

The Effect of Related Party Transactions on Company Values with Good Corporate Governance as a Moderating Variable (An Empirical Study of State-Owned Enterprises 2021-2023)

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Abstract

This study aims to 1) Test the significant influence of Related Party Transactions on Company Value in State-Owned Enterprises listed on the Indonesia Stock Exchange for the 2021-2023 period. 2) Test whether the Good Corporate Governance variable can strengthen or weaken Related Party Transactions on Company Value in State-Owned Enterprises listed on the Indonesia Stock Exchange for the 2021-2023 period. This study uses a quantitative approach with the type of data used being secondary data. The sample used is a state-owned enterprise listed on the IDX and published complete financial reports for the 2021-2023 period. The results obtained are 1) This result can be interpreted that Related Party Transactions reflected by the indicator of the proportion of related party transactions to total assets can directly affect company value reflected by the Tobin's Q indicator. 2) The Good Corporate Governance variable can weaken Related Party Transactions on Company Value in State-Owned Enterprises listed on the Indonesia Stock Exchange for the 2021-2023 period.

Keywords: *Related Party Transaction, Company Value , Good Corporate Governance, Indonesia Stock Exchange , BUMN*

INTRODUCTION

Developments in the business world moment This following the era of revolution industry 4.0, which is characterized with competition between very tight sector between sector industry . The tightness competition in the business world , companies try become more competitive in various field For attract investors (Yuono & Widyawati, 2016) . The emergence of the stock market make company compete as much as possible Possible with mission For maximize benefits . In addition to maximizing benefits , missions carried out by the company that is increase mark from visible company from price its shares on the stock exchange (Kodriyah et al., 2023) .

Company values own a very important role for something company matter the due to made into the bad management as indicator for stock investors For evaluate how much Good in manage his assets as well as measure Company performance so that the result expected can influence Investor perception (Pradnyana & Noviari, 2017) . Company value can give riches holder share in a way maximum If happen increase price shares , increasingly tall price share the more tall shared wealth to holder shares . The goal is to maximize prosperity holder shares , no only in a way direct beneficial for holder share but can give benefits also for public wide (Solikhin et al., 2022) . Companies should notice welfare of shareholders share with method maximize Company value (Yuono & Widyawati, 2016) . This can give impact to the holders stocks to remain maintain its shares and attract potential investors for implant the capital to company the .

Related party transaction is transactions made entity through company the relationship or the party that has connection special . This related party transaction transaction special only carried out and known by the party who owns it Special relationship (Jao et al., 2024) . Nurjanah

et al., (2023) say that at the time company do related party transactions then will bring up concerns by investors. Investors are worried that decision business No taken in a way objective If there is personal relationships or excessive interest near .

In a way general , transactions party related can give benefit efficiency operational and synergy between entity . However , if No managed with OK , transaction This potential cause conflict interests that can harm holder share minority and lower investor confidence . Therefore that 's important for company For ensure that transaction the done in a way fair and transparent.

Good Corporate Governance (GCG) is a corporate governance based on openness , accountability , impartiality , and independence Masitoh & Hidayah, (2018). In several year Lastly , GCG has appear as central issue in practice management businesses around the world . The purpose of the concept of GCG is For grow environment business that prioritizes the people management business that is not transparent . In the era of globalization and the current situation an economy that is not stable , GCG is not Again just draft theoretically , on the other hand guidelines This has develop become guide practical For direct business in the right direction (Hendra & Halbadika Fahlevi, 2024) .

With Thus , it is important For research How influence transaction party related to mark companies , especially state-owned enterprises, and how implementation Good Corporate Governance can moderate connection said . Empirical studies in the period 2021-2023 will give outlook about effectiveness implementation Good Corporate Governance in manage transaction party related and its impact to mark company.

RESEARCH METHODS

This research is quantitative. Data processing in the form of numbers and figures is used as an analytical tool. The data used in this study are the financial statements of state-owned enterprises (BUMN) listed on the Indonesia Stock Exchange (IDX) for the 2021-2023 period. The financial statements were obtained from the official website of the Indonesia Stock Exchange (IDX). The data in this study can be considered secondary data. Other data sources in this study were obtained by reading, studying, and reviewing literature from books, journals, papers, and research related to the title. The population of this study was manufacturing companies in the consumer goods subsector listed on the Indonesia Stock Exchange. Sampling was based on predetermined criteria, resulting in a sample of 24 state-owned enterprises listed on the Indonesia Stock Exchange. Data analysis was conducted quantitatively using a Structural Equation Modeling (SEM) approach with the assistance of the Smart-PLS application.

Research Model

Study This use three variables independent (X), one variables dependent (Y), and one variables moderation (Z). Based on study theoretical that has been explained before and for know its influence , can stated that the form of research model used as base study This is :

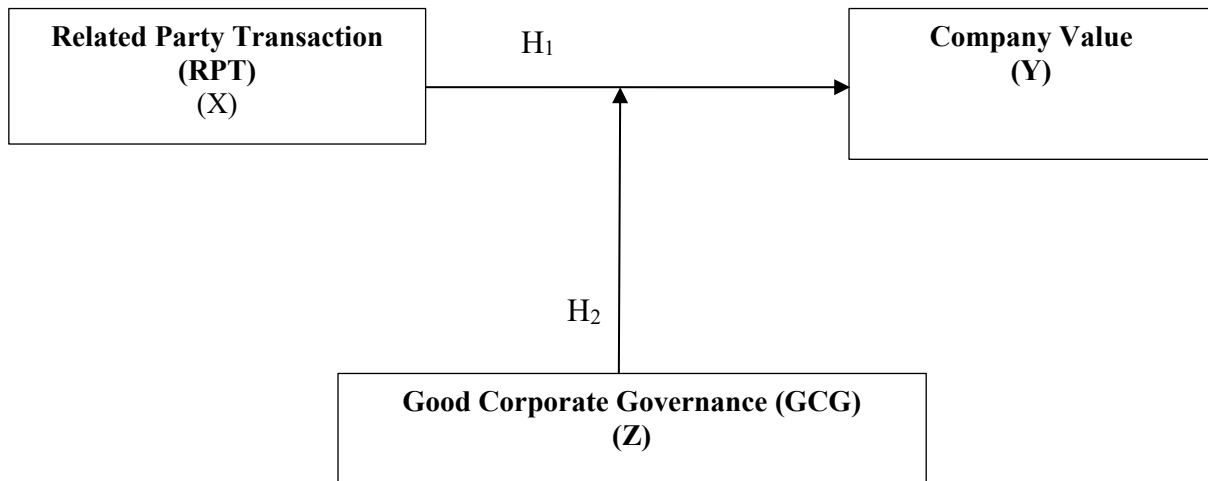


Figure 1. Research Model

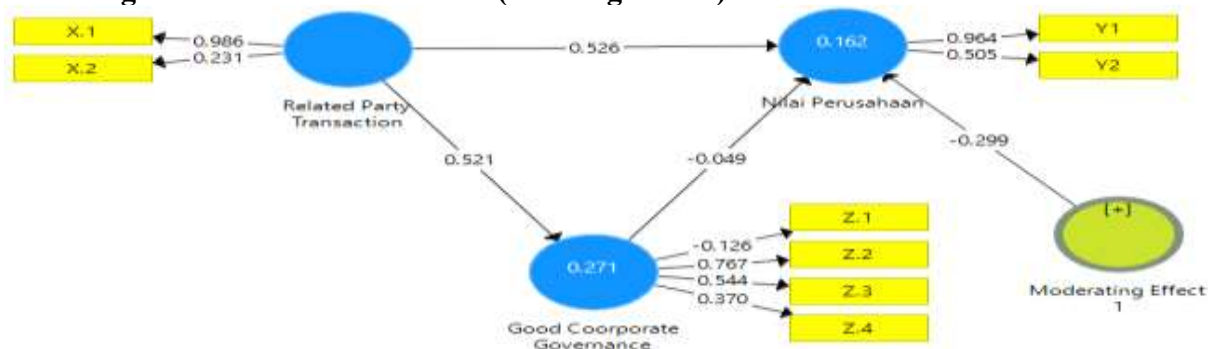
RESULTS AND DISCUSSION

Outer Model Evaluation

1. Convergent Validity

Measurement model with indicator reflective from convergent validity can be seen from correlation between score item / indicator with the construct score. Indicator considered reliable if own mark correlation above 0.70. Result model beginning study with, using SmartPLS software 3 be seen in Figure 2.

Figure 2. Calculation Results (PLS Algorithm) of the Initial Research Model



Based on guide presented by Ghazali (2015), then in figure 1 can be seen that mark loading factor in measurement variables there is indicator outer loading value is below 0.7. The indicator whose value is below 0.7 and below among other indicators proportion independent commissioners, number board of commissioners and ownership meetings institutional in the Good Corporate Governance variable. Indicator with a loading factor below 0.5 then will be issued from the research model. Therefore that, in study This indicator For every variables consists of from indicator with a loading factor above 0.5. With Thus, the form of the research model This change and next become a research model second like seen in figure 3 below This:

Figure 3. Calculation Results (PLS Algorithm) of the Second Model

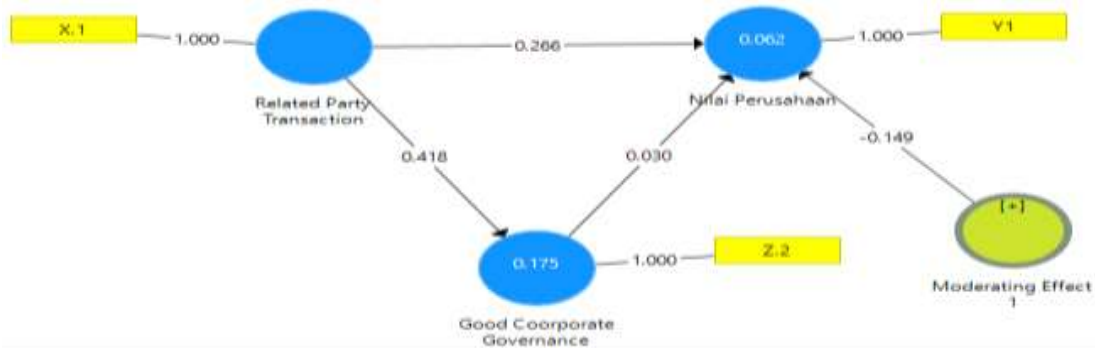


Figure 3 above show that all over indicator from latent variables in study This Not yet own loading factor value above 0.7. With Thus , the indicators the is valid and reliable indicators as indicators that reflect variables study This is convergent validity . from testing indicators (measurement model) do not only can seen from loading factor value , but rather can also be seen from results calculation against the second model in the form of results Average Variance Extracted (AVE). Table 1 below show mark Average Variance Extracted (AVE).

Table 1. Average Variance Extracted (AVE) Value

| Variable | Nilai |
|----------------------------|-------|
| Related Party Transaction | 1,000 |
| Company Values | 1,000 |
| Good Coorporate Governance | 1,000 |

A variables it is said fulfil convergent validity criteria if own mark Average Variance Extracted (AVE) is above 0.5. From table 1 above , it is known that that AVE value of corporate social responsibility and tax avoidance variables have show numbers above 0.5 . This is means that second variables the has fulfil convergent validity criteria . Meanwhile AVE value for characteristic variables Still be under the number 0.5. This is show that Still Lots happen error in indicator or items than variance value of construct . Although AVE value of variables characteristics companies under 0.5 , Fornell and Larcker state that when AVE value is less from 0.5 but mark component reliability (CR) is higher big from 0.6, then matter the can accepted (Fornell & Lacker, 1981). With Thus , the outer loading and Average Variance Extracted (AVE) values have been fulfil criteria so that indicator of each latent variable is declared valid for reflect their respective variables .

2. Discriminant Validity

For ensure that every latent variables have different concepts between the variables being assessed , then need known mark discriminant validity with see mark cross loading . If the correlation construct with the item being measured more tall compared to with construct other things This show mark discriminant validity adequate . Table 2 shows results cross loading value of each variable .

Table 2. Cross Loading

| Variable/Indikator | Related Party Transaction | Company Values | Good Corporate Governance |
|--------------------------------|---------------------------|----------------|---------------------------|
| Transaction Party Relation | 1.000 | 0.174 | 0.418 |
| Tobin 's Q | 0.174 | 1.000 | 0.043 |
| Board of Commissioners Meeting | 0.418 | 0.043 | 1.000 |

Based on results testing of data that has been done using SmartPLS software , obtained results as in the table above which shows that variables independent that is Related Party Transaction own mark cross loading highest to the indicators that is Transaction Party Relationship , so that can concluded that variables Related Party Transaction own good discriminant validity . Furthermore variables dependent that is mark company own mark cross loading highest to the indicators that is Tobins ' Q , so that can concluded that the value variable company own good discriminant validity .

In addition , the variables moderation that is Good Corporate Governance own higher cross loading value tall to the indicators that is compared to with other variables , namely board committee meeting so that has good discriminant validity . In addition to cross loading , the measurement discriminant validity can also be done with know mark Fornell Lacker . Fornell Lacker is one of the methods used For compare root square from AVE to every construct with mark correlation between construct in the model. Criteria from method This is If Fornell Lacker's value every construct more big than mark correlation between construct others , then can it is said own mark good discriminant validity . For know results Fornell Lacker can seen in Table 3.

Table 3. Fornell Lacker

| Variable | Related Party Transaction | Company Values | Good Corporate Governance |
|---------------------------|---------------------------|----------------|---------------------------|
| Related Party Transaction | 1.000 | 0.174 | 0.418 |
| Company Values | 0.174 | 1.000 | 0.043 |
| Good Corporate Governance | 0.418 | 0.043 | 1.000 |

Based on results testing use SmartPLS shown in table 3 , obtained Fornell Lacker's value of variables Related Party Transaction of 1,000 or with the words Related Party Transaction own correlation construct more tall to the construction Alone compared with construct others , so that have good discriminant validity . In addition , the Fornell Lacker value of variables Company Values of 1,000. When compared with construct others , correlation between construct Company Values with the construction Alone own greater value high , so that has good discriminant validity .

Lastly , Fornell Lacker's value of variables Good Corporate Governance of 1,000. When compared with construct others , correlation between construct Good Corporate Governance with the construction Alone own greater value high , so that has good discriminant validity .

3. Composite Reliability

Criteria reliability can seen from mark composite reliability and Cronbach's alpha of each construct . A construct can it is said own high reliability If own The composite reliability and Cronbach's alpha values are above 0.7 (Ghozali , 2014). know mark composite reliability and Cronbach's alpha can seen in table 4.

Table 4. Composite Reliability

| Variable | Composite Reliability | Cronbach's Alpha |
|---------------------------|-----------------------|------------------|
| Related Party Transaction | 1,000 | 1,000 |
| Company Values | 1,000 | 1,000 |
| Good Corporate Governance | 1,000 | 1,000 |

Based on table 4, it is known that the composite reliability of variables variables Related Party Transaction , the Company Value variable is , the variable Good Corporate Governance everything own composite reliability more big from 0.7 to all construct has fulfil criteria reliability . In addition , the value Cronbach's alpha corporate social responsibility variable is more big from 0.7. Meanwhile mark Cronbach's alpha variables Related Party Transaction , the Company Value variable is , the variable Good Corporate Governance everything its value more big from 0.5. With thus , all construct has fulfil criteria reliability . All variables and indicators in study This has fulfil all test criteria , so that can concluded that study This reliable and valid.

Inner Model Evaluation

Inner model variables describe connection between latent variables based on substance theory . Inner model is evaluated done with use mark R-Square For construct dependents used For evaluate influence independent to latent variables . Evaluation results the inner model explained as following .

1. Koefisien Determinasi R Square Coefficient Determination of R Square

In assessing the model with PLS, it begins with look at the R-Square for every dependent latent variable . Table 5 is results R-square estimation with use SmartPLS 3.

Table 5. R-Square Result

| Variable | R-Square |
|----------------------------|----------|
| Company Values | 0,062 |
| Good Coorporate Governance | 0,175 |

Table 5 shows that mark R-Square The Company Value variable shows results of 0.062 where variables characteristics Related Party Transaction can explain variables mark company of 0.062 or 6.2%, while the rest explained by other variables that are not can hypothesized in study this . Next mark R-Square variables Good Corporate Governance shows results of 0.175. The results show that Related Party Transaction can explain variables Good Corporate Governance of 0.175 or 17.5%, while the rest explained by other variables that are not hypothesized in study This .

2. Koefisien Determinasi Q Square

For measure how much Good mark observation generated by models and estimates the parameters , then must notice Q-Square value . Testing Q-Square value or predictive relevance can counted with use formulation and calculation as following :

$$Q^2 = 1 - (1 - R^2_{12}) * (1 - R^2_{22})$$

$$Q^2 = 1 - (1 - 0,062) * (1 - 0,175)$$

$$Q^2 = 1 - 0,774$$

$$Q^2 = 0,226$$

Q-Square Value must more big from 0 (zero) to show that the research model own mark predictive relevance . The Q-Square value has mark range $0 < Q^2 < 1$. The more approaching 1 means the model is getting better good (Ghozali , 2014). Calculation results The predictive relevance value of 0.226 or 22.6% indicates that diversity of data that can be explained by the model is by 22.6%. The remaining 77.4% can be explained by other variables that are not hypothesized in study this . The results give meaning that the research model This is a worthy model Because own mark relevant predictive .

Testing Hypothesis

1. Influence Direct

The significance of the parameters that estimated give information which very useful about relationship between variables research . basis used in test hypothesis is mark

the there is on output result for inner weight. Table 6 gives estimated output For testing models .

Table 6. Result for Inner Weights

| Variable | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistic ((O/STDEV)) | P Values |
|-----------|---------------------|-----------------|----------------------------|-------------------------|----------|
| RPT → NIP | 0.266 | 0.320 | 0.321 | 0.827 | 0.409 |
| RPT → GCG | 0.418 | 0.418 | 0.155 | 2.697 | 0.007 |
| GCG → NIP | 0.030 | 0.029 | 0.137 | 0.221 | 0.825 |

In PLS testing in a way statistics every hypothesized relationship done with use simulation . In case This done method Bootstrapping to sample . Testing with bootstrapping is also intended For minimize problem research data abnormalities . Test results with bootstrapping from PLS analysis is as following :

1. Connection variables Related Party Transaction with the Company Value showing coefficient track of 0.266. The T- statistic value of 0.827 which means < 1.96 . With results said so can stated that hypothesis the say that variable Related Party Transaction No influential and significant against mark company can accepted .
2. Connection variables Related Party Transaction with Good Corporate Governance show coefficient track of 0.418. The T- statistic value of 2.697, which means > 1.96 . With results said so can stated that hypothesis the say that variable Related Party Transaction influential and significant against Good Corporate Governance can accepted.
3. Connection variables Good Corporate Governance with the Company Value showing coefficient track of 0.030. The T- statistic value of 0.221 which means < 1.96 . With results said so can stated that hypothesis the say that variable Good Corporate Governance No influential and significant against mark company can accepted .

2. Indirect Influence

Following results testing path coefficients from the influence test No direct Improving Team Performance Through Leadership Behavior , Creativity and Teamwork.

Table 7. Path Coefficients Mean, STDEV, T-Values, P-Values

| Variables | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistic ((O/STDEV)) | P Values |
|-----------------|---------------------|-----------------|----------------------------|-------------------------|----------|
| RPT → GCG → NIP | 0.013 | 0.010 | 0.067 | 0.189 | 0.850 |

Test results hypothesis show that connection variables related party transaction to mark company with good corporate governance as variables moderation show coefficient track of 0.013 with a T- statistic value of 0.851, which means < 1.96 . With results the so can stated that No there is influence No direct between variables related party transaction to mark company with good corporate governance as variables moderation in State-Owned Enterprises for the 2021-2023 period .

Discussion

1. Influence Related Party Transaction Against Company Value

From testing hypothesis that has been conducted by researchers previously , can concluded that Related Party Transaction No own influence positive and significant towards Company Value. This seen from mark path coefficient of 0.266, the t-stat value of 0.827, and the p-value of 0.409. The t-stat value the not enough of 1.96 and p-value more big of 0.05. This result can interpreted that Related Party Transactions reflected with indicator proposition transaction party

related to total assets in a way direct No can influence mark reflected company with Tobin's Q indicator .

From the results analysis on said , proving that related party transactions No influential positive and significant to mark companies in state-owned companies listed on the IDX for the 2021-2023 period . Therefore, the hypothesis first submitted stated rejected . This matter due to Indonesian companies are bound by Regulation PER-32/PJ/2011, which regulates the application of fairness and business practices for Indonesian companies. The emergence of this regulation has led company managers to prefer to focus on other matters that can increase their company's value. Furthermore, it can result in investors not paying close attention to transactions conducted with related parties within a company. This is because Indonesian companies conduct related party transactions merely as a transfer of resources that neither benefits nor harms investors. Resource transfers can be conducted between related parties because they may have the same management (Anggala & Basana, 2020).

These results are inconsistent with research conducted by Panjaitan et al., (2022) which found that related-party transactions have a significant negative impact on firm value. However, these findings support research conducted by Syaefullisan & Sulfitri (2024) which found that related-party transactions have no impact on firm value.

2. Influence between variables related party transaction to mark company with good corporate governance as variables moderation

From testing hypothesis second show that No there is influence No direct between variables related party transaction to mark company with good corporate governance as variables moderation in State - Owned Enterprises for the 2021-2023 period . This seen from mark path coefficient of -0.0638, the t-stat value is 0.8, and the p-value is 0.3947. The t-stat value the not enough of 1.96 and p-value more big of 0.05. This result can interpreted that variables Good Corporate Governance can weaken Related Party Transactions on Company Value in State-Owned Enterprises listed on the Indonesia Stock Exchange for the 2021-2023 period .

That matter due to moment company do transaction party related bring up concerns by investors and analysts . Concerns This about are the insiders company focus on the interests of stakeholders when do transaction party related . Concern whether transaction party related This done For interests of the majority stakeholders or can it is said that transaction party related This indicated existence potential tunneling . This is can concluded that the market responds negative companies that do transaction party indicated relationship tunneling (Nurjanah et al., 2023).

Related party transaction Can implemented if existence support from the majority shareholder . The company's majority stakeholder has right voice more from 50 percent Can show policies and operations something entity related based on budget or agreement . Policy the can trigger conflict agency between majority and minority shareholders because the majority shareholder most take decision choose Related party transaction (Putra & Putri, 2022).

With give right monetary to minority shareholders , structure ownership company must restricted in restrictions dominant coalition including majority stakeholders and management (Apriani & Khairani, 2023). . Companies that have ownership are required to distributed more evenly so that strength stakeholder control can monitored (Hendra & Halbadika Fahlevi, 2024). Distributed ownership can possible with monitoring of management will done with Good . Combining ownership and control can beneficial because stakeholders can take steps For reduce takeover by a party (Rahardi & Prastiwi, 2014). Ownership distributed Can reduce concentration ownership because stakeholders agree For establish policies that can give profit to all over parties

. Then the regulations adopted will also give benefits to the entity , as a result provide profit to the entity can go up and can make investors interested. This is in line with Widodo et al., (2024) research, which states that corporate governance acts as a moderating homologizer in moderating financial distress. The first estimate showed no significant effect of corporate governance on tax avoidance, and the second estimate showed no significant effect of the Z-interaction. Jao et al., (2024) research found that tax avoidance successfully mediates the effect of related-party transactions on firm value.

CONCLUSION

Based on results analysis of data that has been done about the influence of related party transactions on mark company with good corporate governance as variables moderation (study empirical in business entities state- owned assets for the 2021-2023 period), obtained conclusion as following :

1. This result can interpreted that Related Party Transactions reflected with indicator proposition transaction party related to total assets in a way direct can influence mark reflected company with Tobin's Q indicator
2. Variables Good Corporate Governance can weaken Related Party Transaction on Company Value in State-Owned Enterprises listed on the Indonesia Stock Exchange for the 2021-2023 period.

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