

The Performance of Increase the Value State-Owned Enterprises Models in Indonesia

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Abstract

This study is intended to examine the model in order to increase the value of state-owned enterprises (BUMN) by analyzing financial performance, implementing Good Corporate Governance, disclosure of corporate social responsibility. Companies that have good financial performance, implement Good Corporate Governance and corporate social disclosure responsibility can increase the value of the BUMN companies in Indonesia so that investors will respond positively through the increase in the price of their shares, so the company's goal to improve prosperity and people's welfare can be achieved.

The specific objectives to be achieved in this study are analyzing financial performance, the application of Good Corporate Governance, disclosure of corporate social responsibility, and the value of BUMN companies in Indonesia. Then how is the impact of financial performance of state-owned companies by using corporate social responsibility disclosure and implementation of Good Corporate Governance as a moderating variable in rangka increasing the value of state-owned in Indonesia enterprises in order to formulate policy recommendations to state-owned companies to encourage increasing the value of BUMN companies, which is efficient and effective so that the accountability of state-owned companies in Indonesia will be better. The SOE company performance measurement model used in this study is a quantitative approach with the aim of research is hypothesis testing. The test in this study uses secondary data. The population of this study was 22 state-owned companies listed on the Indonesia Stock Exchange (IDX). 17 samples were selected by purposive sampling. The analytical method used is multiple linear regression analysis and interaction testing, or often called the Moderated Regression Analysis (MRA). It is deemed necessary to assess the performance of state-owned companies in Indonesia, and is expected to provide a reference for increasing the value of state-owned companies in Indonesia, thus accountability of state-owned companies in Indonesia will be more well. The results showed that 1) there is a significant influence between the financial performances of state-owned companies in Indonesia to increase the value of state-owned companies, 2) Corporate social disclosure (CSR) able to moderate the relationship between financial performance to the value of state-owned companies. CSR will provide value added for state-owned enterprises because it will bring a positive image of company in the community, 3) Good Corporate Governance (GCG) as one of the elements of managerial ownership is not able to moderate the relationship between financial performance to the value of state-owned companies in Indonesia. This indicates that the market does not use managerial ownership information when conducting investment valuations of State-owned companies in Indonesia.

Keywords: Financial Performance, corporate social responsibility, Good Corporate Governance, State-owned enterprise Value

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1. Introduction

State-Owned Enterprises (SOE) in Indonesia is an extension of the government in the context of government towards the interests of the community. SOE companies in economic terms can also be seen in the state budget in the state budget. But in its development, SOE profits contributed significant value to state revenue in the acquisition of the state budget. 2007- 2012 was only in the range of 3 percent of total revenue and increased revenue from 2007. The related facts show the unfavorable results of the performance of SOE (Yuridis, 2014).

The performance measurement model of SOE companies used in this study is a quantitative approach with the aim of the research being hypothesis testing. Testing in this study uses secondary data. Samples were selected by purposive sampling. The selected sample criteria are: (1) Registered as a state-owned company in Indonesia and publishing financial reports and annual reports for January 1, 2012-31, December 2016. This is intended for data continuous, (2) Having CSR disclosures in successive annual reports, and (3) Companies that publish complete data in 2012-2016 relating to variables of corporate value, financial performance, managerial ownership, and Corporate Social Responsibility. The analytical method used is multiple linear regression analysis and interaction test or often referred to as Moderated Regression Analysis (MRA) deemed necessary to assess the performance of SOE companies in Indonesia, and is expected to provide a reference to increase the value of SOE companies, thus the accountability of SOE companies in Indonesia will be better.

The results showed that 1) The maximum value of state-owned companies was achieved by PT Perusahaan Gas Negara (PERSERO)

Tbk, while the minimum value occurred at PT Aneka Tambang (PERSERO) Tbk. With Tobin's Q value getting bigger, the company's growth prospects are considered better. 2) Financial performance is proxied by Return On Assets (ROA). The maximum value achieved by PT Bukit Asam (PERSERO) Tbk, shows a good company prospect. While the minimum value, namely PT Krakatau Steel (PERSERO) Tbk, which indicates an opportunity for a decline in the value of the company, because the lower the return obtained by investors makes the value of the company less good 3) The maximum value of managerial ownership is obtained by PT PP (PERSERO) Tbk, while the minimum value of managerial ownership occurs at PT Aneka Tambang (PERSERO) Tbk, PT Perusahaan Gas Negara (PERSERO) Tbk, PT Timah (PERSERO) Tbk, PT AdhiKarya (PERSERO) Tbk, PT Semen Gresik (PERSERO) Tbk, PT Telekomunikasi Indonesia (PERSERO) Tbk, and PT Bank Negara Indonesia (PERSERO) Tbk. (Al-Shuaibi, 2016)

Based on the description of the problems that have been discussed, the researchers are interested in doing research by lifting the title of **"The Study of Increase the Value State-owned enterprises Models in Indonesia"**.

2. Research Methodology

This study aims to examine how the influence of financial performance on firm value by using corporate social responsibility disclosure and managerial ownership as a moderating variable. Company value is the company's goal to increase shareholder prosperity. Financial performance is one way to increase company value. Companies that have good financial performance will be responded positively by investors through an increase in their share prices, then the company's goal to increase

shareholder prosperity will be achieved.

Besides, corporate social responsibility and managerial ownership are added as moderating. Corporate social responsibility is intended to strengthen the relationship of financial performance with corporate value. Disclosure of corporate social responsibility is a reflection of the company's relationship with the environment around the company so that it can reflect the quality of the company. While Corporate governance is a governance system corporate governance based on agency theory. Conflicts of interest according to agency theory can be overcome with Good Corporate Governance (GCG) mechanisms, one of which is an internal mechanism, namely managerial ownership. Managerial ownership can reduce agency conflict because if management has a part of the company, management will be maximized in carrying out company activities and reduce fraud that occurs in management. In other words, managers will make every effort to maximize the value of the company.

Hypothesis

H1: Financial performance affects the value of the company

H2: Disclosure of corporate social responsibility can moderate the relationship between financial performance and corporate value

H3: Good Corporate Governance as one that does not have Managerial Ownership which moderates the relationship between financial performance and corporate value

3. Results and discussion

Data obtained from IDX and ICMD, it is known that state-owned companies or BUMN listed on the BEI from 2012 until the year 2016 were 22 companies. By considering the existing criteria

then elected 17 companies. The criteria used for selecting samples in this study are first listed as a state-owned enterprise and publish financial reports and annual reports for the periods during the period January 1, 2012 - December 31, 2016 which is intended for continuous data, the second is to have CSR disclosure in the report annual basis for 2012-2016, and the third is a company that publishes complete data in 2012-2016 related to variables of corporate value, financial performance, good corporate governance and Corporate Social Responsibility intended for the completeness of data.

The results of the Kolmogorov-Smirnov normality test on the normality test table showed the value of Kolmogorov-Smirnov 3,215 with a significant value of 0.00 far below 0.05. This means that the distributed residual data is not normal because the residual normality test in the sample company has an unstable data fluctuation which means that a lot of unfulfilled residual data. The result of heteroskedasticity test on the heteroskedasticity test table shows the significance value of ROA is 0,00, CSRD 0,69 and KM 0,57. Variables that are above the 0.05 level of significance are KM and CSRD, while ROA is below the 0.05 level of significance. So it can be concluded that residual data occur heteroskedasticity. The multicollinearity test results in the multicollinearity test table show the VIF value of ROA that is 1.039, CSRD 1.052 and KM

1.048 indicates that all independent variables have VIF value < 10 which means data free from multicollinearity.

Hypothesis test results based on partial test can be done by looking at the value of significance, if the value of significance \leq probability value (p value) 0.05 then H_a accepted, which means independent variables have a partial significant influence on the

dependent variable. Otherwise, if $p \text{ value} \geq 0.05$ then H_a rejected which means there is no influence of independent variables partially to the dependent variable. Based on the results of data analysis to be shown in the Regression table, the test results for each hypothesis can be explained as follows.

4. Discussion

1. Effect of financial performance on increasing the value of state-owned enterprises in Indonesia Financial performance is one of the factors that become the reference of investors when buying shares. Investors can know how much the value of the company seen from the financial ratios as an investment evaluation tool. This research shows that financial performance affects the company value. This study support the research conducted by (Fauzi, Suransi, & Alamsyah, 2016), that financial performance has a positive and significant impact on company value, as well with the research conducted by (Hasmi&Mallongi, 2016), that financial performance affect company value. This shows that the better the company's financial performance will bring the company's value higher. So it is able to give a signal to investors to invest in the company, this is by the agency theory developed by (Nurein& Din, 2017). This result is consistent with the signaling theory that explained the Company's drive to provide information to external parties. Related to the implementation of the sample, State-owned enterprise or SOE in Indonesia then it can be concluded that the financial performance shows a good prospect of the company and investor will respond positively the signal that could increases the company value.

2. Corporate social responsibility disclosure is able to moderate the relationship between financial performance and corporate value of

state-owned enterprises in Indonesia.

CSR is considered to provide added value to the company because it has a positive image in the eyes of the community. This study shows that corporate social responsibility disclosure can moderate the relationship between financial performance and firm value. This is in line with research by (Hasmi&Mallongi, 2016), finding that corporate social responsibility disclosure can moderate the relationship between financial performance and firm value. These findings are reinforced through the results of (Anwar & Masodah, 2011) research, which found that corporate social responsibility disclosure as a moderating variable between financial performance and firm value. But CSR as a moderating weakens the relationship between financial performance and firm value.

3. Good Corporate Governance as an element of Managerial Ownership can moderate the relationship between financial performance and corporate value.

Good Corporate Governance is one element of Managerial Ownership. With the implementation of corporate governance, (Anggraeni, 2016) it is expected to function as a means of giving confidence to investors that they will receive a return on the funds they invest and will later affect the company's sustainability in terms of financial conditions. This study shows that managerial ownership is not able to moderate the relationship between financial performance and firm value. This is in line with research (Lasmanah&Yuniar, 2017), which proves that managerial ownership as a moderating variable has not been proven to affect the relationship between financial performance and firm value. This happens because the structure of managerial ownership in SOE is still very small and dominated by the state. (Himmah, 2018) which proves that the

low share ownership owned by managers causes managerial parties to have less voting rights in realizing their interests as shareholders, thus making management likely to have the motivation to use the assets of the SOE companies they lead for the benefit of management only. This is by the agency theory developed by (Coase et al., 1937) that company management as an "agent" for shareholders, will act with awareness for their interests, and not as a wise and wise party and fair to shareholders. Insignificant results in this study also indicate that the market does not use information about managerial ownership in conducting investment valuations.

5. Conclusion

The purpose of this study is how to impact the financial performance of SOE companies by using corporate social responsibility disclosure and the application of Good Corporate Governance as a moderating variable in order to increase the value of the company State- Owned Enterprises (SOEs) in order to formulate policy recommendations to state-owned companies to encourage increased corporate value BUMN, which is efficient and effective so that the accountability of state-owned companies in Indonesia will be better.

The results showed that 1) there is a significant influence between the financial performance of state-owned companies to increase the value of state-owned companies, 2) Corporate social disclosure (CSR) able to moderate the relationship between financial performance to the value of state-owned companies. CSR will provide value added for state- owned enterprises because it will bring a positive image of company in the community, 3) Good Corporate Governance (GCG) as one of the elements of managerial ownership is not able to moderate the relationship between

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