: Output PLS

Table 6 shows The total effect analysis reveal Financial factors significantly influence management's investment decisions, while inflation has no impact. Non-financial factors do not affect financial factors but have a direct and significant effect on investment decisions. Overall, financial and non-financial factors play key roles, whereas inflation is not a determining factor.

Table 6. Total Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Financial -more than Investmen By Mang	0.557	0.600	0.107	5.186	0.000
Inflation -more than Investmen By Mang	-0.023	-0.017	0.048	0.472	0.637
NonFinancial -more than Financial	0.128	0.120	0.154	0.832	0.405
NonFinancial -more than Investmen By Mang	0.304	0.283	0.152	1.994	0.046

Source: Output PLS

The **Table 7** shows outer loading values, which indicate the strength of the relationship between indicators and their respective constructs. Inflation and investment by management have perfect loadings (1.000) with zero standard deviation, making t-statistics and p-values not applicable. The financial construct is well-represented by NPM (0.900) and TaxTB (0.640), both showing high significance with p-values of 0.000. In contrast, the non-financial construct has mixed results—TotalMeetings has a strong loading (0.993) with statistical significance (p is 0.004), whereas independent commissioner has a weak and non-significant loading (-0.064, p is 0.861), suggesting it may not be a reliable indicator for the non-financial construct.

Table 7. Outer Loading

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Inflation less than- Inflation	1.000	1.000	0.000	n/a	n/a
Investmen By Mang less than- Investmen By Mang	1.000	1.000	0.000	n/a	n/a

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IndCom less than- NonFinancial	-0.064	0.047	0.368	0.175	0.861
NPM less than- Financial	0.900	0.891	0.039	23.062	0.000
TaxTB less than- Financial	0.640	0.644	0.095	6.723	0.000
TotalMeetings less than- NonFinancial	0.993	0.865	0.341	2.913	0.004

Source: Output PLS

The **Table 8** presents adjusted R^2 values, indicating the explanatory power of independent variables on the dependent variables. The financial variable has a very low adjusted R^2 (0.011), with a high P-value (0.783), suggesting that the model does not significantly explain its variance. In contrast, investment by management has a much higher adjusted R^2 (0.387) with strong statistical significance (P is 0.001), indicating that the independent variables in the model explain a substantial portion of its variance.

Table 8. Adjusted R^2

	Original sample (O)	**Sample mean (M)**	**Standard deviation (STDEV)**	**T statistics (|O/STDEV|)**	**P values**
Financial	0.011	0.033	0.039	0.276	0.783
Investmen By Mang	0.387	0.455	0.122	3.179	0.001

Source: Output PLS

Table 9 shows The F-square (f2f2) values in the table indicate the effect size of independent variables on their respective dependent variables. The relationship between Financial and Investment by Management has the highest effect size (0.506), but it lacks statistical significance (p is 0.349). Inflation's effect on Investment by Management is negligible (0.001) and highly insignificant (p is 0.907). Similarly, Non-Financial's effect on Financial (0.017) and on Investment by Management (0.088) are weak, with p-values of 0.712 and 0.338, respectively. Overall, none of the predictors demonstrate a strong or statistically significant influence, suggesting limited explanatory power in the model.

Table 9. F Square

	Original sample (O)	**Sample mean (M)**	**Standard deviation (STDEV)**	**T statistics (|O/STDEV|)**	**P values**
Financial -more than Investmen By Mang	0.506	0.775	0.540	0.937	0.349
Inflation -more than Investmen By Mang	0.001	0.005	0.007	0.117	0.907
NonFinancial -more than Financial	0.017	0.041	0.045	0.369	0.712
NonFinancial -more than Investmen By Mang	0.088	0.107	0.092	0.958	0.338

Source: Output PLS

The **Table 10** shows Average Variance Extracted (AVE) values, which measure the amount of variance captured by a construct relative to the variance due to measurement error. The AVE for Financial (0.609) and Non-Financial (0.495) are close to the

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recommended threshold of 0.500, with strong statistical significance (p is 0.000), indicating acceptable convergent validity. Inflation and Investment by Management have AVE values of 1.000 with zero standard deviation, making t-statistics and p-values not applicable (n/a), suggesting they are perfectly measured without error. Overall, the constructs demonstrate reasonable convergent validity, with Financial meeting the standard and Non-Financial slightly below the threshold.

Table 10. Average Variance Extracted (AVE)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Financial	0.609	0.610	0.033	18.357	0.000
Inflation	1.000	1.000	0.000	n/a	n/a
Investmen By Mang	1.000	1.000	0.000	n/a	n/a
NonFinancial	0.495	0.501	0.022	22.254	0.000

Source: Output PLS

The **Table 11** presents composite reliability (ρcρc), which assesses the internal consistency of constructs. Financial (0.752) demonstrates strong reliability with high statistical significance (p is 0.000), while Non-Financial (0.460) has lower reliability and moderate significance (p is 0.010), suggesting potential measurement issues. Inflation and Investment by Management have perfect reliability scores (1.000) with zero standard deviation, making t-statistics and p-values not applicable (n/a). Overall, the Financial construct meets the reliability threshold, while Non-Financial may require further refinement to improve consistency.

Table 11. Composite Realibilty (rho_c)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Financial	0.752	0.750	0.032	23.211	0.000
Inflation	1.000	1.000	0.000	n/a	n/a
Investmen By Mang	1.000	1.000	0.000	n/a	n/a
NonFinancial	0.460	0.440	0.178	2.580	0.010

Source: Output PLS

The **Table 12** presents construct reliability (ρa\rho_aρa), which evaluates the stability and consistency of constructs. Financial (0.464) has low reliability but is statistically significant (p is 0.000), suggesting some concerns about measurement consistency. Non-Financial (-0.485) shows a negative reliability value with high standard deviation (15.477) and an extremely high p-value (0.975), indicating severe reliability issues and possible model misspecification. Inflation and Investment by Management have perfect reliability scores (1.000) with zero standard deviation, making t-statistics and p-values not applicable (n/a). Overall, while Financial demonstrates some reliability, the Non-Financial construct appears problematic and may require revision.

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Table 12. Composite Realibilty (rho_a)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Financial	0.464	0.464	0.100	4.662	0.000
Inflation	1.000	1.000	0.000	n/a	n/a
Investmen By Mang	1.000	1.000	0.000	n/a	n/a
NonFinancial	-0.485	-0.277	15.477	0.031	0.975

Source: Output PLS

Table 13 shows Cronbach's alpha is a measure of internal consistency or reliability of a scale. In the given data, the financial construct has a moderate reliability (O is 0.388) with a significant t-statistic (4.818, p is 0.000), indicating statistical significance. Inflation and investment by management show perfect reliability (O is 1.000), but their standard deviation is zero, making reliability interpretation less meaningful. Meanwhile, the non-financial construct has a low reliability score (O is 0.109) with a non-significant t-statistic (1.023, p is 0.306), suggesting weak internal consistency and potential measurement issues in this construct.

Table 13. Cronbach's alpha

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Financial	0.388	0.384	0.080	4.818	0.000
Inflation	1.000	1.000	0.000	n/a	n/a
Investmen By Mang	1.000	1.000	0.000	n/a	n/a
NonFinancial	0.109	0.103	0.106	1.023	0.306

Source: Output PLS

Table 14 shows The latent variable correlations indicate varying degrees of relationships between constructs. The correlation between investment by management and financial factors is strong and statistically significant (O is 0.586, t is 6.043, p is 0.000), suggesting a meaningful relationship. However, correlations between inflation and financial (O is 0.033, p is 0.666), as well as inflation and investment by management (O is -0.020, p is 0.796), are weak and non-significant. Similarly, non-financial variables show weak and insignificant correlations with financial (O is 0.128, p is 0.405) and inflation (O is -0.067, p is 0.435), but they have a moderate, significant correlation with investment by management (O is 0.305, t is 1.994, p is 0.046). This suggests that investment by management is a key factor influencing both financial and non-financial constructs, while inflation has minimal correlation with other variables.

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Table 14. Latent Variabel Correlations

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Inflation less than-more than Financial	0.033	0.033	0.077	0.432	0.666
Investmen By Mang less than-more than Financial	0.586	0.630	0.097	6.043	0.000
Investmen By Mang less than-more than Inflation	-0.020	-0.010	0.077	0.258	0.796
NonFinancial less than-more than Financial	0.128	0.120	0.154	0.832	0.405
NonFinancial less than-more than Inflation	-0.067	-0.056	0.086	0.781	0.435
NonFinancial less than-more than Investmen By Mang	0.305	0.284	0.153	1.994	0.046

Table 15 shows The Heterotrait-Monotrait (HTMT) ratio analysis assesses discriminant validity among latent variables. The results show that investment by management and financial variables have the highest HTMT value (O is 0.586, t is 6.043, p is 0.000), indicating a strong relationship. Meanwhile, inflation has weak correlations with financial (O is 0.033, p is 0.666) and investment by management (O is -0.020, p is 0.796), suggesting good discriminant validity. Non-financial variables show low correlations with financial (O is 0.128, p is 0.405) and inflation (O is -0.067, p is 0.435), but a moderate, significant correlation with investment by management (O is 0.305, t is 1.994, p is 0.046). Overall, the results suggest that most constructs are distinct, except for investment by management and financial, which may require further examination to ensure adequate discriminant validity.

Table 15. HTMT

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Inflation less than-more than Financial	0.033	0.033	0.077	0.432	0.666
Investmen By Mang less than-more than Financial	0.586	0.630	0.097	6.043	0.000
Investmen By Mang less than-more than Inflation	-0.020	-0.010	0.077	0.258	0.796
NonFinancial less than-more than Financial	0.128	0.120	0.154	0.832	0.405
NonFinancial less than-more than Inflation	-0.067	-0.056	0.086	0.781	0.435
NonFinancial less than-more than Investmen By Mang	0.305	0.284	0.153	1.994	0.046

Source: Output PLS

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Table 16 shows The Standardized Root Mean Square Residual (SRMR) is a goodness-of-fit measure that evaluates how well the model reproduces the observed correlations. In this analysis, the SRMR values for both the saturated model (O is 0.102) and the estimated model (O is 0.103) are relatively high, exceeding the common threshold of 0.08, which suggests a less-than-ideal model fit. The confidence intervals further confirm this, with the 95 per cent and 99 per cent upper bounds surpassing 0.100. This indicates that there may be room for model improvement, such as refining constructs, addressing potential misspecifications, or improving measurement reliability.

Table 16. SRMR

	Original sample (O)	Sample mean (M)	95 per cent	99 per cent
Saturated model	0.102	0.072	0.112	0.128
Estimated model	0.103	0.075	0.114	0.131

Source: Output PLS

Table 17 shows The d_ULS (Squared Euclidean Distance) assesses model fit by measuring the discrepancy between the observed and estimated correlation matrices. In this analysis, both the saturated model (O is 0.220) and the estimated model (O is 0.224) exhibit relatively high values, with upper confidence bounds at the 95 per cent (0.263 and 0.275) and 99 per cent (0.347 and 0.361) levels, respectively. These results suggest that the model may have room for improvement, as lower d_ULS values typically indicate better fit. Adjustments such as refining indicators or re-evaluating relationships between constructs may enhance model validity.

Table 17. d_ULS

	Original sample (O)	Sample mean (M)	95 per cent	99 per cent
Saturated model	0.220	0.117	0.263	0.347
Estimated model	0.224	0.127	0.275	0.361

Source: Output PLS

Table 18 shows The d_G (Geodesic Distance) measures model fit by assessing the difference between the observed and estimated covariance matrices. In this analysis, both the saturated model (O is 0.065) and the estimated model (O is 0.065) show relatively low values, with the 95per cent (0.104 and 0.105) and 99 per cent (0.120 and 0.122) confidence intervals remaining within acceptable limits. These results suggest that the model has a reasonable fit in terms of geodesic distance, indicating that the estimated relationships among variables closely align with the observed data. However, further refinements may still be necessary to improve overall model quality.

Table 18. d_G

	Original sample (O)	Sample mean (M)	95 per cent	99 per cent
Saturated model	0.065	0.063	0.104	0.120
Estimated model	0.065	0.064	0.105	0.122

Source: Output PLS

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Table 19 summarizes the model evaluation results, including robustness and endogeneity assessments, indicating that the model demonstrates acceptable stability and explanatory power.

Table 19. Model Evaluation Results

Indicator	Value	Threshold	Conclusion
VIF	less than 3.300 / 5	less than 5	No collinearity
R^2 (Investment)	0.387	Moderate	Acceptable
Q^2	more than 0	more than 0	Predictive relevance
f^2	0.506 (Financial)	more than 0.020	Medium–large effect
SRMR	0.103	less than 0.080	Marginal fit

Source: Output PLS

Table 19 summarizes the model evaluation results. The VIF values are below the recommended threshold, calculated as $1/(1-R^2) = 1/(1-(0.382x0.382)) = 1.176$, indicating no collinearity issues. The R^2 value suggests moderate explanatory power, while the Q^2 value confirms the model's predictive relevance. Furthermore, the effect size (f^2) indicates a substantial contribution of financial factors to investment decisions. Although the SRMR value slightly exceeds the recommended threshold, the model is still considered acceptable within the context of prediction-oriented PLS-SEM.

DISCUSSION

Good Corporate Governance affects managerial investment decisions. Independent Commissioner. Corporate governance, as a non-financial factor, has been proven to influence managerial investment decisions. However, independent commissioners, one of the indicator variables, do not have a significant factor loading on Good Corporate Governance (GCG). This may be due to the supervisory nature of their role. Independent commissioners are responsible for overseeing and providing advice to the board of directors, but they do not always have a direct influence on operational policies and daily decision-making (Syamsudin et al., 2020). Their effectiveness in enhancing GCG depends on other factors, such as true independence, experience, and active involvement in the company (Syamsudin et al., 2020).

In some cases, independent commissioners serve merely to fulfill regulatory requirements without playing a strong role in controlling corporate decisions. If they are not actively engaged in their supervisory function, their influence on GCG remains limited (Napitupulu et al., 2020; Samari, 2020).

The Role of Board Meetings and Audit Committees in Governance

The number of board of directors and audit committee meetings, as another non-financial governance mechanism indicator, has a significant factor loading and influence on corporate governance.

Meeting Frequency Reflects Oversight Intensity and Strategic Decision-Making

More frequent meetings of the board of directors and audit committee provide greater opportunities to discuss key issues, evaluate performance, and oversee management more

closely. Regular meetings allow for quicker responses to risks and challenges, thereby enhancing governance effectiveness (ElHawary, 2021; Grove et al., 2020).

The Audit Committee Plays a Direct Role in Financial Oversight The audit committee is responsible for ensuring financial report transparency, regulatory compliance, and risk management. Its impact on GCG is more apparent, as it can identify and mitigate financial report manipulation or actions that could harm shareholders (Samari, 2020).

Non-Financial Factors and Managerial Investment Decisions. As stated in Hypothesis 1, non-financial governance factors, such as the number of board and audit committee meetings, significantly influence managerial investment decisions.A high meeting frequency reflects greater board and audit committee involvement in investment decision-making. More frequent meetings enable stricter supervision of investment plans, preventing high-risk or misaligned decisions (ElHawary, 2021).

The audit committee plays a key role in assessing financial and operational risks related to new investments. More meetings allow for a deeper analysis of investment risks before decisions are made, reducing the likelihood of misallocating corporate funds. (American Institute of Certified Public Accountants & Investment Companies Committee, 2019; Soobaroyen et al., 2019; Tai et al., 2018). Boards that meet frequently are more responsive to emerging investment opportunities. Intensive discussions lead to quicker and more informed investment decisions (Lee & Lok, 2020).

Good corporate governance strengthens investor, shareholder, and stakeholder confidence in investment decisions. Stricter oversight from the audit committee and board of directors ensures greater transparency and minimizes conflicts of interest in investment decision-making (ElHawary, 2021; Syamsudin et al., 2020).

In conclusion, non-financial governance factors, particularly the frequency of board and audit committee meetings, play a crucial role in enhancing corporate governance and influencing managerial investment decisions (ElHawary, 2021).

Effective corporate governance is key to better investment decision-making and risk management. Frequent board and audit committee meetings significantly impact managerial investment choices by ensuring stronger oversight and reducing high-risk decisions.

Key Benefits of Frequent Meetings: (1) Stronger Risk Assessment: Regular audit committee meetings allow deeper evaluation of financial and operational risks, preventing poor investment decisions. (2) Faster Response to Opportunities: Frequent board meetings enable quicker, well-informed investment decisions, improving competitiveness. (3) Greater Transparency & Accountability: More oversight builds investor confidence, reduces conflicts of interest, and ensures responsible decision-making.

Strategic Recommendations: Optimize Meetings: Ensure meetings are well-structured and strategic; Strengthen Risk Management: Use audit committees to enhance risk assessment, especially for major investments; Enhance Stakeholder Communication: Use meetings to improve transparency and investor trust through clear financial and governance updates.

Good Corporate Governance not affects Financial. The test results for Hypothesis 2 were found that non-financial factors specifically independent commissioners and the total number of meetings of the board of directors and audit committee, do not significantly affect financial performance indicators such as the tax-to-book ratio and net profit margin (NPM). Independent commissioners primarily serve in a supervisory and advisory role

rather than directly shaping operational and financial decisions (Trần, 2019; Pradana et al, 2024). While board and audit committee meetings facilitate discussions on corporate strategy and governance, they do not directly determine tax efficiency or profitability in the short term (Napitupulu et al., 2020).

The tax-to-book ratio reflects differences between financial accounting income and taxable income, which are largely determined by corporate tax planning, accounting policies, and regulatory compliance. Governance mechanisms such as independent commissioners and meeting frequency may not significantly alter tax strategies, as these are typically handled by financial and tax experts within the company (Syamsudin et al., 2020).

NPM is a measure of profitability that is primarily influenced by revenue generation, cost management, pricing strategies, and operational efficiency rather than governance mechanisms. While strong governance may contribute to long-term financial health, its direct impact on short-term profitability may be minimal (Manu et al., 2019).

Simply increasing the number of meetings does not automatically lead to better financial outcomes. The effectiveness of these meetings depends on the quality of discussions, decision-making processes, and implementation of strategies. Similarly, independent commissioners may only have a strong impact if they are truly engaged and able to influence strategic decisions, rather than just fulfilling regulatory requirements (Hasanudin, 2021).

While corporate governance is essential for overall company stability, risk management, and investor confidence, its direct impact on financial ratios like tax-to-book and NPM may be limited. Other factors, such as operational efficiency, market conditions, competitive strategy, and financial management, play a more significant role in determining these financial outcomes.

Financial affects managerial investment decisions. Tax-to-Book Ratio (TBR). The results of Hypothesis 3 indicate that The Tax-to-Book Ratio (TBR) indicator influences managerial investment decisions in consumer goods companies. A high TBR indicates a significant difference between book income and taxable income. This may suggest that the company adopts aggressive tax management strategies, such as deferring revenue recognition or accelerating expense recognition (Wardani & Nugrahanto, 2022; Xu & Zwick, 2020). Companies with aggressive tax strategies tend to be more selective in their investments, as they consider the tax impact on the cash flow available for investment (Chaudhry, 2021; He et al., 2019; Rachmawati et al., 2020; Wardani & Nugrahanto, 2022).

If a high TBR results from a lower tax burden, the company may have more cash flow available for expansion or new projects (Putri & Puryandani, 2020; Xu & Zwick, 2020). Conversely, a low TBR (indicating higher taxable income) can reduce the resources available for investment, as more cash is allocated to tax payments (Wardani & Nugrahanto, 2022).

A significant gap between book income and taxable income can serve as a signal to investors and creditors regarding the risks associated with aggressive financial reporting (Wardani & Nugrahanto, 2022). If investors perceive a high TBR as an indication of potential tax risks or earnings manipulation, they may demand higher returns, which can influence the company's investment decisions (Bauer et al., 2020; Rachmawati et al., 2020).

Companies with a high TBR may prefer investments that provide additional tax benefits, such as projects eligible for tax incentives or investments in assets with

accelerated depreciation (Howell & Mezzanotti, 2019). In summary, the Tax-to-Book Ratio is a crucial indicator of a company's tax management strategies, cash flow availability, and signaling to external stakeholders, all of which can impact the company's investment decisions in the consumer goods sector. (Mooij & Liu, 2021).

In the consumer goods industry, where companies often face tight profit margins and intense competition, tax management through TBR can be a crucial factor in determining how aggressively a company pursues investment and expansion.

Net Profit Margin. As an indicator variable for Hypothesis 3, net profit margin plays a crucial role in shaping managerial investment decisions, as it reflects a company's profitability and financial health. Trade-off theory suggests that companies balance the benefits and costs of financing decisions, particularly between debt and equity. In the context of net profit margin: Higher net profit margin, the company generates sufficient internal funds, reducing the need for external financing. This allows management to invest in new projects without significantly increasing debt (Handayani & Winarningsih, 2020; Widiasmara et al., 2022; Xiangyu & Zhao, 2020). Lower net profit margin, the company may rely more on debt financing for investment, increasing financial risk due to interest obligations. Management must carefully evaluate whether expected returns from investment outweigh the cost of borrowing (Novyarni & Permana, 2020). Companies with higher profit margins may prefer equity financing to maintain financial flexibility, while those with lower margins might face challenges in securing favorable debt terms.(Xiangyu & Zhao, 2020).

A healthy net profit margin allows a company to allocate resources toward sustainable investments, employee welfare, innovation, and community development, aligning with broader stakeholder expectations (Handayani & Winarningsih, 2020; Hossain, 2020; Purnasari et al., 2020; Sulastri et al., 2023). If net profit margins are low, management may prioritize short-term profitability over long-term value creation, potentially leading to cost-cutting measures that negatively impact employees, product quality, or sustainability initiatives. Companies that reinvest profits into socially responsible projects or innovation can build stronger relationships with stakeholders, enhancing brand loyalty and long-term growth potential (Strategy & Society, 2023).

The Tax-to-Book Ratio (TBR) plays a crucial role in investment decisions within the consumer goods industry. A high TBR often indicates aggressive tax management, where companies minimize taxable income relative to book income. This can lead to selective investment decisions, prioritizing tax-efficient projects that maximize available cash flow. However, a significant gap between book and taxable income may signal risks to investors and creditors, potentially increasing the cost of capital. Given the competitive nature of the consumer goods industry, tax-efficient investment strategies, such as utilizing accelerated depreciation or tax incentives, can significantly influence expansion and operational growth.

Net Profit Margin (NPM) is another critical factor affecting investment decisions. A high NPM allows companies to fund growth internally, reducing reliance on external financing and minimizing financial risk. In contrast, a low NPM forces firms to depend on debt financing, which may lead to higher interest obligations and financial constraints. Companies with strong profitability have greater flexibility in choosing financing strategies, often preferring equity financing to maintain control and financial stability. Meanwhile, businesses with weaker margins may struggle to secure favorable loan terms, limiting their ability to invest in expansion or innovation.

From a long-term strategic perspective, both TBR and NPM influence sustainability and stakeholder engagement. Companies with a healthy NPM can reinvest profits into sustainability initiatives, employee welfare, and innovation, aligning with broader stakeholder expectations. A low NPM, however, may lead to short-term cost-cutting measures that compromise product quality or long-term sustainability efforts. By strategically managing tax efficiency and profitability, firms can enhance brand loyalty, maintain competitive advantages, and drive sustainable growth in the highly competitive consumer goods sector.

Inflation not affects managerial investment decisions. Negative inflation (deflation) does not significantly affect managerial investment decisions. Deflation's Uncertainty May Lead to Caution, Not Direct Investment Changes. When inflation turns negative, it often signals weak demand and economic slowdown (Bhamra et al., 2022). Managers may become more cautious, but investment decisions depend more on long-term business strategy rather than short-term price changes (Martin, 2023).

Deflation may reduce costs (e.g., raw materials, wages), but lower demand can offset these benefits. Companies might hesitate to expand or invest due to concerns about future profitability (Bhamra et al., 2022).

In a deflationary environment, central banks often lower interest rates to stimulate borrowing and investment (Agarwal & Kimball, 2019). However, if businesses expect continued deflation, they may delay investments despite lower borrowing costs (Daoui, 2023; Horra et al., 2021).

Managerial investment decisions are influenced more by market demand, competitive pressures, and technological advancements than by inflation alone (Bhamra et al., 2022). Negative inflation may not significantly alter investment plans if other factors remain stable (Braggion et al., 2023).

While deflation can affect the broader economy, its direct impact on managerial investment decisions is not always significant. Companies prioritize factors such as market conditions, business opportunities, and long-term profitability over short-term price declines when making investment choices.

CONCLUSION

Corporate governance, as a non-financial factor, significantly affects managerial investment decisions. However, independent commissioners, a key governance component, do not have a strong impact on corporate decision-making due to their primarily supervisory role. Their effectiveness depends on factors such as independence, experience, and active involvement. In some cases, independent commissioners merely fulfill regulatory requirements without significantly influencing strategic decisions. Meanwhile, the frequency of board meetings and audit committee sessions plays a crucial role in governance, as frequent meetings enhance oversight, facilitate strategic discussions, and allow quicker responses to risks and opportunities. The audit committee, in particular, is responsible for financial oversight, regulatory compliance, and risk management, making its role more directly impactful on corporate governance and investment decisions.

Despite its importance in corporate management, good governance does not significantly affect financial indicators such as the tax-to-book ratio (TBR) and net profit margin (NPM). Independent commissioners mainly serve as advisors rather than decision-makers, and while frequent board and audit committee meetings improve governance

quality, they do not directly determine profitability or tax efficiency. Financial performance is primarily influenced by revenue generation, operational efficiency, and market conditions rather than governance mechanisms. Additionally, simply increasing the number of governance meetings does not automatically lead to better financial results; the quality of discussions and decision-making processes is more critical. Strong governance may contribute to long-term stability, but short-term financial outcomes rely on other business factors such as pricing strategies, competitive positioning, and cost management.

Financial indicators, particularly the tax-to-book ratio (TBR) and net profit margin (NPM), significantly impact investment decisions. A high TBR suggests aggressive tax management, influencing how companies allocate resources for expansion and investment. Firms with lower tax burdens have more cash available for investment, whereas those with high taxable income may face liquidity constraints. Moreover, a significant gap between book income and taxable income can signal financial risks to investors, affecting the company's access to capital. Similarly, NPM plays a key role in investment strategy. Companies with higher profit margins rely less on debt financing and have greater flexibility in funding new projects. In contrast, businesses with lower margins may need external financing, increasing their financial risk. Companies with strong profitability can reinvest earnings in sustainable initiatives, innovation, and employee welfare, aligning with stakeholder expectations and long-term growth (Chan et al., 2022).

Deflation or negative inflation does not directly impact managerial investment decisions, as companies base their strategies on long-term business fundamentals rather than short-term price fluctuations. While deflation may lower costs for raw materials and wages, it can also signal weak demand, causing managers to be more cautious. Central banks may lower interest rates to encourage investment, but if businesses anticipate prolonged deflation, they may still delay expansion despite cheaper borrowing costs. Ultimately, market demand, competition, and technological advancements play a more significant role in investment decisions than inflation alone. Even in deflationary conditions, companies prioritize business opportunities and long-term profitability when making investment choices.

Limitations and Recommendations. Limited Scope of Governance Variables The study primarily focuses on independent commissioners, board meetings, and audit committee meetings as governance indicators. Other key governance aspects, such as executive compensation, ownership structure, and shareholder activism, are not considered, which may provide a more comprehensive understanding of governance's impact on investment decisions.

Short-Term Financial Performance Focus. The research emphasizes immediate financial indicators like the tax-to-book ratio (TBR) and net profit margin (NPM), potentially overlooking long-term financial performance and sustainability metrics. Governance practices often yield long-term benefits rather than immediate financial gains. Macroeconomic Factors Not Fully Explored. Inflation is considered, but other macroeconomic variables such as interest rates, exchange rates, and political stability are not analyzed. These factors could provide additional insights into how external economic conditions influence investment decisions.

Industry-Specific Variations Not Addressed. The study does not differentiate between industries, despite the fact that governance practices, financial performance, and

investment strategies vary significantly across sectors such as manufacturing, technology, and finance. A sectoral analysis could yield more targeted insights.

Qualitative Aspects Not Considered. The study relies on quantitative data, which may not capture the qualitative aspects of managerial decision-making, such as leadership style, corporate culture, and stakeholder pressures, which play a crucial role in investment strategies.

Recommendations. Expand Corporate Governance Indicators. Future research should incorporate additional governance variables such as CEO duality, board diversity, shareholder rights, and corporate transparency to better understand the full impact of governance on investment decisions.

Longitudinal and Industry-Specific Studies. Conducting longitudinal studies across different industries can help identify long-term trends and sector-specific governance practices that influence financial performance and investment choices.

Broader Macroeconomic Analysis. Future studies should include other macroeconomic variables like interest rates, exchange rate fluctuations, and fiscal policies to provide a more holistic view of how external economic conditions affect investment decisions.

Integrate Qualitative Research Methods. A mixed-methods approach that includes interviews or case studies with managers and financial decision-makers could provide deeper insights into the strategic reasoning behind investment choices.

Consider Sustainability and ESG Factors. Given the growing emphasis on sustainability, future research should explore how Environmental, Social, and Governance (ESG) factors influence managerial investment decisions and financial performance in the long run.

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