

**AFFILIATED TRANSACTION POLICY TOWARD FIRM VALUE WITH
INDEPENDENT COMMISSIONER AS VARIABLE CONTROL IN MANUFACTURE
COMPANY OF CONSUMED PRODUCT SECTOR IN 2018 – 2020**

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Abstract

This research aim is to discover affiliated transaction policy toward firm value. The variables used are Related Party Transaction-Sale, Related Party Transaction-Purchase, Related Party Transaction-Investment as independent variable and firm value as dependent variable. Variable control used in this research is dependent commissioner. The population of this research is 54 manufacture companies of consumed product in 2018 to 2020. The sample used in this research is stratified random sampling dan it was chosen 30 research sample ²²based on required criteria. The data analysis used double linier regression analysis by using SPSS. The result of this research showed that R^2 test had variant about 30,2 %. The test result proved that Related Party Transaction-Sale, Related Party Transaction-Purchase variable was affected toward firm value before and after input variable control, while Related Party Transaction-Investment was not affected. Variable control in this research was able to affect independent variable toward dependent variable.

Keywords: *affiliated transaction, firm value, independent commissioner.*

1. Introduction

One of the standard of company performance is firm value which can be viewed from the ascension of asset value from year by year. It can also be seen from the scale of firm value. This firm value can be defined by calculating the book value or by the market value (Anthony Wijaya, Nanik Linawati, 2015). One of the policies which can affect the firm value is related transaction, that is a transaction done by the people who are related to the company.

PSAK, International Financial Report Standard, Number 7 stated that related transaction is a transfer of resources, service or obligation between reported party with the related party, with or without the existence of charged price (IAI, 2018). PSAK number 7 verse 7 stated that profit, loss and financial position entity can be affected by related parties even if the transaction with the related parties do not occur. The two entities are regarded as related if one party has ability to control another party or has significant influence on another party in producing financial and operational decision (Iuliana Oana Mihai & Riana Iren Radu, 2016).

The related transaction has aim to achieve efficiency and to increase the group welfare which can motivate the economy, therefore tunneling transaction can also be used by controlling shareholders for their own interests which can be named as opportunistic motivation (Sari, 2014). Related transaction policy was not affected significantly but

showed the positive direction toward firm value, therefore related transaction was not affected toward profit management but showed negative direction (Arna Suryani, 2019). The research by Lei, Adrian, et. al (2011) proved that related transaction policy was affected negative toward firm value.

Utama (2015) in the research used related transaction which was measured by the scale asset transaction and liability (RPTAL), and also it was measured by the scale of sales and expense (RPTSE) relatively toward the equity of book value which prove that the Corporate Governance (CG) practice was not affected toward RPTAL and RPTES, while the disclosure of RPTs and the structure of ownership was affected positively toward the scale of RPTSE. The disclosure of RPTs could increase the efficiency rather than the disclosure of RPTs which inflicted a financial loss. In other hand, the research showed that the disclosure of RPTs and RPTAL which was not affected significantly, it could be interpreted that efficient RPTAL was not dominated the RPTAL which inflict the financial loss. Therefore, the ownership concentration variable was affected positively toward the RPTSE which inflicted the financial loss.

The related transaction could be divided into four categories that are cash flow tunneling, out assets tunneling, in assets tunneling, and equity tunneling. Those tunneling can be done easily by the influence of manager and controlling shareholder (Atanasov, et al, 2014). Meanwhile Cheung, et al (2006) said that related transaction occurred on the company was divided into three groups, that were the transaction which was expropriation, transaction which gives profit to public company and transaction which leads to strategy. However, the level of conglomeration which is high can distort the financial capital allocation (Almaeda, 2004).

Transaction with the related party not only disturb in creating the value for shareholders, but also can give the cause of company collapse (Sayed Ali Vaez & Mohammad Banaf, 2017). It was similar to Lei Adrian, et al (2011), Tianshu Zhang & Jun Huang (2013), Wang, et al (2019), Heti, et al (2020), Kee-Hong Bae, et al (2002), which proved that the related transaction policy giving loss was affected negatively toward firm value and vice versa. Furthermore, Gordon, E.A., Henry, E. And Palia, D.(2004), Munir, S. and Gul, R.J (2010) and Atanasov (2014) also claimed that RPT was affected negatively with the company performance.

The research of Masood Fooladi & Maryam Farhadi (2019) showed that the firm value was affected positively with the profitable transaction and affected negatively with the unprofitable transaction, while Utama (2015) claimed that the affiliated transaction was not affected to performance. Baagopal et al (2010) stated that company group affiliation decided the responsivity toward the performance feedback in a different search domain and suggested company to pay attention the organisation group and good management.

Good management will distribute job, function and authority on the running of company (Zhuang, et, all, 2001). Company management will be affected positive toward company performance (Hong Bae, et., all , 2011). Meanwhile Darmanto et. All (2015) stated that another factor beside management which can affect the company performance was competitor factor.

This research tried to prove again the previous studies about related transaction toward firm value, and this research uses independent commissioner variable as variable control. Independent commissioner is one of the implementation of good corporate which

has jobs to supervise the good company management. The expectation is if independent commissioner does the job properly, so it can control the related party transaction.

2. Hypothesis

a. Related Party Transactions Sales toward Firm Value.

The research of Sayed Ali dan Mohammad (2017), Lei Adrian, et al (2011) and Atanasov (2014) stated that affiliated transaction was affected negative. From the result of finding, it can be formulated as:

H1: affiliated transaction of credit sale is affected negative toward firm value.

b. Related Party Transactions Purchase toward Firm Value.

The research about affiliated transaction which give profit was done by Hety. Et. All (2020), Wang. Et. All (2019) which stated that profitable affiliated transaction will be affected positive. Based on the brief explanation above, it can be formulated the research hypothesis as:

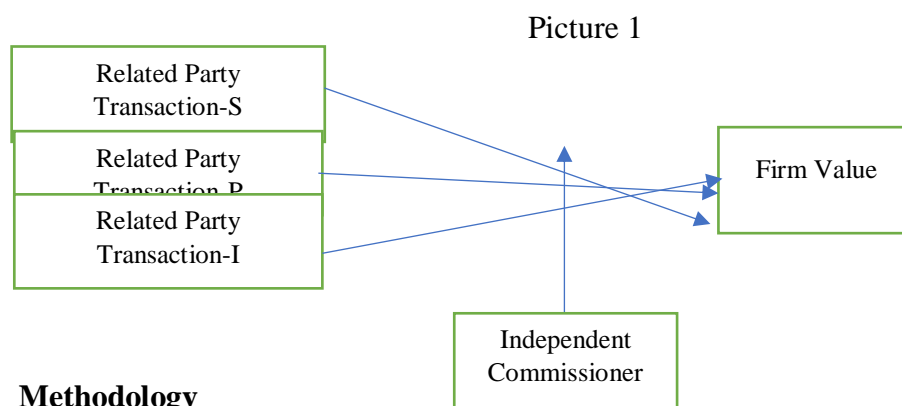
H2: affiliated transaction of credit sale is affected positive toward firm value.

c. Related Party Transactions Investment toward Firm Value.

The research by Masood Fooladi & Maryam Farhadi (2019) and Heti. Et. All (2020) claimed that profitable related transaction will be affected positive toward firm value. From the elaboration above, hypothesis can be formulated as: H3: related party transactional investment is significantly affected positive toward firm value.

3. Research Framework

The Influence of Affiliated Transaction Policies on Company Value



4. Methodology

The research sample which is used for about 30 companies from total population 54 industry companies of consumed product which is registered in BEI (Bursa Efek Indonesia) in 2018 to 2020. The choosing sample used purposive sampling method with the criteria as follow:

- Industry company of consumed product is registered in BEI (Bursa Efek Indonesia) in 2018 to 2020.
- Issuing annual financial report with complete and consistent data.

Secondary data were collected by manual exploration for existing data in print out format and computer exploration for electronic data, which were done by downloading data from BEI website.

5. Result

a. Descriptive Statistic

The result of minimum, maximum, mean and standard deviation value for variable used in this research is dependent, independent variable and variable control, like the table below:

Table. 1
Statistic Descriptive

Variable	N	Minimum	Maximum	Mean	Std. Deviation
RPTs-S	90	,0000	,9761	,197867	,3266923
RPTs-P	90	,0000	,3701	,067592	,0905137
RPTs-I	90	-,0016	,6783	,044730	,1184264
FV	90	-17,8253	84,3972	18,200717	14,9518615
Kom-I	90	,3300	,6000	,413056	,0800130
Valid (listwise)	N 90				

Dependent variable, firm value (FV), has minimum value 17,8253, maximum value 84,3972, mean value 18,200717 and standard deviation value 14,9518615. Meanwhile, independent variable value, Related Party Transactions Sales (RPTs-S), showed minimum value 0,0000, maximum value 0,9761, mean value 0,197867 with the standard deviation 0,3266923. Related Party Transactions Purchase (RPTs-P) variable has minimum value 0,0000, maximum value 0,3701, mean value 0,067592 with standard deviation 0,095137. Related Party Transactions Investment (RPTs-I) variable has minimum value 0,0016, maximum value 0,6783, mean value 0,044730 with standard deviation 0,1184264. This research used variable control independent commissioner with minimum value 0,3300, maximum value 0, 6000, mean value 0,413056, and standard deviation 0.800130.

b. Hypothesis Test

Table. 2

Determinant Test (R^2)

Model Summary^c

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,566 ^a	,320	,296	,0002150
2	,577 ^b	,333	,302	,0002142

a. Predictors: (Constant), RPTs-I, RPTs-S, RPTs-P.

- b. Predictors: (Constant), RPTs-I, RPTs-S, RPTs-P, Kom-I
- c. Dependent Variable: FV

The result of determinant coefficient test (R^2) above showed that adjusted value R square first model is about 29,6 %, while the second model showed 30,2 % by putting variable control Kom-I which means that Kom-I variable can control independent variable toward dependent variable. The difference of value is about 0,6 %.

c. Simultaneous Parameter Test

Table. 3
Simultaneous Parameter Test (F Test)

Model	Mean Square	F	Sig
1 Regression Residual Total	,000 ,000	13,500	,000 ^b
2 Regression Residual Total	,000 ,000		,000 ^c

The result of F test in this research showed significant level before and after using variable control 0,000 smaller than significant level 0,05 which can be concluded that independent variable RPTs-I, RPTs-S, RPTs-P, Kom-I is simultaneously affected toward dependent variable, firm value.

Table. 4
Individual Parameter Test (T test)

Model	T	Sig
1 (constant)	344555,390	,000
X1 (RPTs-S)	-2,036	,045
X2 (RPTs-P)	5,945	,000
X3 (RPTs-I)	-1,453	,150
1 (constant)	89354,583	,000
X1 (RPTs-S)	-1,985	,050
X2 (RPTs-P)	5,931	,000
X3 (RPTs-I)	-1,571	,120
Kom-I	-1,279	,204

The result of T test (partial) above can be elaborated as follow:

Before and after using variable control:

- a. Related Party Transaction-Sales (RPTs-S) toward firm value
Variable RPTs-S by using variable control, independent commissioner, toward firm value in this research showed β value about -,185 and t-count value -1,985 and Sig. value 0,050. Due to Sig. value 0,05 so it can be stated

that variable RPTs-S (X1) is affected negative toward firm value. This can be meant that every increasement of unity RPTs-S will decrease the firm value for about -,185. from significant value before and after variable control is be seen that significant value before variable control is 0,045 became 0,050 so that there is change about 0,005. This can be concluded that variable control affected independent variable toward dependent variable.

- b. Related Party Transaction-Purchase (RPTs-P) toward firm value
Variable RPTs-P by using variable control independent commissioner toward firm value in this research showed β value about 0,560, t-count value 5,945, and Sig. value 0,000 because Sig. value 0.05 so it can be stated that variable RPTs-P is affected positively toward firm value. It can be meant that every increase unity of RPTs-P will decrease firm value about -,560 from significant value before and after variable control seen that before variable control is 0,000 and still 0,000. This can be meant that variable control do not control independent variable toward dependent variable, firm value.
- c. Related Party Transaction-Investment (RPTs-I) toward firm value.
Variable RPTs-I in this research showed β value about -,130 and t-count value -1,453, and Sig. value 0,150 because Sig. value 0,05, so it can be stated that variable RPTs-I is not affected negative toward firm value. This can be concluded that every increase or decrease RPTs-I will not decrease or increase firm value, but because the direction is negative so this variable can cause the descent of firm value. But by input variable control Kom-I, the partial test value showed significant value into 0,120 which can be stated that variable RPTs-I (X3) with Kom-I as variable control is not affected toward firm value. Significant value before and after variable control Kom-I has increase about 0,030, so it can be stated that variable control can control independent variable toward dependent variable.

6. Discussion

Related Party Transaction-Sales is transaction sale via credit which is done by a company to a company which has affiliation with target company. Affiliation can occur between companies because there is a business relationship which is holding company to sister company, or there is affiliation with similar company in a form of association relationship among companies. Affiliation occurred due to interest between the companies, they are: affiliated transaction sales can be seen through two sides: (a) the assets sale is done by holding company to sister company which is named as downstream sale; (b) assets sale is done by sister company to holding company which is named as upstream sale.

Related transaction sale/purchase which is done by deciding determination of the basic price will not affect profit, but if it is sold or transfered up to the basic price so it will affect the profit. If something happened like the determination of the second price, it will affect the profit of a company which receives transfer assets. Therefore, the profit which is received in accountant should be eliminated. But if the sale is sold by the basic price, it can make chance to get profit, for the company that do transfer, will go lower. The result of this research proved that RPTs-P is affected significantly negative

toward firm value that is significant about 0,045. It means that the bigger related transaction sale, the lower firm value.

Independent commissioner variable as variable control in this research is affected but the change is very small that is significant value which change to 0,005. Independent commissioner is commissioner who is pointed by management that is not affiliated to related parties in the company. The commissioner is also expected in order to be independent and maintained so that the company management can run as properly as the applicable provision in GC, that is transparency and accountability.

The change about 0,005 showed that independent commissioner in a company do not already do their job independently. The result of this research is accordingly with the research from Sayed Ali dan Mohammad (2017), Lei Adrian. et, all (2011) and Atanasov (2014) which stated that Related Party Transaction-Sales (RPTs-S) was affected negatively.

Related Party Transaction-Purchase (RPTs-P) toward firm value, affiliated transaction purchase is similar to affiliated transaction sale, however in this case is seen from the buyer side or someone who receives product transfer from another company. If the credit purchase done with the basic production price, it will prosper the transfer receiver party. The buyer party will get profit which is very significant, while the company that transfers do not get the profit from those transferred products.

However, if the buyer company is sister company, so the profit is eliminated through consolidation financial report. Khafid (2017) stated that the profit from affiliated transaction will be acknowledge and reported form comprehensive profit. So, if the bigger affiliated credit sale done with cost of good sold, so it is more profitable the transfer receiver party.

This research proved that the partial variable RPTs-P is affected positive significant to firm value, which means that the bigger the related transaction purchase, the bigger the profits obtained. This occasion can be explained by the increase of profit will increase the firm value. The high profit will also affect the market price at the time. This research is similar to Hety. Et. All (2020), Wang. Et. All (2019) stated that affiliated transaction which was profitable will affect positive.

Variable Kom-I as variable control in this research seems not be affected and cannot control the variable RPTs-P toward firm value. This can be elaborated that independent commissioner is expected be able to behave neutrally in doing the supervision but precisely not do the job like what it is expected. The independent commissioner, in this case, only do some of their work that are to make the company reach the highest profit but ignore their job that is partiality.

Related Party Transaction-Investment (RPTs-I) toward the firm value. Transaction investment is done if the company has more fund or there is certain allocation for investments in other companies. The company can invest their fund by buying the debt security or share security. The ownership of share on other companies can decide whether the company has affiliated relationship or not. If the value of investment is quite significant so it is expected that the share issued company get the profit and the bigger profit received from the investor, or vice versa. In this research, before and after putting the variable control showed that variable RPTs-I is not affected toward firm value.

The result of this result is not similar to Masood Fooladi & Maryam Farhadi (2019) and Heti. Et. All (2020) which stated that profitable related transaction is not affect positive toward firm value, but the result of this research is in line with Utama (2015) who stated not affected. Independent commissioner itself showed the insignificant result, which meant not affected toward firm value but direct to negative.

7. Conclusion

The research with independent variable Related Party Transaction-Sales, Related Party Transaction-Purchase, Related Party Transaction-Investment and dependent variable firm value can be concluded as follow:

Related Party Transaction-Sales, in this research, is proved affect negative toward firm value. This can be meant that the bigger the related transaction sales occurred, the lower the firm value. Variable control independent commissioner (Kom-I) is able to affect the significant level to be lower so that it can be stated that independent commissioner, in this case, the related sales only affect a little, this can be occurred because the total of independent commissioner in a company is only small part rather than the total of non-independent commissioner. Furthermore, the strategic decision still exists on the hand of non-independent commissioner.

Related Party Transaction-Purchase showed significant positive affected result toward firm value, it can be meant the bigger the sum of related purchases, the bigger the firm value. This can be occurred because profitable related purchase in a big scale will increase the profit and firm value. Independent commissioner used as variable control in this research did not show the affect because significant value before and after is stable. This condition can be occurred because the independent commissioner did not do their job properly.

Related Party Transaction-Investment toward the firm value showed that it is not affected, this is meant that the scale of investments on a company which has affiliation did not affect the firm value. Variable control independent commissioner used is also only able to affect a little to independent variable toward dependent variable. This is also because the independent commissioner did not do their job fully in a good company management.

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