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Good Influence Corporate Governance , Return on Assets and Earnings Per Share in Increasing the Value of State-Owned Enterprises in Indonesia

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Abstract

This study aims to analyze the effect of Good Corporate Governance (GCG), Return on Assets (ROA), and Earnings Per Share (EPS) on firm value in State- Owned Enterprises (SOEs) listed on the Indonesian Stock Exchange. The study employs a quantitative approach using an associative methods . The data used are secondary data obtained from the financial statements and annual reports of SOEs for the 2021–2023 period . The research sample was determined using a purposive sampling method , resulting in 20 SOEs as the sample . Data analysis was conducted using multiple linear regression with the assistance of statistical software . The results show that partially , GCG, ROA, and EPS do not have a significance effect on firm value . Simultaneously , these three independent variables also do not have a significant effect on firm value . The coefficient of determination (R^2) of 0.054 indicates that GCG, ROA, and EPS explain only 5.4% of the variation in firm value , while the remaining variation is influenced by other factors outside the research model. These findings indicate that the firm value of SOEs is more strongly influenced by external factors such as macroeconomic conditions , government policies , and market sentiment than by the governance and financial performance indicators examined in this study.

Keywords: *Good Corporate Governance , Return on Assets , Earnings Per Share , Firm Value State- Owned Enterprises.*

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INTRODUCTION

Company value is a crucial measure for evaluating the success of a business entity, particularly for public companies such as State-Owned Enterprises (SOEs). This indicator reflects the level of investor and market confidence in a company's future growth potential. The higher the company's value, the stronger investor confidence in the company's ability to achieve sustainable profitability.

State-owned enterprises (SOEs) play a vital role in driving the country's economic development by providing public services, creating jobs, and contributing to government revenue. Therefore, the success and sustainability of SOEs are a focus of attention for various parties, including the government, the public, and investors. In this regard, the implementation of good corporate governance (GCG) is crucial. Corporate Corporate Governance (GCG) is highly significant. GCG serves as the foundation for ensuring professional, transparent, and responsible company

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management. Effective GCG implementation is believed to strengthen public and investor trust, ultimately driving increased company value.

Agency theory is a theory that explains the relationship between a principal and an agent. Agency theory proposed by (Jensen & Meckling , 1976) is a relationship involving the principal (company owner) and the agent (manager). The company owner gives the authority and trust to manage the company's operational activities to the manager , which in turn triggers a difference in interests between the company owner and the manager , resulting in inefficient information obtained by both. Conflicts can occur in agency theory due to the difference in interests between agents and actions. The existence of an audit committee in a company can assist the board of commissioners in carrying out the company's internal oversight function, ensuring financial reports, and increasing the effectiveness of the audit function so that corporate governance continues to run well, which can consequently have an impact on increasing company performance and thus increasing company value. This is because the presence of a board of commissioners will reduce fraud in financial reporting and is expected to increase the effectiveness of supervision and strive to improve the quality of financial reports. The existence of good supervision will minimize fraudulent actions committed by management in financial reporting. This will improve the quality of financial reports and encourage investors to invest in the company, leading to higher stock prices and increased company value. Furthermore, effective monitoring of management by the board of commissioners and accountability of the board to the company and shareholders will help minimize *agency costs . conflict* which will ultimately have an impact on increasing the company's value.

Company value is the selling price of a company as an operating business. The excess selling price over the liquidation value is the value of the management organization that runs the company (Sartono, 2010). Company value is a condition that has been achieved by a company as a reflection of public trust in the company after going through a process of activities for several years, namely from the company's founding until now (Noerirawan & Muid , 2012).

The main objective of a company according to theory of the firm , namely to maximize the wealth or value of the company (value of the firm) (Salvatore , 2005). Maximizing company value is very important for a company because maximizing company value means maximizing shareholder prosperity, which is the company's main goal (Hariyadi, 2016). Increasing company value is the goal of every company, because the higher the company value, the higher the shareholder prosperity will be. High company value can increase prosperity for shareholders, so that shareholders will invest their capital in the company (Haruman , 2007).

According to agency theory, there is a separation between the agent and the principal , which can lead to potential conflicts that can affect the quality of reported earnings. Management with specific interests will tend to prepare earnings reports that align with their objectives rather than the interests of the principal . According to agency theory , theory) to overcome this problem is with good corporate governance (good corporate governance). corporate governance).

(Blair , 1995) defines corporate governance as the totality of legal, cultural, and institutional arrangements that determine what a public company can do, who controls it, how control is exercised, and how the risks and returns from the company's activities are allocated. (Committee , 2000) defines corporate governance as the totality of legal, cultural, and institutional arrangements that determine what a public

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company can do, who controls it, how control is exercised, and how the risks and returns from the company's activities are allocated. governance as a balance between economic goals and social goals as well as individual goals and community goals.

In addition, corporate Governance also emphasizes accountability in the management of all resources that takes into account all interests, both individual, corporate and societal. (Syakhroza , 2002) defines corporate governance as a governance as a system used by the board to direct, control and supervise (directing , controlling) and supervising) the management of organizational resources efficiently, effectively, economically and productively (E3P) with the principles of transparency, accountability , responsibility , independence and fairness (TARIF) in order to achieve organizational goals.

Besides GCG, another equally important aspect is the company's financial performance. This performance reflects the company's level of efficiency and success in optimizing resources to achieve profit. One of the key metrics of financial performance is Return on Assets (ROA) . on Return on Assets (ROA), which indicates the amount of profit generated relative to a company's total assets. A higher ROA indicates a company's ability to manage assets efficiently. Furthermore, Earnings Per Share (EPS) is also a key indicator for investors, as it measures the amount of profit shareholders receive per share. A high EPS indicates a company's capacity to generate significant profits and potentially offer lucrative dividends to investors.

Return on Asset ratio is a ratio used to measure a company's ability to generate net profit based on a certain level of assets. ROA is also often referred to as ROI (Return on Investment). A high ratio indicates efficient asset management, which means management efficiency (Hanafi & Halim, 2012). The lower this ratio, the worse, and vice versa.

Earnings per share (EPS) is a ratio used to measure management's success in achieving profits for shareholders. A low EPS indicates that management has not been successful in satisfying shareholders, while a high EPS will increase shareholder prosperity or result in a high rate of stock returns (Kasmir, 2010). Earnings per share (EPS) has a positive or significant impact on company value because EPS indicates a company's ability to generate earnings per outstanding share. This means that with EPS, investors can easily determine how much profit the company has earned on their shares. Investors tend to have a positive assessment of EPS increases because they are fundamental evidence of the company's actual performance. Investors will be attracted to stocks with high EPS values, hoping that the stock price will rise rapidly, which will generate profits for shareholders.

Considering the relevance of GCG, ROA, and EPS, it is interesting to examine the extent to which these three elements influence company value growth, particularly among Indonesian state-owned enterprises (SOEs). This study is expected to contribute to deepening insight into efficient corporate management approaches to increase value and competitiveness in the stock market.

This research has novelty by placing Good Corporate Governance is the dominant managerial factor in explaining the value of state-owned enterprises, compared to conventional financial ratios such as ROA and EPS. Furthermore, this study uses recent state-owned enterprise data, reflecting the actual state of corporate governance and performance following economic dynamics and government policies.

Theoretically, this study contributes to the development of the management and corporate governance literature by demonstrating that GCG implementation does

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not always have a positive impact on firm value, particularly in companies characterized by state ownership. Practically, the results of this study provide implications for state-owned enterprise management and policymakers to review the effectiveness of GCG implementation so that it is not merely formal but also able to increase managerial flexibility and create corporate value.

METHODOLOGY

This study uses a quantitative approach with an associative method, which aims to determine the relationship between the independent and dependent variables. The independent variable in this study is Good Corporate Governance (GCG), Return on Assets (ROA), and Earning Per Share (EPS), while the dependent variable is Company Value (measured by Price to Book Value). The associative method was chosen because it is able to explain the level of relationship between variables and measure how much influence each independent variable has on the dependent variable statistically.

The type of data used is secondary data, that is, data that has been published by official institutions or companies, not obtained directly from respondents. The data sources include:

1. Annual report report) company.
2. Audited financial statements published annually.
3. website of the Indonesia Stock Exchange (IDX) (www.idx.co.id) to obtain financial data and company information.
4. Good assessment report Corporate Governance of each company as a reference for measuring GCG variables.

The study population comprised all state-owned enterprises (SOEs) listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period. The sample was selected using purposive sampling, which involves selecting samples based on specific criteria, including:

1. The company is a state-owned enterprise actively listed on the IDX during the research period (2021-2023).
2. The company published a complete annual report during the observation period.
3. Complete company data related to GCG, ROA, EPS, and PBV indicators.
4. The company did not experience delisting or suspension during the research period.

Based on these criteria, 20 state-owned enterprises were selected as research samples. The analytical technique used was multiple linear regression, a statistical method used to determine the extent of influence of independent variables (GCG, ROA, EPS) on the dependent variable (firm value). The analysis was performed using statistical software (e.g., SPSS or EViews) to obtain more accurate results.

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Standard Deviation

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GCG	58	80.01	109.31	92,6664	5.47436
ROA	60	-58.03	59.93	2,8127	11,33209
EPS	60	-794.68	983.00	160,3263	262.53742
Company Values	60	,00	301339.36	16691.7335	62080,45765
Valid N (listwise)	58				

The results of descriptive statistics show that the Good variable Corporate Corporate Governance (GCG) had an average score of 92.67, with a minimum score of 80.01 and a maximum score of 109.31. This indicates that the sample companies have generally implemented relatively good corporate governance principles, with a low level of data variation (standard deviation of 5.47).

Return Variable on The Return on Assets (ROA) had an average value of 2.81%, with a minimum value of -58.03% and a maximum of 59.93%. The relatively wide range of values and a standard deviation of 11.33 indicate significant differences in profitability performance between companies.

Earnings Per Share (EPS) variable shows an average of 160.33, with a minimum value of -794.68 and a maximum of 983.00. The high standard deviation (262.54) indicates significant fluctuations in earnings per share during the observation period.

Meanwhile, the Company Value has an average value of 16,691.73, with a maximum value reaching 301,339.36, which indicates a very large difference in market valuation between companies in the sample.

Classical assumption test

Normality Test

One- Sample Kolmogorov-Smirnov Test					
		GCG	ROA	EPS	Company Values
N		58	60	60	60
Normal Parameters [a,b]	Mean	92,6664	2,8127	160,3263	16691.7335
	Standard Deviation	5.47436	11,33209	262.53742	62080,45765
Most Extreme Differences	Absolute	,154	,315	,179	,416
	Positive	,154	,251	,134	,416
	Negative	-,073	-,315	-,179	-,394
Test Statistics		,154	,315	,179	,416
Asymp . S ig . (2-tailed)		,002 [c]	,000 [c]	,000 [c]	,000 [c]

The Kolmogorov-Smirnov test results show that all variables have significance values below 0.05, thus concluding that the data are not normally distributed . However, given the relatively large sample size (>30), linear regression analysis can still be performed based on the Central Limit Theorem .

Multicollinearity

Coefficients [a]							
	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model	B	Std . Error	Beta	t	Sig .	Tolerance	VIF

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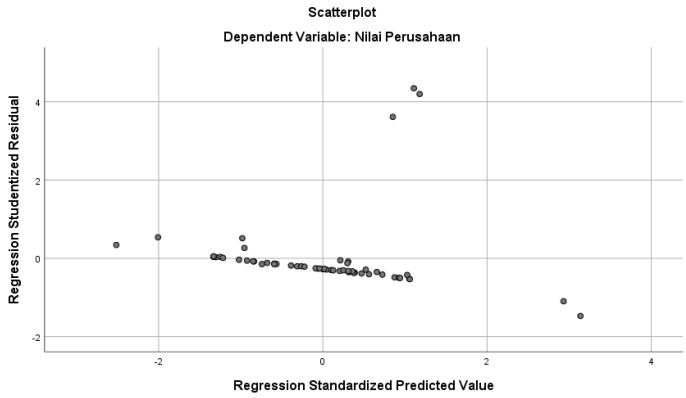
1	(Constant)	133479,904	147567,344		,905	,370		
	GCG	-1176,298	1607,346	-,102	-,732	,467	,900	1,111
	ROA	-411,187	739,309	-,075	-,556	,580	,961	1,041
	EPS	-37,415	32,383	-,158	-1,155	,253	,934	1,071

tolerance value of all independent variables is above 0.10 and the VIF value is below 10. This indicates that there is no multicollinearity , so that the GCG, ROA, and EPS variables are suitable for use in the regression model.

Heteroscedasticity



heteroscedasticity test is conducted to determine whether there is inequality in the residual variances from one observation to another in the regression model. A good regression model is one that does not experience heteroscedasticity (is homoscedastic).

Based on the results of the heteroscedasticity test (through the Glejser / Scatterplot test according to SPSS output), it is known that there is no particular pattern in the residual distribution, and the residual points are spread randomly above and below zero on the Y axis. In addition, the significance value of each independent variable is above 0.05, so it can be concluded that there is no heteroscedasticity in the regression model.

Thus, the classical assumption of heteroscedasticity has been met, so that the multiple linear regression model is suitable for further hypothesis testing.

Autocorrelation

Model Summary [b]

Model	R	R Square	Adjusted R Square	Std . Error of the Estimate	Durbin-Watson
1	,232 [a]	,054	,001	63036,85871	,849

The Durbin-Watson value of 0.849, which is below the general limit (±2), indicates positive autocorrelation . This indicates that the regression model still has limitations in optimally explaining the relationship between variables.

Multiple Linear Regression Analysis

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Coefficients [a]								
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std . Error	Beta	t	Sig .	Tolerance	VIF
1	(Constant)	133479,904	147567,344		,905	,370		
	GCG	-1176,298	1607,346	-,102	-,732	,467	,900	1,111
	ROA	-411,187	739,309	-,075	-,556	,580	,961	1,041
	EPS	-37,415	32,383	-,158	-1,155	,253	,934	1,071

The regression equation formed from the Coefficients table is:
Firm Value(Y) = 133479.904 - 1176.298X1 - 411.187X2 - 37.415X3 + e

1) Constant (133479.904): If GCG, ROA, and EPS are zero, then the Company Value is predicted to be 133479.904.
2) GCG Coefficient (-1176.298): Every one unit increase in GCG will decrease the Company Value by 1176.298.
3) ROA Coefficient (-411.187): Every one unit increase in ROA will decrease the Company Value by 411.187.
4) EPS Coefficient (-37.415): Every one unit increase in EPS will decrease the Company Value by 37.415.

t-test

Coefficients [a]								
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std . Error	Beta	t	Sig .	Tolerance	VIF
1	(Constant)	133479,904	147567,344		,905	,370		
	GCG	-1176,298	1607,346	-,102	-,732	,467	,900	1,111
	ROA	-411,187	739,309	-,075	-,556	,580	,961	1,041
	EPS	-37,415	32,383	-,158	-1,155	,253	,934	1,071

Based on the t-test results, the GCG variable has a significance value of 0.467, ROA of 0.580, and EPS of 0.253. All of these values are greater than 0.05, so it can be concluded that partially GCG, ROA, and EPS do not significantly influence company value.

ROA has no significant effect on firm value. This indicates that a company's profitability is not yet a primary consideration for investors when assessing its value. Investors tend to pay more attention to other factors such as business growth prospects, revenue stability, and macroeconomic conditions that influence a company's long-term performance.

GCG has no significant effect on firm value. This finding indicates that the implementation of good corporate governance is not fully reflected in market valuations. This could be due to limited information received by investors or the market's low sensitivity to governance quality compared to financial factors and market sentiment.

EPS has no significant impact on company value. This indicates that earnings per share does not directly influence investors' decisions in assessing a company's

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value. Investors consider other factors such as growth potential, future performance stability, and investment risk more than current earnings per share.

f test

ANOVA [a]

Model		Sum of Squares	df	Mean Square	F	Sig .
1	Regression	12235477033,167	3	4078492344,389	1,026	,388 [b]
	Residual	214576860028,901	54	3973645556,091		
	Total	226812337062,068	57			

The results of the simultaneous test (F Test) showed a significance value of 0.388 (> 0.05), which means that GCG, ROA, and EPS together do not have a significant effect on company value.

GCG, ROA, and EPS simultaneously had no significant effect on firm value. This indicates that firm value during the study period was more influenced by external factors such as economic conditions, government policies, industry dynamics, and investor perceptions and expectations regarding the company's future prospects.

Coefficient of Determination (R2)

Model Summary [b]

Model	R	R Square	Adjusted R Square	Std . Error of the Estimate	Durbin-Watson
1	,232 [a]	,054	,001	63036,85871	,849

The R- square value is 0.054, meaning that only 5.4% of the variation in company value can be explained by GCG, ROA, and EPS. The remaining 94.6% is influenced by other variables outside the model, such as macroeconomic conditions, capital structure, market sentiment, dividend policy, and other external factors.

CONCLUSION

Good Corporate Governance (GCG) does not have a significant effect on firm value, indicating that the implementation of governance practices in state-owned enterprises has not yet become a primary consideration for investors in assessing company value in the capital market. Likewise, Return on Assets (ROA) shows no significant influence on firm value, suggesting that profitability based on asset utilization has not been able to enhance market perceptions, as investors tend to consider factors beyond operational performance. Earnings per Share (EPS) also does not significantly affect firm value, implying that EPS is not a dominant determinant, particularly under market conditions influenced by economic uncertainty and government policy. Simultaneously, GCG, ROA, and EPS do not have a significant impact on firm value, indicating that the value of state-owned enterprises during the study period is more strongly affected by external factors such as macroeconomic conditions, capital structure, dividend policy, industry risk, and investor expectations and sentiment. Furthermore, the low coefficient of determination reflects the limited ability of the research model to explain variations in firm value, thereby suggesting

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the need for future studies to incorporate additional variables or adopt alternative methodological approaches.

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