



DETERMINANTS OF FIRM VALUE IN TRANSPORTATION COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE FOR THE PERIOD 2018-2022

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Abstrak

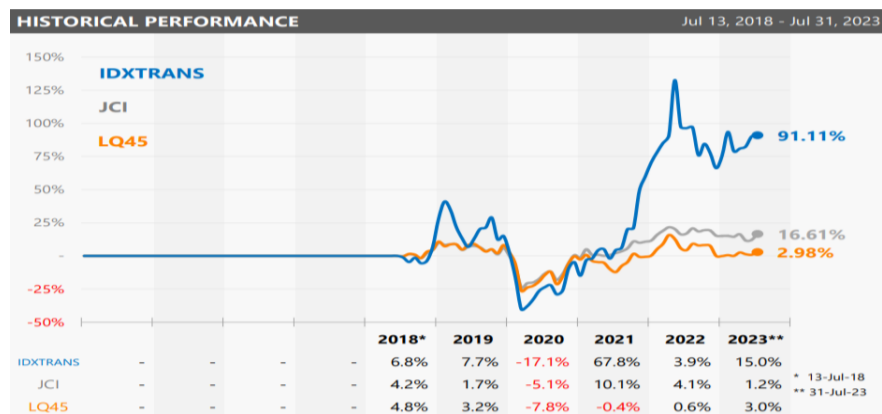
This study aims to assess the influence of financial performance variables (X_2) and good governance variables (X_1) on financial value (Y) in the context of 36 publicly traded transportation companies listed on the Indonesian Stock Exchange from 2018 to 2022. Purposive sampling was employed, resulting in a sample of 21 companies that met the study criteria. Analysis was conducted using the partial least squares (PLS) method with SmartPLS 3.0 software. The findings indicate that both financial performance and good governance significantly contribute to enhancing company value. Specifically, improved financial performance positively impacts financial value, while effective corporate governance practices also play a crucial role in increasing company value. These results underscore the importance of integrating robust financial strategies and governance frameworks to optimize organizational performance and investor perception in the transportation sector.

Keywords: Good Corporate Governance, Financial Performance, Company Value

INTRODUCTION

For potential investors, the value of a company can be a reliable measure of the potential return on their capital. A higher company value can provide a clearer picture of the effect of financial performance. The success of a company is determined by the consistency of its value and the value of its shares. The AI value of a company will rise if its share price is high. A high return on investment, or high firm value, is what investors are looking for. This has a significant impact on the business because the market will view it as having promising growth in the future (Putri, 2021).

The decline in the Composite Stock Price Index (CSPI) in transportation businesses listed on the Indonesia Stock Exchange in 2019 due to the pandemic is one of the events that occurred in Indonesia. This affects the performance of transportation companies because during the pandemic Indonesia carried out a large-scale social restriction program or commonly referred to as PSBB. The limited mobility of the community makes companies engaged in transportation quite overwhelmed to find profits (Rafsyanjani & Wuryani, 2021).



Graph 1 Historical Performance

Source: <http://idx.co.id>

The figure above explains that transportation companies listed on the IDX at the beginning of 2021 have a JCI percentage of 67.8%. Entering 2022 the JCI percentage was at 3.9% and tended to fluctuate, but at the beginning of 2023 it began to increase even though it was not like in 2022. The decline in the graph is of course influenced by the value of a company, if the company's performance goes down then the JCI graph also goes down. This trend shows that in 2022, the transportation business listed on the IDX will experience a drastic decline. Declining profitability is a big influence for the company, because profitability affects the company's performance which if the company experiences a decrease in profit then the performance of the company will and affect the company's share price. In addition, the implementation of good corporate governance also affects the value of the company, if corporate governance is carried out properly, the value of the company will automatically be good. As we can see in the figure, in 2023 companies in the transportation sector began to increase, although it was less significant, this increase was a form of effort from the company to improve company value (Rafsyanjani & Wuryani, 2021).

Businesses in Indonesia are starting to use Good Corporate Governance to improve productivity. Good Corporate Governance, or GCG, is a set of rules that govern the interaction between interested parties. These parties include internal groups such as management and staff and external groups such as creditors, shareholders and the government. These rules serve as a system of corporate control and regulate the rights and responsibilities of each party. The idea of accountability and transparency in improving corporate welfare is the cornerstone of sound corporate governance. Corporate governance can create market conditions that are efficient, transparent and compliant with the law. Three interrelated pillars must provide strong support for corporate governance: the state as a regulator, the business world as a market actor, and society as a buyer of products and services from the business world (Mudrikah et al., 2019).

One profitability metric that illustrates a company's financial success is return on assets, or ROA. Return on assets (ROA), a measure of profitability, is used to evaluate how successfully a company uses its assets to create profits. Additionally, Return on Equity (ROE) is an important metric for any

business that has an advantage over its established competitors. One of the necessary elements to increase the value of a company is profitability. One of the metrics used to evaluate the profit potential of a business is the profitability ratio. Since profitability can demonstrate a company's effectiveness and provide insight into its performance, it is essential for all aspects of business. High profitability is a sign that the business is operating profitably and efficiently, so it will attract investors and increase company value (Rifqiah et al., 2020).

LITERATURE REVIEW

Agency Theory

In essence, agency theory governs how a group of assignees, or agents, and employers, or principals, interact to accomplish a task. Therefore, management is the assignee and shareholders are the employer. There is a contract between the two parties that outlines their rights and responsibilities. According to agency theory, there is an opportunity for conflicts of interest to develop between principals (owners or shareholders) and agents (managers), which can lead to agency costs. Agency expenses are caused by conflicts of interest between principals and agents, which can be minimized through the GCG mechanism, which is a monitoring system that balances the diverse interests of the company (Krisnando & Sakti, 2019).

Company Value

The value of a company's shares at the time of a transaction between buyers and sellers determines the market price. The market value of a business can be ascertained by examining its stock price as the stock market price is seen as a reliable indicator of the value of the underlying assets. The value of a company is greatly influenced by investment opportunities, which are ascertained by the stock market value indicator. Investment opportunities may be favorable for the growth of the company. Stock prices rise along with company value (Ramadhani, 2021).

Tobin's Q calculation is a measure of firm value derived from the Chung and Pruitt (1994) method. Due to the difficulty in estimating asset replacement costs, this formula was then designed and modified to suit business needs in Indonesia by equating asset replacement costs to the book value of assets (Salsabila & Susilowati, 2023). After that, Tobin's Q is calculated using the formula:

$$Q = \frac{MVE+DEBT}{TA}$$

Good Corporate Governance

The development of an effective, transparent and law-abiding market requires Good Corporate Governance, or GCG. There are three interconnected pillars of the business world as market participants, the government and its apparatus as regulators, and the public as consumers of goods and

services that are needed for the implementation of GCG to run well. In the business world in Indonesia, Good Corporate Governance or GCG is a concept that must be applied to create corporate value for the benefit of stakeholders and shareholders. To achieve this, the organizational structure of the corporation must have GMS components, as well as processes and working relationships, division of power and responsibility, and internal and external alignment. In general, there are five basic principles: independence, fairness, accountability, transparency, and responsibility (Wiariningsih et al., 2019).

Currently, it is mandatory to have independent members on the board of directors of companies to implement the principles of good corporate governance (GCG). According to Regulation No. 33/POJK.04/2014 of the Financial Services Authority on the Management and Supervisory Board of an Issuer or Joint Stock Company, the proportion of independent members among the members of the Supervisory Board shall be at least 30% (Laksono & Kusumaningtias, 2021). This formula is the standard formula for neutral commissioners:

$$KI = \frac{\text{Number of Independent Commissioners}}{\text{Number of Board of Commissioners}} \times 100\%$$

The audit committee's responsibilities include determining issues that require commissioner involvement, performing additional duties, and offering viewpoints to the board of commissioners on reports or other matters submitted to the board. OJK Regulation No. 55/POJK.04/2015 is the foundation of the Audit Committee policy. According to the regulation, the audit committee in Indonesia must consist of at least three members (Laksono & Kusumaningtias, 2021). The audit committee measurement formula is as follows:

$$KA = \text{Number of Audit Committees in the Company}$$

Financial Performance

The financial data provided in the financial statements or annual reports can be analyzed to assess financial performance, which provides an overview of the company's financial situation in a certain period through the company's activities. Financial reports are a tool that managers use to convey financial information and their duties related to allocating company resources to meet external requirements. One of the key components of a company is profitability, which assesses the company's ability to generate profits and the effectiveness and efficiency of its business activities using all available resources (Ningrum & Sapari, 2021). Financial performance is the company's operating and investment activities by expanding the role of financial actors such as angel investors, venture capitalists, and creditors to help drive small business growth and product market innovation. The results show that financial performance is the result of financial ratio analysis or balance sheet analysis that characterizes the financial data of an organization (Kurniawati & Munari, 2023).

The profitability ratio called return on assets displays net income after dividing by total assets. The most popular and widely used metric is ROA (Rahmawardani & Muslichah, 2020). The ROA formula is:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%$$

Return on equity is a profitability ratio that shows the net capital owned by the company obtained from comparing net income with total equity (Rahmawardani & Muslichah, 2020). The ROE formula is:

$$ROE = \frac{\text{MVE+DEBT}}{\text{Total Assets}}$$

METHOD

This study used a quantitative research method to collect secondary data. The data used in this study were transportation companies listed on the Indonesia Stock Exchange (IDX). The sampling method used in this study was purposive sampling, a technique that selects research subjects based on the presence of unique characteristics identified by the researcher. Twenty-one companies met the requirements based on the criteria of including one of the researcher's components.

Partial least squares data analysis was conducted using software based on the SmartPLS 3.0 platform. The reason for using this analysis technique is that it enables measurement with a relatively small sample size and allows the study to use reflective and formative indicators.

RESULTS AND DISCUSSION

Data testing using SmartPLS 3.0 data processing software is carried out validity and reliability tests with outer model tests and inner model tests on the data that has been collected. Testing the data through several stages using convergent validity, AVE, discriminant validity, Cronbach's alpha, composite reliability, R-square, and Q-square.

Convergent validity testing focuses on outer loadings which state the correlation between indicators or measurements used against variables. The qualified convergent validity value is outer loadings > 0.7 and AVE > 0.5 (Hardisman, 2021: 6-7). The test results obtained by researchers are as follows:

Table 1. Outer Loading

	X ₁	X ₂	Y
GCG 2018	0,890		
GCG 2019	0,823		
GCG 2020	0,868		
GCG 2021	0,827		
GCG 2022	0,894		
K. KEU 2018		0,863	
K. KEU 2019		0,856	
K. KEU 2020		0,817	
K. KEU 2021		0,843	

	X₁	X₂	Y
K. KEU 2022		0,866	
TQ 2018			0,857
TQ 2019			0,835
TQ 2020			0,871
TQ 2021			0,839
TQ 2022			0,798

Source: processed by researchers

Table 2. Average Variance Extracted

Average Variance Extracted (AVE)			
	X₁	X₂	Y
GCG	0,742		
K. KEU		0,721	
N. PRSHN			0,706

Source: processed by researchers

Based on the results of convergent validity testing, it shows that each variable has a loading value greater than 0.7, and the results of AVE testing have a value greater than 0.5, so that all indicators used can be considered valid as a measuring instrument for their variables.

Cross-loading with the construct is the basis for measuring discriminant validity testing. If the cross-loading value is greater than 0.70, then testing indicators with discriminant validity is feasible to assess the variable itself. An indicator is more accurate in predicting its own variable than predicting other variables if its correlation with that variable is higher than its correlation with other variables. The crossloading test results are:

Table 3. Crossloading

	X₁	X₂	Y
GCG 2018	0,890	0,873	0,875
GCG 2019	0,823	0,823	0,813
GCG 2020	0,868	0,831	0,843
GCG 2021	0,827	0,846	0,842
GCG 2022	0,894	0,877	0,887
K. KEU 2018	0,896	0,863	0,890
K. KEU 2019	0,832	0,856	0,832
K. KEU 2020	0,776	0,817	0,811
K. KEU 2021	0,818	0,843	0,813
K. KEU 2022	0,864	0,866	0,856
TQ 2018	0,849	0,834	0,857
TQ 2019	0,836	0,858	0,835
TQ 2020	0,848	0,856	0,871
TQ 2021	0,843	0,843	0,839
TQ 2022	0,782	0,768	0,798

Source: processed by researchers

The results obtained in the discriminant validity test are that each indicator has a greater crossloading value on its correlation with its own variable compared to the crossloading value on other variables and a value of > 70 , so the indicator is said to be valid in measuring its own variable.

After testing the validity, then proceed with the reliability test which is measured in two ways, namely using Cronbach's Alpha and Composite Reliability. In Cronbach's alpha and composite reliability, a value of > 0.70 is considered to have a reliability value for confirmatory research.

Table 4. Hasil uji Composite Reliability

<i>Composite Reliability</i>			
	X₁	X₂	Y
GCG	0,935		
Financial Value		0,928	
The value of the company			0,923

Source: processed by researchers

Table 5. Hasil Uji Cronbach's Alpha

<i>Cronbach's Alpha</i>			
	X₁	X₂	Y
GCG	0,912		
Financial Value		0,903	
The value of the company			0,896

Source: processed by researchers

The value of each variable has a Cronbach's alpha value of > 0.70 , and a composite reliability value of > 0.70 , so from the results of this reliability test it can be said that all variables have a good level of reliability.

Furthermore, after all outer model criteria have been met, then proceed with testing the inner model. The R-square test is intended to determine the ability of a model to explain the dependent variable.

Table 6. R-square test results

Variabel Dependen	R Square	R Square Adjusted
The value of the company	0,987	0,986

Source: processed by researchers

The table above shows that the Adjusted R-Square produces a value of 0.986. Corporate Governance and Financial Performance factors contribute 98.6% to the variance of the Financial Value variable; additional variables not included in this study determine the remaining portion.

The Partial Least Square (PLS) approach is then used in hypothesis testing to see if the variables have an impact. To measure the hypothesis using probability, the hypothesis is accepted if the P value is less than 0.05 and if the t-statistic is more than 1.96. The following are the results of hypothesis testing:

Table 7. Hypothesis test results

	<i>T Statistics</i>	<i>P Values</i>
GCG -> The value of the company	1,992	0,047
Financial Performance -> Company Value	2,192	0,029

Source: processed by researchers

The impact of Good Corporate Governance on firm value is well known. The parameters that appear are a p-value of 0.047 and a t-statistic of 1.992 which qualifies the path coefficient and supports the hypothesis. Based on the findings of the hypothesis test, firm value and Good Corporate Governance are positively correlated. Based on the path test conducted between environmental performance and company performance, it is found that both have benefits. These results are supported by the concept of Agency Theory where with GCG supervision of managers can be carried out effectively and can increase company value. From the results obtained, Good Corporate Governance can affect firm value if managers work well, because managers in a company have a big impact in managing a company. The company manager is also a role model for colleagues in a company, if in a company there is a problem with the manager, it also affects colleagues in the company as well which makes the performance of Good Corporate Governance go down and makes the company value go down as well, therefore Good Corporate companies can also be said to be a picture of mutual trust between internal companies and external companies and about what is happening in the company. Research by Wahasusmiah (2019) and Nunik & Susilo (2022) supports this. In addition, the Good Corporate Governance system will prevent the ecology of company resources by maintaining balance in company control. Well-managed business assets will increase the value of the company.

Then company performance has an influence on firm value. The resulting parameter is t-statistics 2.192 and p-value 0.029 where this number meets the criteria for the path coefficient so that this hypothesis is accepted. The results of hypothesis testing show that there is a positive relationship between financial success and business value. Tests conducted on the relationship between firm value and financial success show that these two variables are interconnected and beneficial. One profitability metric that illustrates a company's financial success is return on assets, or ROA. Return on equity (ROE) is an important metric for a business that shows excellence in surviving sustainable competition, and a profitability statistic called return on assets (ROA) evaluates how successfully a business uses its assets to generate profits (Rifqiah et al., 2020). From this description, it is clear that one of the elements that can increase company value is performance. Effective financial management has a direct impact on the profitability of a company which is a function of its performance and can increase the company's valuation. It is different if a company is not good at managing its finances, it will have a bad effect on the company's performance and will affect the company's value to be bad too. For investors, financial performance is a guideline in starting an investment in the company that will be targeted to invest capital. Therefore, financial performance can also be called a reflection of the financial management of a company. Based on these findings, research by Sulisty & Hermanto (2019) and Fadilah & Sulistyowati (2021) confirms that the value of a company is influenced by its financial success.

According to Sulisty & Hermanto (2019), the value of a company can also be influenced by good financial performance. This includes high earnings and the ability to manage assets well, which attracts investors and makes them want to participate in the business.

CONCLUSIONS

The findings of this study support the following conclusions: Good Corporate Governance increases firm value. Factors related to a company's performance have an impact on its value. It is common knowledge that related variables influence each other, and the value of a company is largely determined by the success of the business and the level of corporate governance. Companies that can effectively and efficiently manage corporate governance and good financial performance will be valued by investors who provide capital and impact it.

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