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RELATED PARTY TRANSACTIONS AS A MODERATOR OF THE EFFECT OF INVESTMENT DECISIONS ON FIRM VALUE

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ABSTRAK

A decrease in company value needs to be considered because it has an impact on decreasing interest in buying shares and public interest in buying their products. The purpose of this study was to determine the effect of related party transactions on firm value with investment decisions as a moderating variable. This research method uses a quantitative approach using secondary data on manufacturing companies. The research population is manufacturing companies listed on the IDX in 2020-2023, totalling 165 companies. The data collection method uses perposive sampling which results in 75 company samples with 300 processed financial data. The analysis technique uses linear regression with SPSS version 24. The results of this study indicate that Related Party Transactions have a significant negative effect on firm value. Investment decisions have a significant positive effect on firm value. Furthermore, Related Party Transactions are able to moderate the effect of investment decisions on firm value in a significant positive manner.

Keywords: Related Party Transaction, Investment Decisions, Firm Value

PENDAHULUAN

Firm value is the market's perception of the overall value of a company, which reflects future profit prospects, business risk, and resource management efficiency. Firm value is an important indicator that reflects market perception of the performance and future prospects of a business entity. In the context of capital markets, firm value is often measured through indicators such as Price to Book Value (PBV) and stock prices (Hisayati & Meidiaswati, 2024). In manufacturing companies, company value reflects the extent to which the company is able to generate profits from its production activities, as well as how much investor confidence in the company's ability to create long-term economic value. Manufacturing companies generally have a large asset structure, such as machinery, factories, and production equipment. Therefore, the operational efficiency and management of fixed assets greatly affect the value of the company. In addition, the high fixed costs in the manufacturing sector make cost management and productivity a key factor monitored by investors and creditors (Brigham, 2019).

High firm value indicates that investors have confidence in the company's ability to generate profits and sustainable growth. The phenomenon in manufacturing companies in Indonesia in 2021 is that the average value of manufacturing companies has decreased by 1.3162 points or around 37.84% compared to the previous year (BEI, 2023). The decline in company value has an impact on the Purchasing Managers' Index (PMI). This was evident in 2022 as Indonesia's manufacturing PMI fell from 53.7 in September to 51.8 in October and back down to 50.3 in November. Although still in the expansion zone (above 50), this downward trend indicates a slowdown in industrial

activity (Luky Maulana Firmansyah, 2022). Therefore, the problems of manufacturing companies will be the study of researchers to understand in depth the factors that affect the value of the company is very important for management and other stakeholders.

Investment decision is one of the crucial factors that affect firm value. The right investment can increase productive assets and potential future income, thus increasing the value of the company. Conversely, inappropriate investment can result in a waste of resources and reduce the value of the company. Investment decision is a policy or decision taken to invest capital in one or more assets to obtain future profits or the problem of how financial managers should allocate funds into forms of investment that will generate profits (Arzali & Amanah, 2024). According to signaling theory, investment decisions provide signals to the market about the company's growth prospects. Significant investments can be interpreted as an indication of management optimism about the company's future, which in turn can increase investor confidence and the company's value. In addition to investment decisions, related party transactions can also affect the value of the company. Related party transactions are transactions between a company and an entity that has a special relationship, such as a subsidiary, affiliate, or individual who has significant influence over the company. In general, Related Party Transactions are a form of transaction that can be used by controlling and controlled companies where there are members of the board of directors, board of commissioners or majority shareholders of the company under the same control. In addition, Related Party Transactions aim to allow the company to investigate the avoidance of profit shrinkage and avoidance of negative forecast errors in the company's annual report (Dinagra & Sofie 2023). Related party transactions can provide benefits, such as operational efficiency and business synergy. However, related party transactions can also create conflicts of interest and potential misuse of resources, which can harm minority shareholders and reduce the value of the company.

Previous research on investment decision variables has a positive effect on firm value conducted by Sundari et al (2024), Setiawan et al (2023), Melina & Endri (2024), Zamroni, et al (2024), Setiawan & Prajitno (2024), Purwaningrum (2024), Suhendra & Paramita (2024), Ivani & Efendi (2024), Alsayegh, et al and Fitria et al (2025). Previous research on investment decision variables had a negative effect on firm value conducted by Suteja et al (2023), Nishihara (2023), Shahzad (2024), Chen et al (2023) and Rachmadani et al (2024). This shows that the investment decision variable from previous studies is inconsistent with the results of the research, there is a positive and negative effect on firm value, so the researchers conducted a retest by adding related party transaction variables as moderating variables.

RESEARCH METHODS

This research is a quantitative method research. The population of this study are 165 manufacturing companies listed on the IDX in 2020-2023. This sample uses 75 companies with 300 financial data processed with the method of taking financial data purposive sampling. The following are details of the sampling criteria.

Table 1.
Sampling Criteria

No.	Criteria	Total
1	Number of Manufacturing companies listed on the IDX in 2020-2023	165
2	Companies that do not consistently publish financial reports in 2020-2023	(90)
	Total Company	75
	Number of Samples x 4	300

Source: Data processed (2025)

The operational definitions and measurements of this research variable are as follows. The measurement of the amount of RPT will be seen from two sides, namely RPT related to assets and liabilities (RPTAL), and RPT related to income and expenses (RTSE). RPTAL is the sum of RPT on assets and liabilities which is then divided by the value of equity. Meanwhile, RPTSE is the sum of RPT on income and expenses which is then divided by the value of equity (Mone, et al., 2020). The following is the formula for calculating Related Party Transactions.

$$RPTAL = \frac{RPT\ Asset + RPT\ Debt}{Equity}$$

$$RPTSE = \frac{RPT\ Income + RPT\ Debt}{Equity}$$

Investment decisions are financial decisions about the assets the company should buy. One of the ratios used to determine investment decisions is the Price to Earning Ratio (PER). PER measures how much the comparison between the company's share price and the profit that will be obtained by shareholders (Oktiwiati & Nurhayati, 2020). The following is the formula for measuring Investment Decisions.

$$PER = \frac{Share\ Price}{Earnings\ Per\ Share}$$

Firm value is the sale value of a company as an operating business. The excess selling value over the liquidation value is the value of the management organisation that runs the company. Company value can be measured by Price Book Value (PBV). PBV is measured by comparing the price per share with the book value of the shares (Oktiwiati & Nurhayati, 2020).

$$PER = \frac{Share\ Price}{Book\ Value}$$

This research data analysis technique uses descriptive statistical tests, classical assumption tests which include (normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test) multiple regression analysis with T test and moderated regression analysis (MRA) with the help of SPSS software version 24.

RESEARCH RESULT AND DISCUSSION

This study uses secondary data in the form of annual reports of manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2020-2022. Based on data obtained from the website www.idx.co.id, a population of 165 companies with annual reports from 2020-2023 was obtained. After the purposive sampling method, a sample of 75 companies was obtained and observation data was 300. This study uses outlier techniques to get normal data. The existence of outliers makes the observation data decrease from 300 to 231 observation data. The following is a descriptive statistics

Table 2.
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Related Party Transaction	231	0,01	0,78	5,271	0,2736
Firm Value	231	0,53	9,51	11,378	42,5691
Investment Desicion	231	0,23	46,35	23,681	85,3567
Valid N (listwise)	231				

Based on table 2 above, it provides information if the data totals 231 data for each variable, with the following description:

1) The related party transaction variable has a minimum value of 0.01 and a maximum value of 0.78. The average related party transaction in the manufacturing sector listed on the Indonesia Stock Exchange in 2020-2023 is 5.271. This shows that to get a large related party transaction, a sacrifice of 5,271 is needed. The standard deviation value of related party transactions is 0.2736 (below average), meaning that related party transactions have low data variation.
2) The firm value variable has a minimum value of 0.53 and a maximum value of 9.51. The average value of manufacturing sector companies listed on the Indonesia Stock Exchange in 2020-2023 is 11.378. This shows that to get a good company value, a sacrifice of 11.378 is needed. The standard deviation value of the company value is 42.5691 (above average), meaning that the company value has a high data variation.
3) The investment decision variable has a minimum value of 0.23 and a maximum value of 46.35. The average investment decision of the manufacturing sector listed on the Indonesia Stock Exchange in 2020-2023 is 23.681. This shows that to distribute a large dividend, a sacrifice of 23.681 is needed. The standard deviation value of investment decisions is 85.3567 (above average), meaning that investment decisions have high data variation.

Table 3.
Normality Test Results

		Unstandardized Residual
N		231
Normal	Mean	.0000000

Parameters[a,b]	Std. Deviation	1.85824385
Most Extreme Differences	Absolute	.103
	Positive	.050
	Negative	-.116
Kolmogorov-Smirnov Z		1.152
Asymp. Sig. (2-tailed)		.224

Based on table 3, it can be seen that the value of asymp.Sig. (2-tailed) value of 0.209 is greater than the significance level of 0.05 (0.224> 0.05). This means that the data used in this study are normally distributed.

Table 4.
Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Related Party Transaction	.745	1.573
	Investment Desicion	.726	1.481

The table above provides information if the acquisition of each independent variable has a Tolerance value> 0.10 and a VIF value < 10. It can be concluded that in this study there is no multicollinearity between independent variables.

Table 5.
Heteroscedasticity Test Results

Model		T	Sig.
1	(Constant)	.087	.952
	Related Party Transaction	.781	.482
	Investment Desicion	.294	.759

Based on the above, the significance value of each variable is greater than 0.05, so it can be concluded that the data does not occur heteroscedasticity problems.

Table 6.
Autocorrelation Test Results

	Unstandardized Residual
Test Value[a]	-.04753
Cases < Test Value	60
Cases >= Test Value	60
Total Cases	100
Number of Runs	54
Z	-1.413
Asymp. Sig. (2-tailed)	.148

The table above provides information if the value of asymp. Sig. (2-tailed) is 0.149 (0.148> 0.05), meaning that this study is free from autocorrelation.

T Test

Table 7.
t Test Results

Model		t	Sig.
1	(Constant)	4.238	.000
	Related Party Transaction	-2.504	.032
	Investment Desicion	3.289	.002

Based on the results of data processing in table 7, the t-count values for the independent variables are as follows:

1) Based on the t-count value of the related party transaction variable is -2.504 with a significance value of 0.032. Based on this value, it is concluded that the t-count is greater than the t-table (1.984) and the significance value of 0.036 is less than 0.05. Based on the test results, it can be concluded that related party transactions have a significant negative effect on firm value.
2) Based on the t-count value of the investment decision variable is 3.289 with a significance value of 0.002. Based on this value, it is concluded that the t-count is greater than the t-table (1.984) and the significance value of 0.002 is less than 0.05. Based on the test results, it can be concluded that investment decisions affect firm value.

Table 8.
MRA Test Result

Model		t	Sig.
1	(Constant)	10.312	.000
	Investment Desicion* Related Party Transaction	2.642	.012

Based on the results of data processing in table 8, it shows that the t-count of the Investment Desicion* Related Party Transaction variable is 2.642 with a significance value of 0.012. Based on this value, it is concluded that the t-count is greater than the t-table (2.642> 1.984) and the significance value of 0.-12 is smaller than 0.05. Based on the test results, it can be concluded that investment decisions are able to moderate the effect of related party transactions on firm value.

Table 9.
The Result Test Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.462[a]	.336	.393	1.988

Based on table 9, it provides information if this research data produces an Adjusted R Square value of 0.393. This means that the percentage of independent variables in explaining the existence of the dependent variable is 39.3%. Then the remaining 60.7% is explained by other variables outside this study.

The Effect of Related Party Transaction on Firm Value

Based on the results of the t test, it shows that Related Party Transaction has a negative effect on firm value. This is because the treatment of related party transactions can cause agency problems where there is a conflict of interest between company group

shareholders or management and individual or minority shareholders. Companies that carry out related party transactions can transfer resources that benefit the group company. Related party transactions also raise concerns by regulators and other market participants as to whether proper monitoring and auditing has been conducted on related party transactions. Related party transactions are transactions carried out by an entity through its related companies or parties that have a special relationship. This means that related party transactions are special transactions that are only carried out and known by parties who have a special relationship. This is contrary to the concept of corporate governance, namely transparency and accountability. Concerns can be seen when there is no transparency in the presentation of information about related party transactions. When information about related party transactions is not transparent, the financial statements are certainly not accountable, giving rise to market participants' concerns which then reduce the value of the company.

The results of this study are supported by the research of Nurjanah et al. (2023) state that related party transactions have a negative effect on firm value which can raise minority stakeholder concerns due to potential tunnelling which is ultimately detrimental to them. Investment in related parties will have a negative impact on firm value when there is a certain party role (Ermad, et al., 2020).

The Effect of Investment Decisions on Firm Value

Based on the results of the t test, it shows that investment decisions have no effect on firm value. This is in line with signal theory where the high investment decisions made by the company will cause positive signals for investors. With the company's massive investment, the higher the company's opportunity to generate profits. The right investment decision has an impact on optimal company performance, so investors are interested in investing in the company. Therefore, high investor interest in investing in the company can increase the stock price. The increasing share price also has an impact on increasing the company's value. This is in line with the research of Khikmah, et al., (2020), Bahrun, et al., (2020), which produces findings if investment decisions have no effect on firm value.

The effect of investment decisions on firm value with related party transactions as a moderating variable.

Investment decisions are strategic decisions made by a company in allocating resources to certain projects or assets in order to gain profits in the future. This decision greatly affects the value of the company because it concerns the efficiency of capital use and the potential for increasing income. When transactions with related parties are involved in investment decisions, their impact on the value of the company can be positive if managed transparently and professionally. Related party transactions can support operational efficiency due to the closeness of the business relationship. For example, a parent company and a subsidiary can invest together in a project to reduce costs and share resources. This can accelerate investment implementation and increase potential profits, thereby increasing the value of the company. Related parties often have a deep understanding of the company's business, so investment decisions involving them can be made with more complete and accurate information. This reduces the risk of errors in decision making and increases investor confidence in the success of the investment. However, it is important to remember that transactions with related parties also have the potential to cause conflicts of interest and manipulation of transaction values, which can be detrimental to minority shareholders if not closely monitored. Therefore, a positive impact on the value of the company

only occurs if these transactions are carried out transparently, fairly, and under strong supervision from regulators and independent management.

CONCLUSION

Based on the research results, it can be concluded that investment decisions have a positive effect on firm value, related party transactions have a negative effect on firm value and related party transactions are able to moderate the effect of investment decisions on firm value positively and significantly. Investment decisions can increase firm value if directed at productive projects that have the potential to generate profits. Related party transactions can strengthen this positive influence if carried out fairly, transparently, and in accordance with the principles of good corporate governance. However, strict supervision is needed to prevent conflicts of interest that can damage the company's value.

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