



An Increased on Firm Value: Insight in State Owned Enterprises that Listed on the Indonesia Stock Exchange 2013-2018

Akhsanul Khaq, Dermawan Syahrial, Wilhelmus Hary Susilo*

University of Persada Indonesia Y.A.I, Indonesia. *Email: wilhel16@gmail.com

Received: 14 December 2019

Accepted: 15 Febraury 2020

DOI: <https://doi.org/10.32479/ijefi.9219>

ABSTRACT

In an emerging market, the firm value has become an important variable for raise capital and sustainable- performance within the national economic development that conducted within Indonesian as the most economically- charged. The purpose of this study is to examine an effects of corporate governace perceptions index (CGPI), debt to equity ratio (DER), size of firm, and exchange rate, on state owned enterprises (SOEs) financial performance, and their implication on SOEs values that listed on the Indonesia Stock Exchange in 2013- 2018. Furthermore, the quantitative approach conducted within inquiry this research that used Eviews ver. 9.0 for analysis the panel data. Hence, the SOEs that listed on the Indonesia Stock Exchange in 2013-2018 as the populations. This study found that CGPI, DER, and exchange rate have significant affected on SOEs Financial Performance that listed in Indonesia Stock Exchange and the simultaneously contributions with R-square of 0.975 and except firm size that is not significant. Finally, the results also indicate firms may have to these variables and financial performance was a significant impact on SOEs values, within the R-square of 0.874, even if SOEs are not doing business in our country and sustainability business.

Keywords: State Owned Enterprises, Firm Value, Financial Performance, Corporate Governace Perceptions Index, Debt to Equity Ratio, Firm Size, Exchange Rate

JEL Classifications: G3, L25

1. INTRODUCTION

The firm value on state owned enterprises (SOEs) financial performance as an implications within corporate governance and many factors have inquiry in this decade particularly conducted within an emerging markets that its would be the foreign investments as the important channel to raise the capital (Chang et al., 2013; Guiral, 2012; Habib and Jiang, 2015; Macinati and Anessi-Pessina, 2014; Martins and Lopes, 2016; Peter et al., 2017; Pradhan, 2016). Thus, the higher of The firm value on SOEs that reflected the firm's performance could leads many investors with their good perceptions to the corporate- performance and related with the firm price of the stocks. Hence, the height firm value would shows the market positions and it's prospected for the future. Regardless of the important firm value could be impact to

the stakeholders that conducted measured within Tobins' Q ratio. (Bell et al., 2013; Chang et al., 2013) (Bontis et al., 2002; Park et al., 2012; Saridakis et al., 2012).

Actually, the corporate governance SOEs should be the priority for some development countries for many decades. The good corporate governance was the basis of the market economic- system; cause within the applied would support and create the good business environment increasing the competitive advantage within the superior situations and avoiding the corruptive behavior. Hence, the related to transference concerns, accountability, the financial reporting quality, the responsibility, independency, and fairness, lack of public service- orientation and also un fair competitions. (Li et al., 2014) (Habib and Jiang, 2015) (Bell et al., 2013; Matei and Drumasu, 2015; Peter et al., 2017).

Furthermore, the data of the debt to equity ratio (DER) of the corporate governance SOEs the corporate governance SOEs in Indonesia, as follow Table 1.

Indeed, the graph indicated the DER of BUMN among sector compare within DER Industries 2018, as follow Figure 1.

Recently, since the opening BUMN- index, it could indicated the positively trend, as Figure 2.

The given empirical- data indicated the lack on the value of capitalizations stocks within BUMN – index that achieved in 25%, but in the reality not interrelated to the performance of stock SOEs -BUMN.

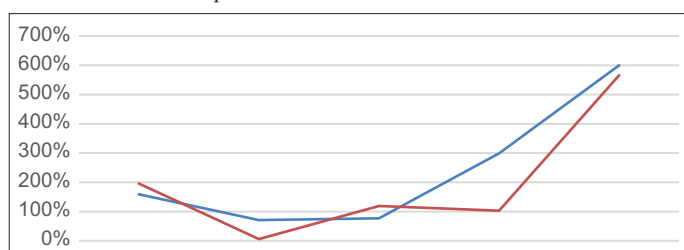
The gaps in this inquires and investigated have how increased the financial performance that could impact to attempt firm value that conducted to full fill with the research model with the corporate governance perceptions index, DER, size of firms and an exchange rate on the SOEs financial performance and their implication on SOEs values that listed on the Indonesia Stock Exchange in 2013-2018.

Table 1: The DER BUMN among sectors that compared within DER Industries 2018

No.	Sectors	Average- BUMN (%)	Average- Industries (%)	Remark
1.	Transportations	159	196	Low
2.	Energy	71	122	Low
3.	Telecommunication	77	119	Low
4.	Property and construction	299	103	High
5.	Banking	600	566	High

Sources: BUMN. DER: Debt to equity ratio

Figure 1: Debt to equity ratio (DER) of BUMN among Sector compare within DER Industries 2018



Sources: BUMN

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

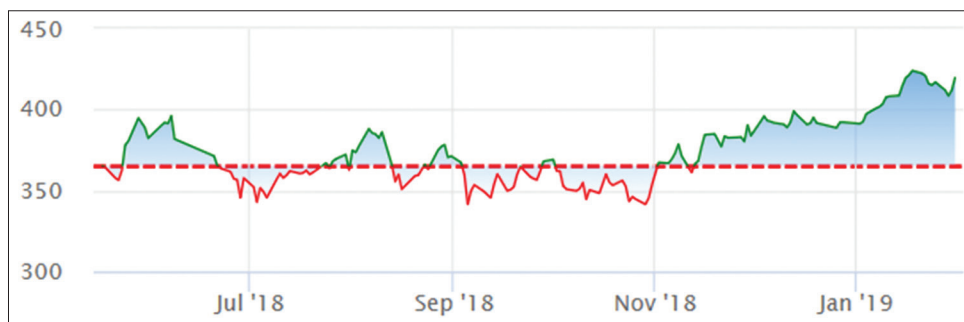
The researcher was conducted within an Agency theory to develop and explain, controlling and evaluating firms governance of SOEs – BUMN with delineating firms owners as principals that they hire CEO- managers to carry out and handling BUMN business for the operating within sustainable business in emerging markets. Furthermore, the signaling theory would be support in this study within the corporate governance that involved termed the agent that could conveying the great information’s about SOEs- BUMN products and the services in emerging markets to another party and the stakeholder and also the principals to pursue the future prospects. Hence, the executives in SOEs- BUMN should state the best information’s in their firms to the prospects investors to attempt and increase the stocks- price and the market orientations and also the transaction analysis. (Josh et al., 2016; Song et al., 2015) (Krafft et al., 2004) (Claro and Bortoluzzo, 2015; Kloviene et al., 2015; Thomas, 2015; Wiersma, 2017; Zhang, 1998).

Indeed the signaling model development would explaining the firm- investment structure base on the asymmetric information’s- base, that conducted between the managers with well informed and the outsider within poorly informed and also indicated a view the prospects. The model was develop conducted idea- based that the mangers belong the best information’s within the firms and would be deliver to new- investors for increase the stocks- price. Hence, the asymmetric information’s within the SOEs- BUMN could the managers not be able only provide the entire well information but among managers from other firms could deliver an other information that make the investor not in believe, and waiting within a long- time to proved the trust of information from managers. The signaling have an indicated for the firms managers take an actions within firm management that delivered on an investors how the view some prospects (Brigham and Houston, 2017; Krause et al., 2013; Dutta, 2012; Palmatier et al., 2013).

2.1. Proposed the Frame Work and Hypothesis Development

The scholars have develop for the research framework to fulfill the research gap to finding the knowledge that could contributions on the body of knowledge of the theories and

Figure 2: The trend of stocks within the BUMN 20 index



Source: BUMN 2018

improved to SOEs financial performance, and their implication on SOEs values that listed on the Indonesia Stock Exchange in 2013-2018. (Chang et al., 2013; Chang et al., 2016; Perin et al, 2016; Pradhan, 2016; Taghieh et al., 2013). Hence, the emerging- market, competitive advantage and performance should be based for making the action plan for run the business. (Castaño et al., 2016; Demirkan and Spohrer, 2014; Kapferer, 2012; Torun and Çicekci, 2007).

As follow in Figure 3.

The hypotheses in these inquiries, therefore:

H_{a1}: The corporate governance perceptions index, DER, size of firm and exchange rate were positively related partially and simultaneously to SOEs financial performance.

H_{a2}: The corporate governance perceptions index, DER, size of firm and exchange rate were positively related partially and simultaneously to SOEs financial performance, and their implication on SOEs values that listed on the Indonesia Stock Exchange in 2013- 2018.

3. RESEARCH METHOD

The study attempt some objective conducted within the quantitative- based management research approach and to gain the result to confirmed entire hypothesis also could predicted to the SOEs financial performance, and their implication on SOEs values that listed on the Indonesia Stock Exchange in 2013-2018 (Christopher, 2010; Klovien et al., 2015; Matei and Drumasu, 2015; Peter et al., 2017).

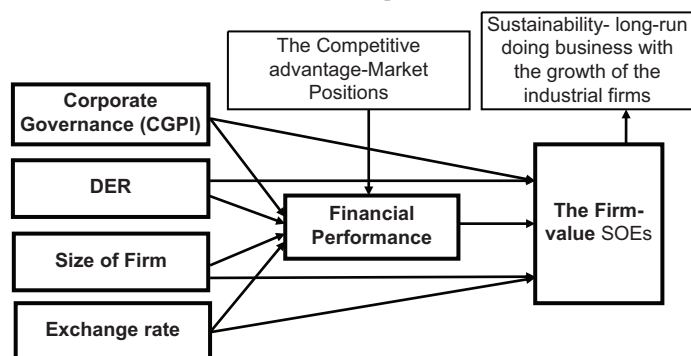
3.1. Sample and Data Collection

The data source for this empirical study that publications intensified, annual growth from the Indonesian Capital Market Directory, an annual report the entire firms and also from website of the BEI.

3.2. Measurement Variables

The scholars have the observation forms to gain the secondary data that finding from the report of economic statistical

Figure 3: The research model within to pursue the firm value on state owned enterprises



Sources: Develop by authors

Indonesia- National library (e.g; the report of financial BUMN, Data of the CGPI- BUMN that listing in BEI by The Indonesian Institute for Corporate Governance 2013-2018 and also the data of value exchange –middle curs that published by central Bank- Indonesia.

4. DATA ANALYSIS AND FINDINGS

4.1. Data Analysis

The analysis was to publications not entire variable cause the important thing in this investigation to pursues the firm- value SOEs that measure conducted within Tobin’s Q ratio, that the one of alternatively for measure the firm value.(Chang et al., 2013). Moreover, the Tobin’s Q ratio was calculated factors that could be reflected the shareholder conditions, cause conducted within calculated the financial- market estimations recently and within value of return- money for an incremental investment that form- combined from the assets in place and an option to the financial- investments on the future. The descriptive data of the firm- values in eight SEOs- BUMN that listing in BEI 2013-2018, as follow Table 2.

The data finding on Table 2 above, that the researcher concerning at the topic’s development to improve the firm- value (SOEs)- The 8 BUMN that were listing in BEI between 2013 and 2018, hence in 2013 indicated the firm value have mean value 0.879, median value 0.93 with the SD 0.14. Hence, the higher value of the firm value 1.03 that pursue by PT WIKA Tbk and the lowest value with 0.642 to PT Timah Tbk. Furthemore, the result descriptive data in 2018 could be indicated within the mean value 0.789, the median value 0.860 and SD 0.157 and the greatest firm value has 0.925 PT BNI Tbk and the lowest PT ANEKA TAMBANG Tbk with Tobin’s Q value 0.535. The graph could be describe on Figure 4 below:

The prediction finding that has the power for predictions within math- equations as follow:

The regression conducted with fixed effect model (FEM) and could be utilizing exactly for estimation the first empirical- equations,

$$ROA = 0,364 + 0,562*CGPI + 0,00027*DER + 0,00004*Size - 10,516* Kurs + [CX=F] \tag{1}$$

And the second empirical equations that conducted with FEM as follow:

Table 2: The descriptive data of firm- value in 8 SOEs- BUMN that listing in BEI 2013-2018

Year	The firm value (Tobin’s Q)				
	Mean	Median	SD	Minimum	Maximum
2013	0.879125	0.93380	0.141624	0.6420	1.0369
2014	0.894700	0.91745	0.210319	0.5310	1.2437
2015	0.780388	0.81630	0.246961	0.5009	1.1785
2016	0.870975	0.88550	0.121132	0.5932	0.9939
2017	0.804075	0.86035	0.152830	0.5019	0.9356
2018	0.789900	0.86030	0.157394	0.5350	0.9253

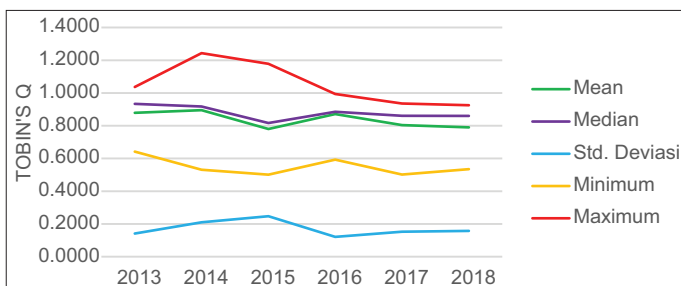
Source: By the firm in the report 2013- 2018 that published via BEI-Jakarta

Table 3: The delineated of research hypothesis

No	Hypothesis descriptions	Coefficient	t-value	Remark
H ₁	Corporate governance (CGPI) affect to financial firm performance (ROA)	0,562821	17,80782	Statistically significant
H ₂	DER affect to financial firm performance (ROA)	0,000275	10,53880	Statistically significant
H ₃	Firm size affect to financial firm performance (ROA)	0,0000456	0,017189	Not-Significant
H ₄	Exchange rate affect to financial firm performance (ROA)	-0,123971	-21,68556	Statistically significant
H ₅	Corporate governance (CGPI), (DER), firm size, exchange rate have contributions to financial firm performance (ROA)	R-squared=0,975358	F=129,5378	Statistically significant
H ₆	CGPI affect to firm value (Tobin;s Q)	0,015769	2,914986	Statistically significant
H ₇	DER affect to firm value (Tobin;s Q)	-00,003158	-3,002713	Statistically significant
H ₈	(SIZE) affect to firm value (Tobin;s Q)	0,081825	2,202053	Statistically significant
H ₉	Exchange rate affect to firm value (Tobin;s Q)	-0,144466	-3,064693	Statistically significant
H ₁₀	(ROA) affect to firm value (Tobin;s Q)	0,183426	3,640539	Statistically significant
H ₁₁	CGPI, DER, (SIZE), exchange rate (CURS) and (ROA) have contribution to firm value (Tobin;s Q)	R-squared=0,874109	F= 20,25158	Statistically significant

Source: Output-Eviews 9, DER: Debt equity ratio, CGPI: Corporate governance perception index

Figure 4: The descriptive- data of Firm Value (Tobin’s Q) within entire 8 Corporate state owned enterprises-BUMN that in BEI listing 2013-2018



Source: the data from financial- report SOEs 2013- 2018 that published by BEI

$$TOBIN'S Q = 4,214944 + 0,015769 *CGPI - 0,003158*DER + 0,081825 * Size - 0,144466* Kurs + 0,183426*ROA + [CX=F] \tag{2}$$

4.2. The Hypothesis Testing

The important discovery with strong methodical in this investigate to improve the firm value of SOEs was to delineate of the research hypothesis as follow in Table 3.

5. CONCLUSIONS, RESEARCH CONTRIBUTION AND DIRECTIONS FOR FUTURE RESEARCH

The pursue of firm value SOEs- BUMN has been affected with an entire independent variables and intervening variables as CGPI, DER, (SIZE), Exchange rate (CURS) and (ROA).(Herrera and Sanchez-Gonzalez, 2012; Oh et al., 2014). (Buchheit et al., 2012; Martins and Lopes, 2016).

5.1. Conclusions

The output of entire hypothesis testing indicated the Statistically Significant but only firm size that could not confirmed affected to the financial firm performance (ROA). Furthermore, The regression conducted with FEM and could be utilizing exactly for estimation the first empirical- equations and the second empirical

equations that conducted with FEM has more exactly utilize in this investigated.

5.2. Research Contributions

The evidence base from this study could be delivering some contributions to develop and to body of knowledge the Signaling theory that conducted to the investments for the future. (Kazlauskienė, 2015; Mavlanova et al., 2012). Moreover, the result of this study will be providing the many financial- information’s to leads some investor perceptions (Bell et al., 2013; Bhootra and Hur, 2012; Chang et al., 2013).

5.3. Limitations and Future Research

Actually, the data has not enough robust for only at range 5 years to conducted within regression analysis and the outcome would less accurate and power for doing predictions. Hence, the eight SOEs- BUMN that inquiry in this study have listing in BEI only. (Cheng and Coyte, 2014; Iwai and Azevedo, 2016). Furthermore, the study was could improve for the future research that conducted within some other among variables pertains; EPS, CSR, and firm- cash flow and also corporate reputations on competitive advantage, the financial structure, the incentive and also developing relational capital. (Šontaitė-Petkevičienė, 2015; Wei et al., 2018) (Adeosun and Ganiyu, 2013; Jiang et al., 2011; Šontaitė-Petkevičienė, 2015; Tang and Tang, 2012; Wang, 2014) (Gregorio Martín de et al., 2004; Pradhan, 2016).

REFERENCES

Adeosun, L.P.K., Ganiyu, R.A. (2013), Corporate reputation as a strategic asset. *International Journal of Business and Social Science*, 4(2), 220-225.
 Bell, R.G., Filatotchev, I., Aguilera, R.V. (2013), Corporate governance and investors’ perceptions of foreign IPO value: An institutional perspective. *Academy of Management Journal*, 57(1), 301-320.
 Bhootra, A., Hur, J. (2012), On the relationship between concentration of prospect theory/mental accounting investors, cointegration, and momentum. *Journal of Banking and Finance*, 36(5), 1266-1275.
 Bontis, N., Crossan, M.M., Hulland, J. (2002), Managing an organizational learning system by aligning stocks and flows. *Journal of Management Studies*, 39(4), 32.
 Buchheit, S., Dalton, D., Downen, T., Pippin, S. (2012), Outcome feedback, incentives, and performance: Evidence from a relatively complex

- forecasting task. *Behavioral Research in Accounting*, 24(2), 1-20.
- Castaño, M.S., Méndez, M.T., Galindo, M.Á. (2016), The effect of public policies on entrepreneurial activity and economic growth. *Journal of Business Research*, 69(11), 5280-5285.
- Chang, L.L., Hsiao, F.D., Tsai, Y.C. (2013), Earnings, institutional investors, tax avoidance, and firm value: Evidence from Taiwan. *Journal of International Accounting, Auditing and Taxation*, 22(2), 98-108.
- Chang, W., Ellinger, A.E., Kim, K., Franke, G.R. (2016), Supply chain integration and firm financial performance: A meta-analysis of positional advantage mediation and moderating factors. *European Management Journal*, 34(3), 282-295.
- Cheng, M.M., Coyte, R. (2014), The effects of incentive subjectivity and strategy communication on knowledge-sharing and extra-role behaviours. *Management Accounting Research*, 25(2), 119-130.
- Christopher, J. (2010), Corporate governance-A multi-theoretical approach to recognizing the wider influencing forces impacting on organizations. *Critical Perspectives on Accounting*, 21(8), 683-695.
- Claro, D.P., Bortoluzzo, A.B. (2015), Profiling the buzz agent: Product referral and the study of social community and brand attachment. *BAR-Brazilian Administration Review*, 12(2), 209-228.
- Demirkan, H., Spohrer, J. (2014), Developing a framework to improve virtual shopping in digital malls with intelligent self-service systems. *Journal of Retailing and Consumer Services*, 21(5), 860-868.
- Dutta, S. (2012), Vulnerability to low-price signals: An experimental study of the effectiveness of genuine and deceptive signals. *Journal of Retailing*, 88(1), 156-167.
- Gregorio Martín de, C., Pedro López, S., José Emilio Navas, L. (2004), The role of corporate reputation in developing relational capital. *Journal of Intellectual Capital*, 5(4), 575-585.
- Guiral, A. (2012), Corporate social performance, innovation intensity, and financial performance: Evidence from lending decisions. *Behavioral Research in Accounting*, 24(2), 65-85.
- Habib, A., Jiang, H. (2015), Corporate governance and financial reporting quality in China: A survey of recent evidence. *Journal of International Accounting, Auditing and Taxation*, 24, 29-45.
- Herrera, L., Sanchez-Gonzalez, G. (2012), Firm size and innovation policy. *International Small Business Journal*, 31(2), 137-155.
- Iwai, T., Azevedo, P.F.D. (2016), Economic incentives or communication: How different are their effects on trust. *BAR-Brazilian Administration Review*, 13(3), e160032.
- Jiang, A., Issa, R.R.A., Malek, M. (2011), Construction project cash flow planning using the pareto optimality efficiency network model. *Journal of Civil Engineering and Management*, 17(4), 510-519.
- Josh, B., Jeff, M., Eric, L., Phillip, E.D. (2016), Agency theory: The times, they are a-changin'. *Management Decision*, 54(1), 174-193.
- Kapferer, J.N. (2012), Abundant rarity: The key to luxury growth. *Business Horizons*, 55(5), 453-462.
- Kazlauskienė, V. (2015), Application of social discount rate for assessment of public investment projects. *Procedia-Social and Behavioral Sciences*, 213, 461-467.
- Kloviene, R., Gimzauskienė, E., Misiunas, D. (2015), The significance of SOEs performance measurement as policy instrument in baltic countries. *Procedia-Social and Behavioral Sciences*, 213, 286-292.
- Krafft, M., Albers, S., Lal, R. (2004), Relative explanatory power of agency theory and transaction cost analysis in German salesforces. *International Journal of Research in Marketing*, 21(3), 265-283.
- Krause, R., Whitley, K.A., Semadeni, M. (2013), Power to the principals! An experimental look at shareholder say-on-pay voting. *Academy of Management Journal*, 57(1), 94-115.
- Li, Y., Li, J., Cai, Z. (2014), The timing of market entry and firm performance: A perspective of institutional theory. *Industrial Marketing Management*, 43(5), 754-759.
- Macinati, M.S., Anessi-Pessina, E. (2014), Management accounting use and financial performance in public health-care organisations: Evidence from the Italian national health service. *Health Policy*, 117(1), 98-111.
- Martins, M.M., Lopes, I.T. (2016), Intellectual capital and profitability: A firm value approach in the European companies. *Verslas: Teorija ir Praktika*, 17(3), 234-242.
- Matei, A., Drumasu, C. (2015), Corporate governance and public sector entities. *Procedia Economics and Finance*, 26, 495-504.
- Mavlanova, T., Benbunan-Fich, R., Koufaris, M. (2012), Signaling theory and information asymmetry in online commerce. *Information and Management*, 49(5), 240-247.
- Oh, J.H., Peters, L.D., Johnston, W.J. (2014), Who's acquiring whom? - Experimental evidence of firm size effect on B2B mergers and marketing/sales tasks. *Industrial Marketing Management*, 43(6), 1035-1044.
- Palmatier, R.W., Houston, M.B., Dant, R.P., Grewal, D. (2013), Relationship velocity: Toward a theory of relationship dynamics. *Journal of Marketing*, 77(1), 22-2429.
- Park, H.S., Auh, S., Maher, A.A., Singhapakdi, A. (2012), Marketing's accountability and internal legitimacy: Implications for firm performance. *Journal of Business Research*, 65(11), 1576-1582.
- Perin, M.G., Sampaio, C.H., Jiménez-Jiménez, D., Cegarra-Navarro, J.G. (2016), Network effects on radical innovation and financial performance: An open-mindedness approach. *BAR-Brazilian Administration Review*, 13(4), 1-10.
- Peter, D., Tamyko, Y., Daniel, S. (2017), Corporate governance of state-owned enterprises: A systematic analysis of empirical literature. *International Journal of Public Sector Management*, 30(5), 447-466.
- Pradhan, S. (2016), Impact of corporate social responsibility intensity on corporate reputation and financial performance of Indian firms. *Verslas: Teorija ir Praktika*, 17(4), 371-380.
- Saridakis, G., Mole, K., Hay, G. (2012), Liquidity constraints in the first year of trading and firm performance. *International Small Business Journal*, 31(5), 520-535.
- Song, J., Wang, R., Cavusgil, S.T. (2015), State ownership and market orientation in China's public firms: An agency theory perspective. *International Business Review*, 24(4), 690-699.
- Šontaitė-Petkevičienė, M. (2015), CSR reasons, practices and impact to corporate reputation. *Procedia-Social and Behavioral Sciences*, 213, 503-508.
- Taghieh, M.B., Taghieh, S., Poorzamani, Z. (2013), The effects of relational capital (customer) on the market value and financial performance. *European Online Journal of Natural and Social Sciences*, 2(3), 207-211.
- Tang, Z., Tang, J. (2012), Stakeholder-firm power difference, stakeholders' CSR orientation, and SMEs' environmental performance in China. *Journal of Business Venturing*, 27(4), 436-455.
- Thomas, T. (2015), Agent-based risk management-a regulatory approach to financial markets. *Journal of Economic Studies*, 42(5), 780-820.
- Torun, H., Çicekci, C. (2007), Innovation: Is the Engine for the Economic Growth? Research Paper.
- Wang, C.H. (2014), How relational capital mediates the effect of corporate reputation on competitive advantage: Evidence from Taiwan high-tech industry. *Technological Forecasting and Social Change*, 82, 167-176.
- Wei, W., Kim, G., Miao, L., Behnke, C., Almanza, B. (2018), Consumer inferences of corporate social responsibility (CSR) claims on packaged foods. *Journal of Business Research*, 83, 186-201.
- Wiersma, E. (2017), How and when do firms translate slack into better performance? *The British Accounting Review*, 49(5), 445-459.
- Zhang, W. (1998), A principal-agent theory of the public economy and its applications to China. *Economics of Planning*, 31(2-3), 231-251.