GCG Moderates Financial Performance in Food and Beverage Companies

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Abstract. This study examines the moderating effect of Good Corporate Governance (GCG) on financial performance and corporate value in food and beverage companies from 2018 to 2020. Using a quantitative research method and purposive sampling, 45 companies were selected from an initial population of 70. Data analysis was performed using the SPSS application. Results indicate that finance (ROA) can be moderated by GCG variables. This study has implications for understanding the role of GCG in financial performance and corporate value.

Keywords: Financial Performance · Corporate Values · Good Corporate Governance

1 Introduction

Manufacturing companies are engaged in the industrial sector which manages unfinished goods into semi-finished goods and finished goods, depending on the terms of the business being driven both by going public and non-going public. Every company has a company goal, one of which is to increase the value of the company. According to [1] says that the value of the company is reflected on price ready to be paid by prospective buyers or investors if the company is sold. The higher the value of a company, the higher the wealth obtained by the owner of the company.

The high value of the company obtained from a company shows the high value of shares. High company value makes the market not only believe in the company's current developments, but also the company's prospects in the future [2]. Therefore investors use the measurement of company value with certain ratios in order to determine the condition of a company's value. One measure of company value is Price to Book Value (PBV). According to [3] says that this PBV ratio measures the financial market assessment of the company's management and organization for the company's survival. According to [4] they say that the higher the stock price, the higher the company value and vice versa, the lower the stock price, the lower the company value. To find out the value of the

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company there are factors that affect the value of the company, one of which is financial performance.

Financial performance is the company's performance over a certain period of time which reflects the company's ability in relation to its financial position [5]. Assessment of financial performance is very important because it can affect the value of the company. This study uses profitability ratios. Profitability is a ratio used to assess a company's ability to earn profits. This ratio also provides a measure of the efficiency of the company's management which indicates the existence of profits generated from sales and investment income. Measuring profitability in this study uses the Return on Assets (ROA) indicator.

Return on Assets (ROA) shows the ability of a company to use all of its assets in generating profit after tax. This ratio is important for management to evaluate the effectiveness and efficiency of the company's management in managing all of the company's assets. The higher the ROA, the more efficient use of all company assets [3]. Based on this, a high ROA shows that a company is able to generate tremendous profits. Automatically companies that have high ROA will be able to attract many investors to invest, this will provide increased stock returns so that it can increase company value.

Previous research shows inconsistent result. [6] said that Return on Assets (ROA) has a significant effect on company value. In contrast with [7] which says that return on assets has no effect on firm value. Based on these results, there are inconsistencies in the results of research from previous researchers, so the researchers assume that there are other variables that can strengthen or weaken the relationship between return on assets and firm value, namely making good corporate governance a moderating variable.

Implementing good corporate governance creates added value and clear performance measurements to achieve company goals, as well as accountability and transparency to ensure that increasing corporate value leads to an increase in equitable welfare [8]. Based on this, many companies seek to manage good corporate governance because the company's financial performance will have a good impact on company value. There is research that has been done by previous researchers regarding the relationship between return on assets on firm value and good corporate governance as a moderating variable. [9] say that Good Corporate Governance (GCG) is able to moderate the relationship between Return on Assets (ROA) and company value. However, it is different from the results of research from [10] saying that Good Corporate Governance (GCG) is not able to moderate the relationship between Return on Assets (ROA) and company value.

The sample in this study was conducted at food and beverage companies listed on the Indonesia Stock Exchange because the sub-sector engaged in the food and beverage consumption sector is one of the most needed. The opportunity to invest in this sector is very promising because the market is still wide open with a large population and this sector is in great demand by investors because investing in shares in this company is not easily influenced by movements in macroeconomic conditions and is able to provide large profits to investors [11]. So it can be concluded that investing in the food and beverage sector is very profitable because people's purchasing power is high so that companies benefit from sales and investors who invest shares in these companies get large profits.

Based on the background described, it can be seen that there are inconsistencies in the results of research conducted by previous researchers. Therefore, researchers are interested in examining GCG Moderation in the relationship between financial performance and firm value.

2 Theoretical Framework of Study

The Study is anchored on conflict and contractual relationships between agent and client. Agents are obliged to perform tasks in the interests of clients or principals. In this agency relationship, each party is driven by different motivations depending on their interests. The prosperity level of each party is trying to be achieved and maintained in order to obtain the desired level of prosperity, but this relationship can also lead to conflict [12].

Separation of interests between management and shareholders is necessary. This is done by signing contracts and separating personal interests. The agreement agreed upon between investors and managers aims to minimize conflicts between these stakeholders. One of the efforts to reduce agency problems is by giving management the opportunity to own shares in a company so that the interests of management and shareholders are more equal, and the efforts made require good corporate governance to prevent significant costs from being incurred [13].

Signals are company actions to provide clues to investors about how management sees the company's prospects. This signal is information about what management has done to meet the wishes of the owner. The information provided is important because it influences external investment decisions. Signaling theory suggests how companies can provide signals to users of financial statements. This signal is information about what management has done to fulfill the owner's wishes [15]. However, this positive signal is not just simply informed by the manager of a company, a signal about good information is given to investors by acting or carrying out policies that are not easily imitated by other companies.

Based on this, the existence of this signal theory can make it easier for investors to find information about the financial condition and performance of a company by getting a positive signal so that investors can decide to invest in the right company with high corporate value and get big profits from their investment.

3 Conceptual Framework of Study

The study is based on the effect profitabilitas to firm value, and GCG as moderating variable. Where it is known that Y is the firm value proxied by the Price to Book Value variable (PBV). Meanwhile, the independent variable in this study uses the ROA variable and the moderating variable in this study uses good corporate governance (GCG) (see Fig. 1).

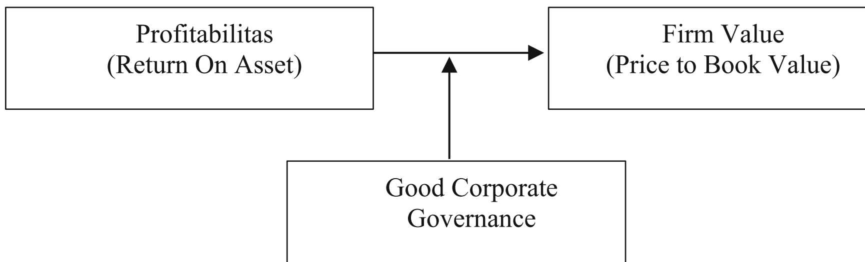

Fig. 1. Relationship between variables

Table 1. List of Food and Beverage Companies Registered on the IDX for 2018–2020

No.	Company Name	Issuer Code
1.	PT Campina Industry Tbk	CAMP
2.	PT Wilmar Cahaya Indonesia Tbk	CEKA
3.	PT Sariguna Primatirta Tbk	CLEO
4.	PT Wahana Interfood Nusantara Tbk	COCO
5.	PT Delta Djakarta Tbk	DLTA
6.	PT Garudafood Putra Putri Jaya Tbk	GOOD
7.	PT Buyung Poetra Sembada Tbk	HOKI
8.	PT Indofood CBP Sukses Makmur Tbk	ICBP
9.	PT Indofood Sukses Makmur Tbk	INDF
10.	PT Multi Bintang Indonesia Tbk	MLBI
11.	PT Mayora Indah Tbk	MYOR
12.	PT Nippon Indosari Corporindo Tbk	ROTI
13.	PT Sekar Laut Tbk	SKLT
14.	PT Siantar Top Tbk	STTP
15.	PT Ultra Jaya Milk Industry Tbk	ULTJ

4 Methods

This research is a quantitative study. The population is 15 Food and Beverage Companies listed in the Indonesia Stock Exchange in 2018–2020. The sampling criteria are Food and Beverage companies that present annual reports using the rupiah currency in 2018–2020 and which do not suffer losses during the observation year in 2018–2020. Here are 15 research samples (see Table 1).

Table 2. The Results of Moderation in the interaction model show that Good Corporate Governance

Variable	*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*
	B	*Std. Error*	*Beta*		
(Constant)	55.150	123.103		.448	.657
Financial Performance	17.533	6.542	.355	2.680	.011
Good Corporate Governance	−.639	2.004	−.042	−.319	.752
Interaction (X.Z)	3.527	1.217	.382	2.897	.006

[a] Dependent Variable: Firm Value

5 Results and Discussion

Based on Table 2 shows that the variable Financial Performance (X) effect on firm value as indicated by a probability value of less than 0.05 ($0.011 < 0.050$) and a t-count value that is greater than the t-table value ($2.680 > 1.966$). These results are consistent with the first equation in the previous analysis. Meanwhile, the following results show that Good Corporate Governance (Z) has no effect on firm value, which can be seen from the probability value greater than 0.05 ($0.752 > 0.050$) and the t-count value which is greater than the negative t-table value ($-0.319 > -1966$). These results do not support H_2 research. Next, the results of moderation in the interaction model show that Good Corporate Governance is able to strengthen the relationship between Financial Performance and Firm Value, which can be seen from the interaction probability value which is smaller than 0.05 ($0.006 < 0.050$) and the t-count value which is greater than the t-table value (2.897). > 1,966). These results support $H3_{research}$. As additional information, bearing in mind that Good Corporate Governance in the second hypothesis is not supported, the nature of Moderation produced by Good Corporate Governance in the relationship between Financial Performance and Corporate Value is pure moderation.

Based on the Table 3 shows the R Square value of 0.294, this shows that the magnitude of the influence of Financial Performance and Good Corporate Governance on Company Value is 29.4%. While the rest (70.6%) is influenced by other variables not included in the research model. The magnitude of the influence obtained is relatively small because good corporate governance in this study has a pure moderating nature, where when the test occurs together, the partial results are not significant, so the impact on the total influence contribution is smaller. The research focus is indeed based on testing moderation which has the potential to ignore the results of influence partially or simultaneously.

The first hypothesis states that financial performance (ROA) has a positive effect on firm value (PBV). Based on Table 2 it can be seen that the ROA variable has a positive and significant effect on PBV. These results are consistent with research conducted by [16], the profitability variable as measured by Return On Assets (ROA) and the results of his research indicate that there is a positive and significant influence on firm value. This

Table 3. Coefficient of determination (Test R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.542[a]	.294	.242	399.75290	1.907

[a] Predictors: (Constant), Interaksi (X.Z), Kinerja Keuangan, Good Corporate Governance
[b] Dependent Variable: Nilai Perusahaan

can be a powerful weapon to attract investors to invest in the company. And the value of the company is very urgent for a company, with a very high company value, it will be followed by the prosperity of the shareholders of a company. Because an increase in a company's value can be marked by an increase in the company's shares in the market [17].

Good governance or good corporate governance in a company is not only to make the company run according to SOPs, but also companies with good governance will be viewed by the public and also potential investors who will invest in the company. The results of the Moderated Regression Analysis (MRA) test show that good corporate governance moderates the relationship between ROA and PBV. The result is that the moderating variables in this study include the moderating homologyser or potential moderation to become a moderating variable that affects the strength of the relationship between the independent and dependent variables. These results are consistent with research by [18] that the profitability variable has no significant effect on firm value, and good corporate governance has not moderated profitability on firm value.

6 Conclusion

The conclusion of this study is that financial performance has a significant effect on firm value (PBV). However, GCG cannot strengthen ROA with PBV. Suggestions for further research are to add research samples and also add variables from profitability such as: ROE, NPM, ROI, etc.

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