**Ekonomis: Journal of Economics and Business**
**Vol 8, No 2 (2024): September, 1488-1494**
Lembaga Penelitian dan Pengabdian kepada Masyarakat Universitas Batanghari Jambi
Address: Jl. Slamet Ryadi, Broni-Jambi Kodepos: 36122
Webite: http://ekonomis.unbari.ac.id, email: ekonomis.unbari@gmail.com
ISSN 2597-8829 (Online), DOI: 10.33087/ekonomis.v8i2.1858

# Optimizing Company Value: Size, Governance and Financial Performance on the Indonesian Stock Exchange

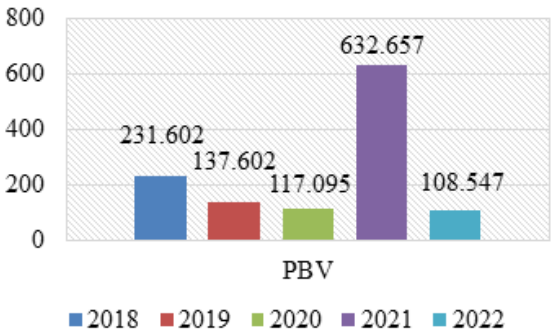
**Andrea Ciptha, Muhammad Isa Alamsyahbana,**
**Raja Yulianita Sarazwati, Novica Indriaty**
Accounting Department, STIE Pembangunan Tanjungpinang, Indonesia
Correspondence: albanapengusahamuda@gmail.com

***ABSTRACT***
*This study aims to investigate how the size of a company and its adherence to good corporate governance affect its value, with a focus on food and beverage companies listed on the IDX during the period from 2020 to 2022. The research sampled 37 companies using purposive sampling. It employed a quantitative approach, with data collected through literature review and web searches, primarily from official agency websites providing relevant reports. Data analysis was conducted using the Econometric Views (E-Views) 12 application. The findings indicate that while company size and good corporate governance do not directly impact financial performance, they do influence company value when financial performance serves as an intermediary variable.*

***Keywords*** **:** *good corporate governance; financial performance; corporate value; company size*

## INTRODUCTION

In the contemporary business landscape, rapid progress and intense competition are prevalent across various sectors, particularly in the economic domain. This trend is evident in Indonesia's economic advancement, which has spurred entrepreneurs' eagerness to establish and manage businesses within the country. Fierce competition compels companies to continually enhance their performance to fulfill their objectives. Among these objectives, maximizing company value and ensuring shareholder welfare stand out, especially for profit-oriented enterprises. Share prices serve as a barometer of public perception regarding a company's performance. Strategic financial decision-making holds the potential to bolster company performance, leading to elevated share prices and overall company value. A high company value fosters greater trust in the company's current operations and future prospects. The subsequent analysis highlights the progression of company value (PBV) within the food and beverage sub-sector companies:




Sumber: Akendy & Digdowiseiso (2023)

**Figure 1**
**Average Price to Book Value for Food & Beverage Companies 2018-2022**

Figure 1 shows that the Price to Book Value (PBV) produced by each company tends to experience fluctuations in the food & beverage sector, especially during the 2018-2022 period. The figure illustrates that between 2018-2022, the company experienced a quite striking decline. In 2018, the average PBV reached 231,602, then experienced a significant decrease in 2019 amounting to 137,631, and decreased further in 2020 amounting to 117,095. However, in 2021, there was a very

striking increase, with the average PBV reaching 632,657. However, in 2022, food & beverage companies will experience a significant decline again, with an average PBV of 108,574. This can happen because companies often experience losses so that the company loses a lot of assets, some companies experience too significant fluctuations each year.

Various factors contribute to the augmentation of company value, among which are company size, good corporate governance, and financial performance. As stated by Nurbaety in Putra & Dewi (2021), the size of a company can significantly influence its ability to procure funds from the capital market. Typically, smaller companies encounter limitations in accessing structured capital markets, such as bonds and shares. Even if access is available, the expenses associated with launching small amounts of securities can pose a hindrance. Moreover, small companies may encounter challenges in effectively marketing their securities if they manage to issue them. Hence, meticulous pricing strategies are imperative to ensure that investors attain returns that are substantially higher.

Good Corporate Governance (GCG) is recognized as a pivotal factor that can significantly impact company value. According to Saputri & Isbanah (2021), the implementation of GCG practices can lead to an increase in company value, thereby fostering optimal company performance and generating profits for shareholders. By adhering to GCG principles and achieving positive financial performance, companies can bolster their value, thereby attracting shareholder interest due to reduced decision-making risks and enhanced company worth. Financial performance serves as a critical aspect for potential investors assessing stock investments. Companies must enhance their financial performance to maintain the attractiveness of their shares to investors. The financial performance disclosed by a company serves as a reflection of its fiscal health. Harningsih et al. (2019) emphasized that financial performance significantly influences company value and is a key factor considered by investors when making stock investment decisions.

With this context in mind, the research aims to address several questions regarding the relationships between company size, good corporate governance, financial performance, and company value. Specifically, the research seeks to explore whether company size affects financial performance, if good corporate governance influences financial performance, whether company size impacts company value, whether good corporate governance affects company value, whether company size influences company value with financial performance as an intervening variable, whether good corporate governance influences company value with financial performance as an intervening variable, and whether company size and good corporate governance jointly affect financial performance and company value with financial performance as an intervening variable.

## METHODS

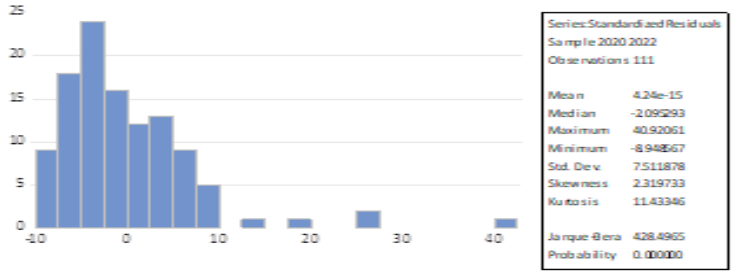
The type of research used in this research is quantitative methods. According to Sari et al., (2022) Quantitative data is data expressed in the form of numbers. The quantitative data in this research are the figures contained in the financial reports of Food & Beverage sub-sector companies listed on the Indonesia Stock Exchange for the 2020-2022 period. In this research the data used is secondary data . Secondary data in this research is in the form of annual financial reports of food & beverage sub-sector companies on the Indonesia Stock Exchange for 2020-2022. Source from sitewww.idx.co.id or the company's official website.

Data collection technique; (1) literature study. According to Nayren & Hidayat (2021) literature study is a data collection method that involves reviewing books, literature, notes and various types of relevant reports related to the problem to be solved; and (2) *web searching. Web searching*is a method that collects various scientific literature articles, journals and other documents from the internet on the web www.idx.co.id.

In this study, the e-views 12 application is employed for data processing. Panel data regression analysis is the chosen method for assessing the relationships between independent variables, dependent variables, and intervening variables. The data analysis techniques encompass descriptive analysis and classical assumption tests, which include normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests. Additionally, hypothesis testing comprises partial tests (t-test), simultaneous tests (F-test), coefficient of determination tests ($R^2$), and Sobel tests. These methods collectively enable a comprehensive examination of the research variables and their interconnections within the dataset.

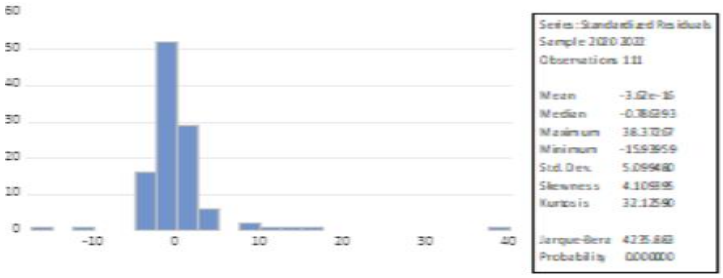
## RESULTS

Based on Figure 2 above, the Jarque-Bera statistic is reported as 428.4965. Consequently, the null hypothesis (Ho) is accepted, indicating that the data follows a normal distribution. Conversely, the alternative hypothesis (Ha) is rejected. Therefore, it can be inferred that the data in this study is normally distributed since the Jarque-Bera value of 428.4965 exceeds the significance level of 0.05.




Source: processed data

**Figure 2**
**Results of Sub-Structural Normality Test I**



Source: processed data

**Figure 3**
**Results of Sub-Structural Normality Test II**

Based on Figure 3 above, the Jarque-Bera statistic is reported as 4235.883. Consequently, the null hypothesis (Ho) is accepted, indicating that the data follows a normal distribution. Conversely, the alternative hypothesis (Ha) is rejected. Therefore, it can be inferred that the data in this study is normally distributed since the Jarque-Bera value of 4235.883 exceeds the significance level of 0.05.

**Table 1**
**Results of Sub-Structural Multicollinearity Test I**

| | Company Size | GCG |
|---|---|---|
| Company Size | 1 | -0.05067656758342933 |
| GCG | -0.05067656758342933 | 1 |

Source: processed data

As all the variance inflation factors (VIFs) are below 0.9, the result of the multicollinearity test suggests that there is no multicollinearity observed among the independent variables within the regression model.

**Table 2**
**Results of Multicollinearity Test Substructural II**

| | Company Size | GCG | Financial performance |
|---|---|---|---|
| Company Size | 1 | -0.0506765675834293 | -0.0220264339731827 |
| GCG | -0.05067656758342933 | 1 | 0.1931527167801516 |
| Financial performance | -0.02202643397318265 | 0.1931527167801516 | 1 |

Source: processed data

If the value of each independent variable is below 0.9, the conclusion drawn from this multicollinearity test is that there is no multicollinearity present among the independent variables within the regression model.

**Table 3**
**Substructural Hypothesis Test Results I**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.759708 | 1.097767 | 0.692048 | 0.4904 |
| X1 | 3.14E-07 | 1.20E-06 | 0.260730 | 0.7948 |
| X2 | -0.008469 | 0.011361 | -0.745493 | 0.4576 |
| Z | 0.327897 | 0.066487 | 4.931776 | 0.0000 |
| **Effects Specification** | | | | |
| | | | **S.D.** | **Rho** |
| Cross-section random | | | 3.621023 | 0.4753 |
| Idiosyncratic random | | | 3.804558 | 0.5247 |
| **Weighted Statistics** | | | | |
| Root MSE | 3.714285 | R-squared | | 0.187725 |
| Mean dependent var | 1.640554 | Adj. R-squared | | 0.164951 |
| S.D. dependent var | 4.139891 | S.E. of regression | | 3.783074 |
| Sum squared resid | 1531.346 | F-statistic | | 8.242933 |
| Durbin-Watson stat | 2.598400 | Prob (F-statistic) | | 0.000055 |

Source: processed data

Based on the partial test results (t) presented in the table above, the following conclusions can be drawn: (1) the company size variable (X1) exhibits a t-statistic value of 0.194787, with a probability value of 0.8459 > 0.05. This indicates that the Company Size variable (X1) does not significantly influence financial performance (Z); and (2) the good corporate governance variable (X2) demonstrates a t-statistic value of 1.477886, with a probability value of 0.14234 > 0.05. This suggests that the Good Corporate Governance variable (X2) does not have a significant impact on financial performance (Z).

Based on the results of the simultaneous test (F) provided in the table above, the F-statistic value is 1.112435, with a probability value (prob) of 0.332495 < 0.05. Consequently, it can be concluded that the independent variable (X) does not exert a simultaneous effect on the intervening variable (Z). The coefficient of determination test results displayed in the table above indicate an R-squared value of 0.020185. This suggests that the simultaneous dependent influence accounts for 2%, while the remaining 98% is influenced by other factors beyond the scope of this research, such as profitability ratios and intellectual capital.

**Table 4**
**Substructural Hypothesis Test Results II**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.759708 | 1.097767 | 0.692048 | 0.4904 |
| X1 | 3.14E-07 | 1.20E-06 | 0.260730 | 0.7948 |
| X2 | -0.008469 | 0.011361 | -0.745493 | 0.4576 |
| Z | 0.327897 | 0.066487 | 4.931776 | 0.0000 |
| **Effects Specification** | | | | |
| | | | **S.D.** | **Rho** |
| Cross-section random | | | 3.621023 | 0.4753 |
| Idiosyncratic random | | | 3.804558 | 0.5247 |
| **Weighted Statistics** | | | | |
| Root MSE | 3.714285 | R-squared | | 0.187725 |
| Mean dependent var | 1.640554 | Adj. R-squared | | 0.164951 |
| S.D. dependent var | 4.139891 | S.E. of regression | | 3.783074 |
| Sum squared resid | 1531.346 | F-statistic | | 8.242933 |
| Durbin-Watson stat | 2.598400 | Prob (F-statistic) | | 0.000055 |

Source: processed data

Based on the partial test results (t) provided in the table above, the following conclusions can be drawn: (1) the company size variable (X1) exhibits a t-statistic of 0.7948, with a probability value (prob) of 0.7948 > 0.05. This indicates that the company size variable (X1) does not significantly affect company value (Y); (2) the good corporate governance variable (X2) demonstrates a t-statistic of -0.745493, with a probability value (prob) of 0.4576 > 0.05. This suggests that the good corporate governance variable (X2) does not have a significant impact on company value (Y); and (3) the financial performance variable (Z) displays a t-statistic of 4.931776, with a probability value (prob) of 0.0000 < 0.05. This implies that the financial performance variable (Z) significantly influences company value.

Based on the results of the simultaneous test (F) presented in the table above, the F-statistic value is 8.242933, with a probability value (prob) of 0.000055 < 0.05. Consequently, it can be concluded that the independent variable (X) exerts an effect on the dependent variable (Y) through the intervening variable (Z). The coefficient of determination test results presented in the table above reveal an R-squared value of 0.187725. This suggests that the influence of the independent variable on the dependent variable through simultaneous intervening variables accounts for 18.77%, while the remaining 81.23% is influenced by other factors outside the scope of this research, such as corporate social responsibility and liquidity.

*Sobel-test*

$$t = \frac{ab}{\sqrt{(b^2SEa^2)+(a^2SEb^2)}} = \frac{3.41 \times 0.33}{\sqrt{(0.33^2 \times 1.75^2)+(3.41^2 \times 0.07^2)}} = \frac{1.13}{\sqrt{0.34}} = \frac{1.13}{0.58} = 1.95$$

t-table = 1.98

Based on the results of the t-test and the critical t-value from the table provided above, where the t-count value is 1.95 and the t-table value is 1.98, it is evident that the t-count value is less than the critical t-value. This leads to the rejection of the alternative hypothesis (Ha) and acceptance of the null hypothesis (Ho). Therefore, it can be concluded that the company size variable (X1) does not significantly influence the company value (Y) through financial performance (Z) as an intervening variable.

$$t = \frac{ab}{\sqrt{(b^2SEa^2)+(a^2SEb^2)}} = \frac{0.02 \times 0.33}{\sqrt{(0.33^2 \times 0.02^2)+(0.02^2 \times 0.07^2)}} \frac{0.01}{\sqrt{0.00+0.00}} = \frac{0.01}{0.00} = 0.00$$

t-table = 1.98

Based on the provided t-test results and the critical t-value from the table, where the t-count value is 0.00 and the t-table value is 1.98, it is observed that the t-count value is lower than the critical t-value. Consequently, the alternative hypothesis (Ha) is rejected, and the null hypothesis (Ho) is accepted. This implies that the good corporate governance variable (X2) does not have a significant effect on company value (Y) through financial performance (Z) as an intervening variable.

*Company size has no effect on financial performance*

The t-test results indicate a t-statistic value of 0.194787 for the company size variable, with a significant probability value of 0.8459 > 0.05. Consequently, the alternative hypothesis (Ha) is rejected, and the null hypothesis (Ho) is accepted, indicating that the company size variable does not significantly impact financial performance. This implies that a company's scale, based on total assets, does not necessarily guarantee favorable financial performance. Large companies may not always possess effective sales management capabilities, leading to a lack of alignment between size and profitability.

*Good corporate governance has no effect on financial performance*

The t-test reveals a t-statistic value of 1.477886 for the good corporate governance variable, with a significant probability value of 0.1423 > 0.05. Consequently, Ha is rejected, and Ho is

accepted, suggesting that good corporate governance does not significantly influence financial performance. This indicates that a higher percentage of institutional ownership does not ensure effective control over the company to improve financial performance.

*Company size does not affect company value:*

The t-test shows a t-statistic value of 0.260730 for the company size variable, with a significant probability value of 0.7948 > 0.05. Hence, Ha is accepted, and Ho is rejected, indicating that company size has no effect on company value. Therefore, investors should not evaluate businesses solely based on their scale, as large companies can experience growth through various means, such as debt financing or internal capital.

*Good corporate governance has no effect on company value*

The t-test reports a t-statistic value of -0.745493 for the good corporate governance variable, with a significant probability value of 0.4576 > 0.05. Therefore, Ha is rejected, and Ho is accepted, implying that good corporate governance does not affect company value. This could be attributed to the insignificant number of institutional parties with significant share ownership, resulting in their suboptimal function and negligible impact on company value.

*Financial performance affects company value*

The t-test yields a t-statistic value of 4.931776 for the financial performance variable, with a significant probability value of 0.0000 < 0.05. Consequently, Ho is rejected, and Ha is accepted, indicating that financial performance influences company value. Management should strive to enhance net profit, as high profits reflect positive future prospects, thereby boosting investor confidence and increasing company value.

*Company size has no effect on company value through financial performance as an intervening variable*

The Sobel test results reveal a t-count value of 1.95 < t-table value of 1.98, leading to the rejection of Ha and acceptance of Ho. Hence, the company size variable does not affect company value through financial performance as an intervening variable. Smaller companies may face challenges in managing their operations and attracting investors compared to larger counterparts, impacting financial performance and, consequently, company value.

*Good corporate governance has no effect on company value through financial performance as an intervening variable*

The Sobel test indicates a t-count value of 0.00 < t-table value of 1.98, resulting in the rejection of Ha and acceptance of Ho. Thus, good corporate governance does not influence company value through financial performance as an intervening variable. Inadequate institutional ownership involvement hampers effective oversight of company development, diminishing the impact of financial performance on company value.

*Company size and good corporate governance on company value*

The coefficient of determination (R-squared) value is 0.020185 or 2%, indicating that company size and good corporate governance contribute 2% to company value. The remaining 99% is influenced by unexplored variables like profitability, intellectual capital, and leverage.

*Company size and good corporate governance on company value through financial performance*

The coefficient of determination (R-squared) value is 0.187725 or 18.77%, signifying that company size and good corporate governance contribute 18.77% to company value through financial performance. The remaining 81.23% is influenced by unaccounted variables such as corporate social responsibility and intellectual capital.

## CONCLUSION

The results of this study reveal that although company size and good corporate governance do not have a direct impact on financial performance, they both influence company value when financial performance functions as an intermediary variable.

## REFERENCES

Akendy, D., & Digdowiseiso, K. 2023. Nilai Perusahaan Food & Beverage Yang Terdaftar Di Bursa Efek Indonesia Pada Periode 2018-2022 Yang Dipengaruhi Oleh Rasio Profitabilitas, Rasio Aktivitas, Dan Rasio Leverage. *Journal of Economic, Bussines and Accounting (Costing)*, *6*(2), 2483–2493.

Harningsih, S., Agustin, H., & Setiawan, M. A. 2019. Pengaruh Kinerja Keuangan Terhadap Nilai Perusahaan dengan Pengungkapan CSR dan Kebijakan Dividen sebagai Variabel Moderasi. *Journal of Multicsiplinary Research and Development*, *1*(2), 199–209.

Nayren, J., & Hidayat, H. 2021. Pengaruh Nilai-Nilai Estetika pada Penataan Pojok Bava Terhadap Minat Baca Anak Usia Dini. *Al-Abyadh*, *4*(2), 81–88.

Putra, S. A., & Dewi, W. U. 2021. Pengaruh Ukuran Perusahaan, Leverage, Dan Profitabilitas Terhadap Nilai Perusahaan Semen di Bursa Efek Indonesia (BEI). *Jurnal Ilmu Dan Riset Manajemen*, *8*, 1–18.

Saputri, M., & Isbanah, Y. 2021. Pengaruh Good Corporate Governance dan Corporate Sosial Responsibility terhadap Nilai Perusahaan dengan Kinerja Keuangan sebagai Variabel Mediasi pada Perusahaan Misscellaneous Industry di BEI Periode 2016-2019. *Jurnal Ilmu Manajemen*, *9*(2), 651

Sari, R. M., Haryati, R., & Bustari, A. 2022. Pengaruh Konservatisme Akuntansi, Kepemilikan Manajerial dan Ukuran Dewan Komisaris terhadap Tax Avoidance (Pada Perusahaan Manufaktur Sub Sektor Makanan dan Minuman yang Terdaftar di BEI periode 2013-2018). *Pareso Jurnal*, *4*(2), 459–476.