

The Mediation Role Of Financial Performance On The Relationship Between Good Corporate Governance (GCG) And Corporate Values (Studies On Manufacturing Companies Listed On The IDX In 2019 - 2021)

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ABSTRACT

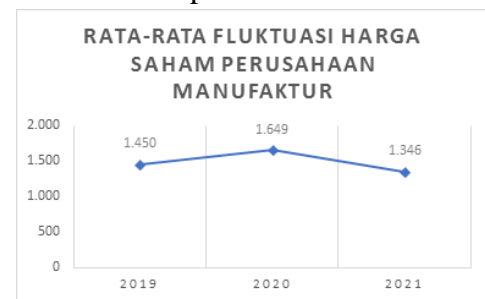
This study aims to determine the mediating role of financial performance in the relationship between good corporate governance and corporate value. The type of data used is quantitative data sourced from secondary data through IDX data. The population in this study were 72 companies. The sampling technique used purposive sampling. Data is analyzed using SEM and processed through WarPLS. The results showed that good corporate governance with proxies of managerial ownership, institutional ownership, and audit committees had no effect on firm value, while an independent board of commissioners had a positive effect on firm value. Financial performance has no effect on firm value, the mediation results show that financial performance has not been able to mediate good corporate governance on firm value, this is because the company has not optimally formed good corporate governance so it is difficult to increase profits and firm value.

Keywords : financial performance; firm value; good corporate governance

I. INTRODUCTION

Company value is the efficiency achieved during the company's operations (Noerirawan & Muid, 2012). The increasing value of the company is a concern for investors. So, the purpose of company value is to maximize profits so that investors can glance at it (Yuono, 2016). Indonesia has a strategic market in the world of investment, especially in manufacturing companies. Manufacturing companies need internal and external funding sources to expand their activities. The author chooses manufacturing companies to be the object of research because manufacturing companies listed on

the IDX consist of several industrial subsectors so that they can describe the overall capital market reaction.



Source : Processed by the author in 2023
(finance.yahoo.com)

Figure1 Graph of the average share price development of manufacturing companies

Figure 1 above explains that there were fluctuations from 2019 – 2021. In 2019 - 2020 On average, stock prices have increased. Therefore, there is a need for policies

carried out by each manufacturing company to increase the value of stock prices.

Food and beverage companies are companies engaged in the food and beverage industry. The author chose the food and beverage subsector because the stock is a stock that can survive when hit by a monetary crisis compared to other sectors, because under any conditions food and beverage products are still needed by the community

Reporting from the Kontan.co.id-Jakarta page (2021), the manufacturing company of the food and beverage subsector is PT. Tiga Pilar Sejahtera Food Tbk (AISA) experienced problems related to the implementation of Good Corporate Governance (GCG). Public accounting firm Ernst & Young (EY) has published an audit of possible violations by AISA's legacy management. From this case, GCG should be implemented based on its principles, especially the application of guidelines and mechanisms in ensuring good behavior.

In addition to GCG related to company value, there needs to be external factors so that the company can survive in the era of globalization, according to Siregar & Rahayu (2017) among these internal factors is the company's financial performance that can improve management in order to continue to increase the effectiveness and efficiency of work or expand in order to maximize

market share that has potential and get company value. The increase in company value includes the achievement of a company's financial performance which can be called getting better (Wijaya & Linawati, 2015).

In addition to the phenomenon, the reason for researchers is strengthened by the research gap that occurred in previous studies. The searchgap found by researchers in Harefa's research (2015) is in line with Sukrin's (2020) research, explaining that GCG does not have a significant negative effect on company value. In contrast to research from Girindratama (2019), GCG has a significant positive effect on company value. Further results related to financial performance found that financial performance had a significant positive effect on the company's value stated by Harefa (2015), Sukirin (2020) and Girindratama

(2019).(GIRINDRATAMA, 2019) On the other hand, research by Rina (2014) financial performance has no effect on company value (significant negative effect). Judging from the explanation above, so it must see the influence of the implementation of the company's GCG on the value of the company through financial performance.

II. RESEARCH METHOD

This research is of quantitative type. Sugiyono (2019)

defines quantitative research as a form of scientific research that investigates a problem from existing phenomena, this research is based on positivistic. The data source used is secondary data. According to Sugiyono (2017: 309), secondary data is indirect data, obtained through documents. The source of data in this study was obtained from the company's annual report on the IDX website for 2019 – 2021. According to Arikunto (2013), population is all research subjects. In this study, the population used is all manufacturing companies listed in the food and beverage stock market subsector on the IDX. The selection of this index consists of 72 companies. Sampling through purposive sampling method so that 14 samples were obtained. Data collection is carried out through the use of documentation techniques, namely in the form of annual report data for each company through www.idx.com and the website of each company. The analysis in this study used WarpPLS.

III. RESULTS AND DISCUSSION

This study examines the effect of changes in company value on the existence of Good Corporate Governance with financial performance as mediation. The dependent variable in this study is the value of the company proxied using Tobins's Q, while the independent variable is GCG which is proxied using managerial ownership,

institutional ownership, audit committee, and independent board of commissioners, as well as the mediating variable, namely financial performance proxied with ROA. The study produced 9 hypotheses.

a. **The influence of managerial ownership on the value of manufacturing companies**

Based on the hypothesis test, managerial ownership does not affect the value of the company, so H1 is rejected. This is because the average proportion of managerial ownership is low, the lack of percentage of human ownership causes management to be unable to actively participate in decision making. Another factor is that the high and low value of the company is not influenced by the amount of management share ownership but can be influenced by management's ability to manage (Astutik, 2021). This result is in line with research (Saputri & Isbanah, 2021), (Astutik, 2021), and (Rahman & Asyik, 2021)(Rahman & Asyik, 2021) suggesting that managerial ownership does not affect company value. The acquisition of this discussion is not in line with agency theory which states that management share ownership can reduce conflicts that occur in the company, this is because management share ownership can reduce agency problems because it can balance various existing interests (Astutik, 2021).

b. The effect of institutional ownership on the value of manufacturing firms

Based on the hypothesis test, institutional ownership does not affect the value of the company, so H2 is rejected. The value of the company is not influenced by any institutional ownership, this can be said because there is an information asymmetry, investors do not necessarily all have the same information as managers, so managers are difficult to control (Rahman & Asyik, 2021). This achievement supports research (Saputri & Isbanah, 2021) and (Rahman & Asyik, 2021).

This acquisition rejects agency theory, which states that institutional ownership can reduce agency costs so as to increase the value of the company. This can happen because the institutional party is still unable to maximally control the performance of the management, so that the management can carry out decisions prioritizing personal interests and ignoring the impact on company value (Saputri & Isbanah, 2021).

c. The effect of the audit committee on the value of manufacturing companies

From the calculations, the audit committee does not affect the value of the company so that H3 is rejected. The value of the company is not influenced by the number of the company's audit committee, this can happen because the number of audit

committee meetings does not show the influence of the quality of the meeting so that it does not affect the value of the company (Setiono & Wijaya, 2022). This acquisition supports research (Rahmawati, 2022) and (Setiono & Wijaya, 2022).

This achievement is not in line with agency theory which suggests that the audit committee can solve agency problems, because it does not function to control internal well, and the number of audit committee members is minimal (Rahmawati, 2022).

d. The influence of the independent board of commissioners on the value of manufacturing companies

From the hypothesis test, the independent board of commissioners influences the value of the company so that H4 is accepted. This matter shows that the higher percentage of the independent board of commissioners, the higher the value of the company. This phenomenon occurs because the independent board of commissioners of sample companies can carry out supervisory functions in order to control the policies and activities carried out by the directors and result in an increase in company value (Muryati & Suardikha, 2014). This achievement supports research (Muryati & Suardikha, 2014) and (Rahmawati, 2021).

This acquisition is in line with agency theory which states that "the

independent board of commissioners is considered to be the highest internal control mechanism responsible for overseeing top management policies", the agency theory suggests that the large number of independent board of commissioners members can make it easier to control top management and improve the supervisory function so that company value increases (Rahmawati, 2021).

e. The effect of financial performance on the value of manufacturing companies

From the acquisition of the hypothesis, financial performance does not affect the value of manufacturing companies. This gain is not in line with signaling theory which suggests that increasing profitability describes the company's ability to get more profits, which will result in investors being interested in buying company shares (Astutik, 2021). This can happen because management performance is unable to use its assets, resulting in decreased net profit while company assets increase (Andika et al., 2021). The acquisition of this research supports the research (Andika et al., 2021).

f. The role of financial performance as a mediation on the influence of managerial ownership on the value of manufacturing companies

From the acquisition of hypotheses, financial performance has not been able to mediate managerial ownership with company

value. This acquisition is not in accordance with agency theory which states that management ownership can suppress agency conflicts and have an impact on company profits (Astutik, 2021). This happens because the percentage of management share ownership is very small, so agency problems can arise because management is not included in the majority of company shareholders (Saputri & Isbanah, 2021). The acquisition of this research supports research (Astutik, 2021), (Saputri & Isbanah, 2021), (Rahman & Asyik, 2021), and (Setiono & Wijaya, 2022). (Setiono & Wijaya, 2022)

g. The role of financial performance as a mediation on the influence of institutional ownership on the value of manufacturing firms

Based on the hypothesis test, financial performance has not been able to mediate institutional ownership with company value. This acquisition is not in line with agency theory, that institutional shareholding can oversee management work so as to reduce agency conflicts and impact on the company. This can happen because company owners cannot interact directly for the company, only relying on financial statements so that the data owned is only a little compared to managers. This hinders the company from achieving its goals (Saputri & Isbanah, 2021). These results are in line with research

(Rahman & Asyik, 2021) and (Saputri & Isbanah, 2021).

h. The role of financial performance as a mediation on the influence of the audit committee on the value of manufacturing companies

Based on the hypothesis test, financial performance has not been able to mediate the audit committee with the value of the company. This acquisition is not in line with agency theory, the audit committee is needed to overcome the shortcomings run by the management. This happens because the audit committee has not been able to guarantee the effectiveness of the audit committee's performance when controlling financial performance, because the audit committee does not just carry out company financial control but carries out control in the non-financial field and runs meetings in order to maintain its image in front of investors (Saputri & Isbanah, 2021). These results are in line with research (Saputri & Isbanah, 2021) and (Setiono & Wijaya, 2022).

i. The role of financial performance as a mediation on the influence of the independent board of commissioners on the value of manufacturing companies

Financial performance has not been able to mediate the independent board of commissioners on the value of manufacturing companies. This acquisition does not support agency

theory, stating that the independent board of commissioners can handle agency issues because the supervisory role carried out is more objective in managing management related to company profits. This happens because the independent board of commissioners are board members who come from outside the company so that there is limited knowledge about the company, this causes ineffective supervision carried out on the management of the company (Astutik, 2021). These results are in line with research (Saputri & Isbanah, 2021), ((Saputri & Isbanah, 2021)Rahman & Asyik, 2021) and (Astutik, 2021).

IV. CONCLUSION

The purpose of this study is to examine the mediating role of financial performance in the relationship between GCG and company value in food and beverage subsector manufacturing companies listed on the IDX in 2019 – 2021. The acquisition of the hypothesis test shows the results that "managerial ownership, institutional ownership, and audit committee do not affect company value, while the results of the independent board of commissioners have a positive effect on company value", this happens because the independent board of commissioners can supervise in supervising company policies and activities carried out by the board of directors optimally so that it has an

impact on company value. Financial performance does not affect the value of the company. The acquisition of mediation suggests that financial performance has not been able to mediate GCG, this is because the company has not maximally created good company management so that it is always contrary to agency theory which causes companies difficulty in adding value.

The practical implication for companies should be to be able to pay attention to the proportion of independent board of commissioners being a component in taking investment, because these factors can positively affect the value of the company where an increase in the percentage of independent board of commissioners will affect the increase in company value. It is expected that the next researcher can add or use different proxies of Good Corporate Governance such as: board of directors, family ownership and profit quality.

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