

**THE EFFECT OF STOCK PRICES ON FINANCIAL PERFORMANCE WITH GOOD CORPORATE GOVERNANCE AS A MODERATING VARIABLE**

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***Abstract***

*This research is quantitative research with an exploratory approach, namely an approach that uses a number of previous studies as the most fundamental source as reference material for finding new novelty elements in the research being carried out. This research uses secondary data obtained from the Indonesian Stock Exchange for 10 years from 2013-2023. This data includes data on insurance companies in Indonesia. Researchers analyzed the data using the smart PLS 4.0 analysis tool. The result in this article show the Financial Performance variable can influence share prices. Researchers have an alternative perspective, namely that stock prices can actually have a positive relationship and have a significant influence on financial performance. This hypothesis can be proven and supported by the results of the first line path coefficient which shows that the stock price variable can have a positive relationship on employee performance because The P-Values value is positive and is below the 0.05 significance level, namely 0.016. This is due to logical reasons because better share prices can increase investors which makes financial performance more stable. Apart from that, the influence of share prices can be more significant on financial performance if it is supported by good corporate governance. This is also proven from the second row of the third table in this research which shows that the variable Good Corporate Governance can moderate the influence of the Stock Price variable on Financial Performance because the P-Values value has a positive direction and is below the 0.05 significance level, namely 0.000. Thus, the first and second hypotheses in this research can be accepted and proven.*

***Keywords:*** Stock Price, Financial Performance, Good Corporate Governance

**1. INTRODUCTION**

According to (Hidayat 2011) defines shares as a sign of participation, share or ownership of a person or institution in a company where the shareholders who own them represent ownership of the company. Shares can be defined as a sign of participation or ownership of a person or entity in a company or limited liability company. Meanwhile, according to Irham Fahmi as quoted by Rijal (2018) in his blog entitled "Definition of Shares", shares are paper proof of ownership of capital/funds in a company which clearly states the nominal value, name of the company and followed by the rights and clear obligations to each holder. Shares are in the form of a piece of paper which states that the owner of the paper is the owner of the company that issued the securities. The ownership portion is determined by how much investment is invested in the company. In this way, shareholders can enjoy the profits achieved by the company and also suffer from losses that occur to the company (Darmadji 2011).

Share prices reflect the value of a company on the stock exchange. Share prices on the stock exchange are determined by market forces, in the sense that they depend on supply and demand. If the company shows good prospects, investors will believe in the company and may add capital to the investment. On the other hand, if investors think that the company will not have opportunities in the future, then investors will not invest their capital back in the form of shares, causing share prices to decline (Anni Nazilatul 2018).

Factors causing share prices include (Agustine and Widjaja 2021) Fundamental condition of the issuer Fundamental factors are factors that are closely related to the condition of the company, namely the condition of organizational human resource management, the financial condition of the company which is reflected in the company's financial performance. 2). Law of Supply and Demand After fundamental factors, demand and supply factors are the second factors that influence stock prices. Assuming that if investors know the fundamental condition of the company, the company will carry out buying and selling transactions. This transaction will affect share prices. 3). Interest rates With changes in interest rates, the rate of return from various investment vehicles will experience changes. High interest will have an impact on the allocation of investment funds to investors. Investors in bank products such as deposits or savings clearly have less risk than investing in shares, because investors will sell shares and the funds will be placed in the bank. Simultaneous share sales will result in a significant decrease in share prices. 4). Foreign currency The American currency (Dollar) is the strongest currency among other currencies. If the dollar rises, foreign investors will sell their shares and place them in the bank in dollars, causing share prices to rise. 5). Foreign funds on the stock exchange Observing the amount of foreign investment funds is the most important thing. Because of the large amount of funds invested, this indicates that economic conditions in Indonesia are conducive, meaning economic growth is no longer negative, which of course will stimulate the issuer's ability to make profits. On the other hand, if foreign investment decreases, there is a consideration that foreign investors are having doubts about this country, both regarding the socio-political situation and its security. So, the size of foreign investment in the stock exchange will influence the increase or decrease in share prices. 6). Composite Stock Price Index (IHSG) An increase in the composite stock price index over a certain time, of course, brings investment and economic conditions to the country in good condition. On the other hand, if it goes down, it means the investment climate is bad. These conditions will influence the rise or fall of share prices on the stock exchange market. 7). News and rumors News circulating in society concerns several things such as economic, social, political and security issues, as well as news regarding cabinet changes. With this news, investors can predict how conducive the country's security will be so that investment activities can be carried out. This will have an impact on share price movements on the stock exchange (Nurazizah, Hermuningsih, and Maulida 2022).

From the statement above, it can be explained that the factors driving share prices consist of internal and external factors. Internal factors are the fundamental condition of the issuer itself which can be determined through financial ratio analysis. Meanwhile, external factors include the law of supply and demand, interest rates, foreign exchange, foreign funds on the stock exchange, the composite stock price index, and national news. Apart from being influenced by several factors that the researcher explained above, the researcher believes share prices can influence the company's financial performance (Neksen, Wadud, and Handayani 2021).

According to (Kurnia Dewi 2023) financial performance is an analysis carried out to see the extent to which a company has implemented financial implementation rules properly and correctly. Such as by making a financial report that meets the standards and provisions in SAK (Financial Accounting Standards) and GAAP (General Accepted Accounting Principles), and others. The Indonesian Accountants Association (IAI) states that financial performance is a company's ability to manage and control its resources. Meanwhile, quoted by (Baroroh. 2017), as stated by Jumingan, financial performance is a description of a company's financial condition in a certain period, both regarding aspects of raising funds and distributing funds, which is usually measured by indicators of capital adequacy, liquidity and profitability. According to Sutrisno as quoted by Riadi (2016), a company's financial performance is the achievements achieved by the company in a certain period which reflects the company's health level (Hermiyetti 2017).

In contrast to a number of previous studies (Lating 2019); (Trisbiani, Rizqiyah, and Novita 2020); (Prasetio, Murni, and Jan 2022); (Ramadhan and Putri 2023) & (Supriadi and Ariffin 2013) which show more that financial performance can influence share prices. In contrast to this research, researchers believe that on the contrary, it is the share price variable that can influence financial performance. Apart from that, this research adds the variable Good Corporate Governance as a moderating variable which researchers believe can strengthen the influence of the Stock Price variable on Financial Performance.

## 2. RESEARCH METHODS

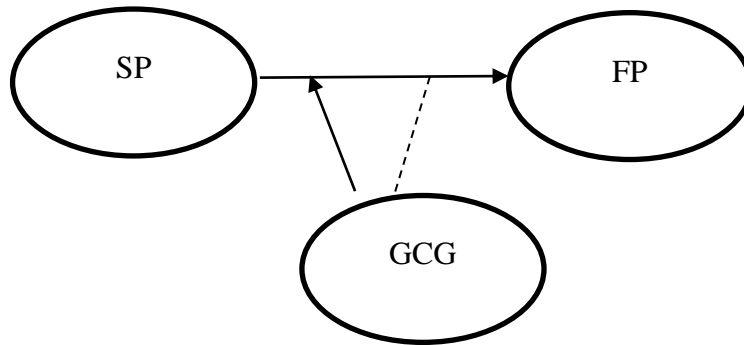


Figure 1  
Model

### Noted:

CC: Stock Price

FP: Financial Performance

GCG : Good Corporate Governance

In contrast to a number of studies (Lating 2019); (Trisbiani, Rizqiyah, and Novita 2020); (Prasetio, Murni, and Jan 2022); (Ramadhan and Putri 2023) which shows that the Financial Performance variable can show a positive relationship and have a significant influence on stock prices. Researchers actually believe that the opposite is true, if it is the share price variable that can influence financial performance, it can even be more significant than the influence of financial performance on share prices (Dewi 2017). Apart from that, this research adds the Good Corporate Governance variable as a moderating variable which is believed to strengthen the influence of the Stock Price variable on Financial Performance (Febriany 2019). This research is quantitative research with an exploratory approach, namely an approach that uses a number of previous studies as the most fundamental source as reference material for finding new novelty elements in the research being carried out (Purwanto, Yandri, and Yoga 2022). This research uses secondary data obtained from the Indonesian Stock Exchange for 10 years from 2013-2023 (Berliana and Hesti 2021). This data includes data on insurance companies in Indonesia. Researchers analyzed the data using the smart PLS 4.0 analysis tool with the formulation of several hypotheses below.

### Hypothesis:

H1: The Influence of Stock Price on Financial Performance

H2: Good Corporate Governance Can Moderates The Influence of Stock Price on Financial Performance

### 3. RESULT AND DISCUSSION

#### Validity Test

Based on the picture above and some of the researcher's explanations in the last paragraph in the introduction section and the only paragraph in the research methodology section, it shows that the data used in this research is secondary data and uses the smart PLS 4.0 analysis tool. When using secondary data and smart PLS 4.0 analysis tools, you must go through the validity test stages with the validity test results below. (Ghozali 2016):

**Table 1**  
Validity Test

Variable	Loading Factor	Noted
Stock Price	0.821	Valid
Financial Performance	0.846	Valid
Good Corporate Governance	0.892	Valid

Validity Test > 0.70

#### Reliability Test

Secondary data that researchers obtained from the Indonesian Stock Exchange regarding insurance companies from 2013-2023 in this research has been tested for validity and the data can be said to be valid. The next stage is the reliability test to test whether the variable is reliable or not with the following reliability test results (Sarstedt et al. 2014)

**Table 2**  
Reliability Test

Variable	Composite Reliability	Cronbach Alfa	Noted
Stock Price	0.895	0.855	Reliable
Financial Performance	0.939	0.895	Reliable
Good Corporate Governance	0.989	0.949	Reliable

Reliability Test > 0.70

#### Path Coefisien

The final stage and which can be used as a reference to prove whether the two hypotheses used in this research, namely the Stock Price variable, can have a positive relationship and a significant influence on Employee Performance and Good Corporate Governance variables can moderate the influence of the Stock Price variable on Financial Performance with the results The efficiency of the path below (Hair 2010):

**Table 3**  
Path Coefisien

Direct Influence	Variable	P-Values	Noted
	SP-> FP	0.017	Accepted
Indirect Influence	GCG* SP-> FP	0.000	Accepted

Significant Level < 0.05

In line with the hypothesis and origins of this research, if the researcher has a different perspective from a number of previous (Lating 2019); (Trisbiani, Rizqiyah, and Novita 2020); (Prasetyo, Murni, and Jan 2022); (Ramadhan and Putri 2023) which shows that the Financial Performance variable can influence share prices. Researchers have an alternative perspective, namely that stock prices can actually have a positive relationship and have a significant influence

on financial performance. This hypothesis can be proven and supported by the results of the first line path coefficient which shows that the stock price variable can have a positive relationship on employee performance because The P-Values value is positive and is below the 0.05 significance level, namely 0.016. This is due to logical reasons because better share prices can increase investors which makes financial performance more stable. Apart from that, the influence of share prices can be more significant on financial performance if it is supported by good corporate governance. This is also proven from the second row of the third table in this research which shows that the variable Good Corporate Governance can moderate the influence of the Stock Price variable on Financial Performance because the P-Values value has a positive direction and is below the 0.05 significance level, namely 0.000. Thus, the first and second hypotheses in this research can be accepted and proven.

#### 4. CONCLUSION

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