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# Related Party Transactions and Firm Value in Indonesia: Opportunistic vs. Efficient Transactions

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**Abstract:** Related party transactions (RPT) are a common transaction conducted among companies and are the focus of the business world today. The purpose of this study is twofold, as follows: first, to provide empirical evidence for whether the RPT of related party loans in manufacturing companies in Indonesia is an opportunistic transaction or an efficient transaction, and second, to provide evidence for whether there are differences in company perspectives before and during the COVID-19 pandemic. This study employs data from all manufacturing companies listed on the Indonesia Stock Exchange (IDX). The data analysis techniques include descriptive statistical and hypothesis testing. The results of this study in the period 2018–2021 show that RPT has a positive effect on company value. During this period, that is, the years prior to the COVID-19 pandemic, RPT had a negative effect on company value. In contrast, the 2020–2021 period (during the COVID-19 pandemic) shows the opposite result: RPT has a positive effect on company value. The results of this study suggest that in the 2018–2021 and the pandemic period (2020–2021), companies conducted RPT for efficiency purposes, while prior to the pandemic (2018–2019) RPT was conducted for opportunistic purposes.

**Keywords:** related party transactions; firm value; opportunistic; efficient transaction; COVID-19



**Citation:** Wulandari, Trisninik Ratih, Doddy Setiawan, and Ari Kuncara Widagdo. 2022. Related Party Transactions and Firm Value in Indonesia: Opportunistic vs. Efficient Transactions. *Risks* 10: 210. https://doi.org/10.3390/risks10110210

Academic Editor: Paweł Niedziółka

Received: 28 September 2022
Accepted: 31 October 2022
Published: 4 November 2022



## 1. Introduction

Companies that are members of a business group often carry out transactions with related parties (i.e., RPT). According to the Statement of Financial Accounting Standards number 7 (PSAK 7), related parties are those parties related to the entity in preparing its financial statements (Ikatan Akuntan Indonesia 2019). Parties are considered related if one party has the ability to significantly influence or control the activities of the other party or if both parties mutually influence each other (Chatterjee et al. 2009). Specifically, RPT occurs when there is a transaction between a company and related entities (Gordon et al. 2004).

With regard to company value, RPT can be viewed from two different perspectives. The first concerns the existence of a conflict of interest (agency theory), and the second relates to an efficient transaction, which refers to contractual theory. Supporters of the first perspective have proven that RPT can destroy firm value (Baek et al. 2011), which occurs when there is an agency problem, and the controlling shareholder uses it as a means of carrying out tunneling (agency type 2). Agency problems often arise, particularly in the case of a concentrated ownership environment where there is a conflict of interest between minority and controlling shareholders (Claessens et al. 2000; Jensen and Meckling 1976; Johnson et al. 2000; Lemmon and Lins 2003). RPT increases agency costs due to the alignment of decision-making and monitoring rights (Huang and Liu 2010). Several other research find that selfish, controlling shareholder behavior can be detrimental to firm performance and can ultimately destroy firm value (Baek et al. 2011; Claessens et al. 2000; Diab et al. 2019; Lemmon and Lins 2003).

The results of a study that supports the efficient transaction perspective explain that RPT is used as an efficient contract arrangement to avoid harming all shareholders' interests as they have more complete information about the RPT carried out by the company. RPT can reduce transaction costs, ultimately increasing economic efficiency and firm value (Ryngaert and Thomas 2011). Gordon et al. (2004), who support this perspective, claim that RPT is a healthy business transaction that can efficiently meet a company's economic needs (Claessens et al. 2000; Diab et al. 2019; Sari et al. 2016). In addition, they report several benefits of RPT, including faster feedback, obtaining deeper information, establishing a better relationship between the parties involved when setting the terms and conditions of cooperation, and alleviating the problem of information retention (Huang and Liu 2010).

There is diverse research on RPT in developing countries. Diab et al. (2019) and Marchini et al. (2019) demonstrate that companies in countries with low investor protections when conducting RPT have lower firm values compared to companies that do not perform RPT. On the other hand, Diab et al. (2019) and Riyanto and Toolsema (2008) find that companies that have weak institutional support can operate more efficiently when conducting transactions with business groups (related parties), compared to companies that do not. Udin et al. (2017) argue that companies' difficulty gaining access to external capital markets in developing countries is often due to information asymmetry problems, which hinder the market from evaluating companies accurately. Therefore, the existence of RPT among companies in a group can minimize this problem. Bae et al. (2002) and Hussain and Safdar (2018), found evidence that transactions in the form of lending between companies in the same business group became an important means of transferring cash across groups of companies to support company finances in a weaker group of businesses. The difference in the results of this study in developing countries shows that RPT can decrease or increase the value of a company depending on the conditions and context of each country.

Research on RPT in Indonesia mostly shows the potential for abuse and the expropriation of wealth by majority shareholders (Sari and Baridwan 2014; Sari et al. 2016; Utama 2015). This is because Indonesian companies are characterized by a high concentration of ownership (Friedman et al. 2003; Helena and Firmansyah 2018; Hendratama and Barokah 2020; Johnson et al. 2000; Utama 2015), which often causes conflicts of interest between controlling and non-controlling shareholders. In addition, investor protections in Indonesia are still relatively weak compared to those in other countries (Hendratama and Barokah 2020; Johnson et al. 2000). Although the Financial Services Authority and Capital Market Supervisory Agency have tightened the rules to mitigate opportunistic RPT, they cannot completely cover all of these transactions (Helena and Firmansyah 2018; Utama 2015).

The COVID-19 pandemic that hit Indonesia in early 2020 has affected the national economy. On 15 September 2020, the Central Statistics Agency (BPS) announced that 82.85% of companies in Indonesia were affected by the COVID-19 pandemic. The literature evidences that the COVID-19 pandemic caused a decrease in company performance (Obrenovic et al. 2020; Perwitasari et al. 2022; Rahmani 2020; Shen et al. 2020; Wu and Xu 2021). Companies with a strong organizational culture were able to maintain their performance during the pandemic (Li et al. 2021). Specifically, Indonesian companies with a high concentration of ownership possess the power to determine policies that benefit the company, one of which is utilizing RPT. When in a stable economic condition, most of the literature shows that companies use RPT for opportunistic purposes.

Previous research related to COVID-19 primarily focused on its impacts on the financial performance of companies based on corporate governance. This study aims to provide empirical evidence on whether there are differences in the perspectives of companies in Indonesia regarding the use of RPT before and during the COVID-19 pandemic.

## 2. Literature Review and Hypothesis Development

### *2.1. RPT Perspective*

RPT is defined as transactions between related entities, such as shareholders, boards of directors, and corporate affiliates and subsidiaries. There are two conflicting perspectives regarding a company's RPT. On the one hand, RPT is viewed as an opportunistic transaction

(Gordon et al. 2004; Hendratama and Barokah 2020), and on the other, RPT is deemed to be an efficient transaction (Chen et al. 2017; Jian and Wong 2010; Ryngaert and Thomas 2011).

2.1.1. Opportunistic Perspective

The opportunistic perspective relates to agency problems. Managers, directors, and controlling shareholders in a company have better access to the information contained in financial statements. Regulators, investors, and stakeholders consider RPT a potential source of conflict of interest that results in takeovers by internal parties (managers, directors, and controlling shareholders) against the interests of external parties (non-controlling shareholders (the minority) and creditors (Cheung et al. 2006a; Hendratama and Barokah 2020; Jiang et al. [2009] 2010; Johnson et al. 2000; Yuan 2018). This 'conflict of interest' view of RPT is supported by Chang and Hong (2000) and Johnson et al. (2000).

To others, RPT is an opportunistic activity in which the transaction results in the expropriation of minority shareholders' wealth. Johnson et al. (2000) found that in firms with concentrated ownership, majority shareholders can expropriate minority shareholders' wealth in various ways. Controlling shareholders sell assets, goods, or services to related companies at prices above market prices and carry out loan transactions on soft terms; in this way, they can control the exchange of assets between companies, and, worst of all, they can reduce shareholder ownership rights.

2.1.2. Efficient Transaction Perspective

There are three potential benefits of RPT (Altaf and Shah 2018; Ryngaert and Thomas 2011). First, it accelerates the coordination of the implementation of activities and acquisition of feedback between the contracting parties. The RPT is useful because of the need for fast and reliable information. Information obtained from related parties is faster and more reliable than that from unrelated parties. In addition, the contract renegotiation process can be simpler if related parties carried out. Second, RPT can encourage contract efficiency, which is facilitated by good relations between the concerned parties. The third potential benefit is mitigating the problem of forced expropriation in the contracting process and facilitating investment between the parties involved.

Research results that support this view argue that RPT can lead to transaction cost savings and increase the company resource utilization (Gordon et al. 2004; Jian and Wong 2010; Ryngaert and Thomas 2011). Therefore, RPT is not considered a transaction that aims to benefit one party, but rather can be interpreted as an ordinary trade and business activity that is mutually beneficial. Ryngaert and Thomas (2011) argue that transactions made with related parties can be more effective and efficient than transactions with unrelated parties.

### *2.2. RPT's Impact on Firm Value*

The impact of RPT on firm value can be explained using agency theory. Seen from the perspective of agency theory, RPT leads to agency conflicts between controlling shareholders and minority shareholders (agency type 2). This conflict is often found in developing countries, such as Indonesia, where legal protections for minority shareholders are weak. The result is that majority shareholders take personal advantage of minority shareholders through a process called "tunneling" (Baek et al. 2011; Claessens et al. 2000; Friedman et al. 2003; Johnson et al. 2000; Lemmon and Lins 2003; Nekhili and Cherif 2011; Aharony et al. 2010). This agency conflict often arises in environments with concentrated ownership. From this perspective, RPT causes increased agency costs due to the alignment of decision-making and monitoring rights (Huang and Liu 2010). Based on this view, most of the extant literature documents a negative relationship between RPT and firm value, indicating that the self-serving behavior of controlling shareholders impairs firm performance, thus reducing firm value (Claessens et al. 2000; Lemmon and Lins 2003).

Several studies have explored the relationship between related party receivables and market reactions and argue that the market responds less positively to related party receivable transactions. Chizema et al. (2020), Tambunan et al. (2017), and Jiang et al.

([2009] 2010) argue that controlling shareholders can benefit through related party receivable transactions because they can negatively affect a company's earnings, assets, and value. Transactions involving cash payments to related parties in the form of loans or cash transfers tend to expropriate minority shareholders' interests (Cheung et al. 2011). Therefore, the higher the receivables from related parties, the worse is the firm's value.

This study uses related party loans to assess the existence of RPT. The results of the research conducted by (Chen et al. 2017; Hussain and Safdar 2018). Cheung et al. (2006b) showed that RPT proxied by sales and loans to related parties has a negative impact on a company's operational performance. Aharony et al. (2010) found evidence that sales of related parties and related party receivables are used opportunistically to manage revenue to reduce the value of the company. Similarly, El-Helaly (2018) and Nekhili and Cherif (2011) provide evidence that RPT negatively affects the value of Chinese firms.

**Hypothesis 1 (H1).** *Receivables from related parties (RPT) has a negative effect on firm value.*

However, from the perspective of efficient transactions, RPT is considered profitable for the company and external parties outside the company. The main assumption from this perspective is that the reason for RPT is the reduction or even elimination of important ex-ante and ex-post transaction costs through strong business ties (Diab et al. 2019). RPT has been noted to increase economic efficiency by reducing transaction costs (Ryngaert and Thomas 2011).

Studies that support this perspective explain how RPT can efficiently meet firms' underlying economic needs (Gordon et al. 2004). This view considers RPT as a healthy business exchange that meets the economic needs of the company (Claessens et al. 2000). Researchers who support the conflict of interest perspective view that RPT does not harm the interests of all holders but will result in efficient contractual arrangements. RPT is not always performed for personal gain or opportunism (El-Helaly 2018; Hendratama and Barokah 2020; Jian and Wong 2010; Jiang et al. [2009] 2010; Ryngaert and Thomas 2011; Gordon et al. 2004; Ryngaert and Thomas 2011).

Chizema et al. (2020) and Wei et al. (2016) prove that related party loans increase firm value in China. Chen et al. (2017) argue that PTT-related party loans can reduce transaction costs, which, in turn, can improve operational performance and maximize profits. PTT-related party loans can increase the value of a company in the short term (Tambunan et al. 2017). Assistance in the form of cash or non-cash loans received by the company from related parties tends to benefit non-controlling shareholders. Companies experiencing financial difficulties receive cash assistance from related parties. Cheung et al. (2006a), Hu and Sun (2019) and Putri and Pratama (2019) show that the market reacts positively to RPT announcements.

**Hypothesis 2 (H2).** *Receivables from related parties (RPT) has a positive effect on firm value.*

## 3. Materials and Methods

### *3.1. Sample*

We tested this hypothesis using a multiple regression analysis with panel data. The required data were all manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2021, obtained from the official IDX website. In Indonesia, several RPT cases have been carried out by manufacturing companies (PT SULI, PT CPIN, and PT INAI). In addition, the number of manufacturing companies in Indonesia also dominates the IDX, constituting 193 of the 787 companies listed on the IDX in 2021 (24.5%). The final sample selection was conducted by excluding companies that use a closing year different from the fiscal year and those that do not have complete data during the research period.

Table 1 provide the sample selection procedure for the current study. The final sample from 2018 to 2021 in this study included 585 observational data points. The number of samples collected from 2018 to 2019 was 293. The number of samples collected from 2020 to 2021 was 292.

**Table 1.** Sample Selection.

| Criteria | Number of Companies | | | | Number of Observations |
|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | |
| **Manufacturing Firms listed on Indonesia Stock Exchange (IDX)** | 168 | 181 | 193 | 201 | 743 |
| **Less: Firms with a different fiscal year** | (6) | (6) | (6) | (6) | (24) |
| **Less: Firms with incomplete data** | (16) | (28) | (41) | (49) | (134) |
| **Total** | 146 | 147 | 146 | 146 | 585 |

### *3.2. Variables and Measurement*

Three types of variables were used in this study: independent variables, dependent variables and control variables. The independent variable in this study is RPT, which is proxied by receivables from related parties divided by the total assets (Aharony et al. 2010; Jiang et al. [2009] 2010; Liu and Lu 2007; Tang 2016).

The dependent variable is firm value (FV) as measured by Tobin's Q. The reason for using Tobin's Q is that accounting-based valuation methods are more likely to contain management manipulation and distortion because personal goals and interests may depend on reported accounting data. Market-based measures are considered superior (Subramanyam 2014).

This study used four control variables: leverage (LEV), measured by the debt-to-asset ratio; liquidity, (LIKUID) calculated by dividing the total current assets by current liabilities; business risk (BR), measured by the standard deviation of EBIT; return on assets (ROA), measured by dividing the return by the total assets; and company size (SIZE), measured by natural logarithm of total assets.

### *3.3. Regression Analysis*

Hypothesis testing was carried out using panel data regression in several stages to prove the effect of RPT on firm value. The regression model used in this study to test Hypotheses 1 and 2 is as follows.

$$FV = \beta_0 + \beta_1 RPT + \beta_2 LEV + \beta_3 LIKUID + \beta_4 BR + \beta_5 ROA + \beta_6\ SIZE + e$$

Information: FV: Firm Value; RPT: Receivables from Related Parties; LEV: Leverage (DAR); LIQUID: BR Liquidity; Business Risk ROA; Profitability; SIZE: Company Size.

## 4. Results

### *4.1. Descriptive Statistics*

Based on this model, descriptive statistical tests and hypothesis testing were conducted. The results of the descriptive statistical tests and hypothesis testing are as follows:

Table 2 summarizes the results of the descriptive statistical analysis of the manufacturing companies in Indonesia from 2018 to 2021. Based on the results of the analysis, it can be seen that the mean firm value of 1.479934 is greater than 1, meaning that the market value of manufacturing companies' shares is generally higher than the book value. The average value of RPT, calculated by dividing receivables from related parties by total assets, was 0.039911. This shows that the average amount of receivables from related parties in Indonesian manufacturing companies is only 3.99% of the total assets owned. The average level of leverage (DAR) in this study is 0.512551, meaning that the average amount of total debt is 51% of total assets. The average liquidity level is 2.8067, meaning that the number of current assets owned by manufacturing companies in Indonesia from 2018 to 2021 is 2.8 times the average amount of the current debt. The average ROA value of 0.10028 shows that manufacturing companies in Indonesia produced a return (EBIT) of 10% of the total assets owned from 2018 to 2019.

**Table 2.** Descriptive statistics.

| Variable | Min | Max | Mean | SD |
|---|---|---|---|---|
| Firm Value | 0.2192 | 9.5013 | 1.4799 | 1.1520 |
| RPT | 0.0000 | 0.6314 | 0.0399 | 0.0818 |
| Lev | 0.0004 | 5.1677 | 0.5136 | 0.5353 |
| Likuid | 0.1088 | 32.4583 | 2.5535 | 2.8067 |
| BR | 24.0885 | 29.1498 | 28.3882 | 0.5452 |
| ROA | −0.9481 | 1.0599 | 0.1003 | 0.1313 |
| SIZE | 24.4285 | 33.5372 | 28.4472 | 1.5937 |

*4.2. Correlations*

The correlations between the variables in this study are shown in Table 3. Table 3 shows that there is a weak correlation between all the independent variables. In addition, the correlation coefficient between the dependent variable and the independent variables is weak. All variables have coefficients less than 0.8, which indicates that the sample used in this study is free from multicollinearity.

**Table 3.** Correlations.

| | FV | RPT | LEV | LIKUID | BR | ROA | SIZE |
|---|---|---|---|---|---|---|---|
| FV | 1.0000 | | | | | | |
| RPT | 0.1238 *** | 1.0000 | | | | | |
| LEV | 0.2736 *** | 0.2979 *** | 1.0000 | | | | |
| LIKUID | −0.0448 *** | −0.0499 *** | −0.2416 *** | 1.0000 | | | |
| BR | −0.0504 *** | −0.0107 *** | −0.0311 *** | −0.0273 *** | 1.0000 | | |
| ROA | 0.3229 *** | −0.0388 *** | −0.1500 *** | 0.0181 *** | −0.1476 *** | 1.0000 | |
| SIZE | 0.0993 *** | −0.0473 *** | −0.0763 *** | −0.1122 *** | 0.0889 *** | 0.1371 *** | 1.0000 |

Notes: The table presents the correlation between variables. *** denotes a significance level of 0.01.

*4.3. Regression Results of the Influence of RPT on Firm Value*

4.3.1. Result Panel Data

To determine the most suitable model, we tested the model specifications. Table 4 shows that the fixed-effects model is the most appropriate.

**Table 4.** Result Panel Data.

| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob |
|---|---|---|---|
| Test cross-section fixed effects/Chow test | 701.2226 | 148 | 0.0000 |
| Test cross-section random effects/Hausman Test | 28.7619 | 6 | 0.0001 |

4.3.2. Regression Results

Table 5 shows the results of the regression test, which were divided into three models. The first model uses the entire period from 2018 to 2021. The second model uses the period from 2018 to 2019, which represents the period before the pandemic, and the third model, from 2021 to 2021, represents the period during the pandemic. The results of the regression test from 2018 to 2021 showed an F value with a probability of 0.000, indicating that the model used in this study is feasible as a research model.

**Table 5.** Regression Test Results.

| Variable | Firm Value (FV) | | | | | |
|---|---|---|---|---|---|---|
| | Period 2018–2021 | | Period 2018–2019 | | Period 2020–2021 | |
| | Coef *t*-test | Probability | Coef *t*-test | Probability | Coef *t*-test | Probability |
| C | −23.8588 | 0.1768 | 39.8090 | 0.5707 | 21.2350 | 0.4875 |
| RPT | 2.1194 | 0.0168 ** | −3.7541 | 0.0145 * | 1.4141 | 0.0275 ** |
| LEV | 0.6392 | 0.0028 *** | −0.9596 | 0.0720 ** | 0.5136 | 0.5562 |
| LIKUID | −0.0098 | 0.5492 | −0.0249 | 0.5744 | −0.1667 | 0.0000 *** |
| BR | 1.0902 | 0.0668 * | −2.1806 | 0.3829 | 0.1912 | 0.8487 |
| ROA | 0.9429 | 0.0174 ** | 0.1040 | 0.9219 | 1.0066 | 0.0904 * |
| SIZE | −0.2142 | 0.2048 | 0.8478 | 0.0148 * | −0.8868 | 0.0063 *** |
| R-squared | 0.7654 | | 0.8931 | | 0.8977 | |
| Adj R-Squared | 0.6814 | | 0.7698 | | 0.7787 | |
| F Statistik | 9.1088 | | 7.2466 | | 7.5467 | |
| Probabilitas (F Stat) | 0.0000 | | 0.0000 | | 0.0000 | |

*** significance level at 0.01, ** significance level at 0.05, *significance level at 0.1.

The results of the *t*-test coefficients of this study indicate that Hypothesis 1, which states that RPT has a negative effect on firm value, is rejected. Although the *p*-value is smaller than 0.05 (0.0168), the t-value shows positive results; thus, even though there is a connection between RPT and firm value, the effect is positive. Based on the results of the positive *t*-test, the Hypothesis 2 states that RPT has a positive effect on firm value. The results of this study support previous research (El-Helaly 2018; Gordon et al. 2004; Jian and Wong 2010; Wong and Jian 2003; Ryngaert and Thomas 2011), which found that RPT is not solely done for opportunistic purposes but is also aimed at obtaining a more efficient contract.

This research aims not only at proving that the RPT conducted by manufacturing companies in Indonesia supports an opportunistic or efficient perspective but also to see if there are differences in behavior before and during Indonesia's entry into the COVID-19 pandemic. The period from 2018 to 2019 represents the company's condition. The period before the pandemic showed a *p*-value of $<0.05$ (0.0145) meaning that there was an influence between RPT and company value. A negative t-value means that RPT has a negative effect on firm value; Hypothesis 1 is supported, and Hypothesis 2 is not supported. The results of this study support those of previous studies, which showed that the RPT carried out by a company will reduce its value (Claessens et al. 2000; Tambunan et al. 2017; Jiang et al. [2009] 2010; Lemmon and Lins 2003).

The period from 2020 to 2021, which represents a company's condition during the pandemic, shows the opposite result. Although there is an influence between RPT and firm value ($p < 0.05$), the t-value is positive (0.0275), meaning that Hypothesis 2 is supported and Hypothesis 1 is not supported.

The results for the variables leverage, BR and ROA from 2018 to 2021 show *t*-test values below 0.1. This result indicates that leverage, BR and ROA have a positive influence on firm value. In the 2018–2019 period, leverage had a negative effect on firm value and size had a positive effect on firm value. This is in contrast to the period 2020–2021, in which size had a negative effect on firm value.

The research results on the effect of size on firm value differ. Before the COVID-19 pandemic, size had a positive effect on company value. Large companies have better cash flows, more diverse trading activities, and a low risk of experiencing financial difficulties (Claessens et al. 2000), which ultimately increases the value of a company. During a pandemic, the larger the size of a company, the lower its value. This is because during the pandemic, the rupiah exchange rate weakens, so companies with large assets will be significantly affected by the decline in the rupiah exchange rate, which will eventually reduce the value of the company (Revinka 2021).

### 4.4. Robustness Check

This section determines whether the results of previous studies remain strong after changing the dependent variable. Originally Tobin's Q proxy was used to assess firm value, but this was replaced with market book value. Market book value is a measure of company value (Gitman and Zutter 2015). The model used in the robustness test was as follows:

$$MBV = \beta_0 + \beta_1 RPT + \beta_2 LEV + \beta_3 LIKUID + \beta_4 BR + \beta_5 ROA + \beta_6 SIZE + e$$

The results of the robustness test in Table 6 show results that are consistent with the results of previous studies. RPT in the periods 2018–2021 and 2020–2021 shows a positive influence on the value of the company, whereas during 2018–2019, RPT had a negative effect on firm value.

**Table 6.** Robustness Check.

| Variable | Market Book Value (MBV) | | | | | |
|---|---|---|---|---|---|---|
| | Periode 2018–2021 | | Periode 2018–2019 | | Periode 2020–2021 | |
| | Coef *t*-test | Probability | Coef *t*-test | Probability | Coef *t*-test | Probability |
| C | −63.9777 | 0.1803 | −26.5128 | 0.9209 | 44.9368 | 0.4152 |
| RPT | 5.8024 | 0.0156 ** | −9.4287 | 0.0357 ** | 1.8883 | 0.0418 ** |
| LEV | −0.0253 | 0.9649 | −0.8493 | 0.6409 | 4.9325 | 0.0001 *** |
| LIKUID | −0.0608 | 0.1687 | −0.0114 | 0.9305 | 0.0030 | 0.9312 |
| BR | 1.7097 | 0.2865 | −0.2763 | 0.9768 | 0.1241 | 0.9468 |
| ROA | 1.8499 | 0.0843 * | −0.1428 | 0.9604 | 2.2114 | 0.0406 ** |
| SIZE | 0.5971 | 0.1934 | 1.3021 | 0.3640 | −1.7188 | 0.0026 *** |
| R-squared | 0.5908 | | 0.7188 | | 0.8979 | |
| Adj R-Squared | 0.4428 | | 0.4002 | | 0.7801 | |
| F Statistik | 3.9935 | | 2.2560 | | 7.6229 | |
| Probabilitas (F Stat) | 0.0000 | | 0.0000 | | 0.0000 | |

*** significance level at 0.01, ** significance level at 0.05, * significance level at 0.1.

## 5. Discussion

This study aims to provide empirical evidence of RPT by manufacturing companies in Indonesia that adhere to an opportunist or efficiency perspective. Initially, we used data from all manufacturing companies listed on the IDX from 2018 to 2021. Thereafter, the company data were retested by dividing the period into two research periods, namely the period before the pandemic (2018–2019) and the period during the pandemic (2020–2021).

The results of this study using data from manufacturing companies in Indonesia from 2018 to 2021 support Hypothesis 1. The RPT carried out by companies from 2018 to 2021 can increase a company's value. These results indicate that manufacturing companies in Indonesia adhere to the efficiency perspective. This study supports the results of previous studies that argue that RPT can be useful because it can result in transaction cost savings and increase the utilization of company resources (El-Helaly 2018; Gordon et al. 2004; Jian and Wong 2010; Wong and Jian 2003; Ryngaert and Thomas 2011). The study results show that RPT is not always a transaction that aims to seek profit for one party; on the contrary, RPT can represent ordinary trade and business activities that seek to increase efficiency and ultimately increase firm value (Jian and Wong 2010).

The purpose of these two studies is to determine whether there are differences in RPT behavior in manufacturing companies in Indonesia during the pre-pandemic period (2018–2019) and during the pandemic (2020–2021). The results reveal that prior to the pandemic, companies carried out RPT for opportunistic purposes, as evidenced by the support for Hypothesis 1, which states that there is a negative relationship between RPT and firm value. The concentrated characteristics of companies in Indonesia lead to conflicts between controlling and non-controlling shareholders (agency type 2), which causes the controlling shareholders/majority holders to use the RPT to take over the minority shareholder's wealth. Investor protections, which tend to be weak, exacerbate this condition.

Our results, which show that high RPT will reduce the value of the company, are in line with the results of previous research that proves that RPT is carried out by the company with the aim of taking over the resources of other parties to the company, consequently negatively affecting firm value (Claessens et al. 2000; Tambunan et al. 2017; Jiang et al. [2009] 2010; Lemmon and Lins 2003). The results of previous studies also prove that related parties involved in RPT can extract the resources of one company (minority shareholders) to be included in the company (majority/controlling shareholders) and pass residual losses to other stakeholders who are not involved in RPT. This opportunistic behavior of the related party implies a conflicting view of RPT interests and has a negative effect on firm value.

The results of research conducted using the period 2020–2021, when Indonesia experienced the COVID-19 pandemic, show different results. The RPT conducted by companies is aimed at obtaining efficient contracts. As previously explained, during a pandemic, companies experience economic shocks, which companies with a good organizational culture are typically able to withstand (Li et al. 2021). Indonesian companies that have a high level of concentration of ownership and some family companies had the power to make policies to maintain company value amid the COVID-19 pandemic. One of the policies taken by firms to maintain their value is to utilize RPT activities to support subsidiaries that are experiencing financial difficulties. In addition, by having special relationships with various related parties, companies can save on transaction costs, such as decreasing interest rates, which enable them to increase profits and company value.

The results of this study support previous research showing that RPT can enable some companies to overcome financial crises when a subsidiary in distress is supported by other affiliates (Jian and Wong 2010; Perwitasari et al. 2022; Ryngaert and Thomas 2011). These results prove that when companies in a business group are in unstable financial conditions, they will use RPT to implement efficiency, which ultimately increases the value of the company.

## 6. Conclusions

RPT can be viewed from the following two perspectives: opportunistic and efficient. Based on the results of the above research, there are differences in the perspective of RPT from 2018 to 2021, from 2018 to 2019, and from 2020 to 2021. From 2018 to 2021, RPT is considered an efficient transaction. The results are different when the year of observation is separated based on the period before the COVID-19 pandemic hit Indonesia (2018–2019) and during the pandemic (2020–2021). RPT in the period before the COVID-19 pandemic from 2018 to 2019 was an opportunistic transaction, but during the COVID-19 pandemic RPT became an efficient transaction. This proves that when a company faces difficult financial times, RPT can increase efficiency in every transaction, which may subsequently increase company value.

Nevertheless, this study has several limitations. The RPT transactions considered in this study depend on the RPT data disclosed by the company. Thus, if the company does not disclose the RPT transaction, the RPT transaction cannot be observed.

Further research can be conducted to prove whether RPT is an opportunistic or efficient transaction by first using different RPT proxies to show its effect on company performance, shareholder takeover, and improvement of accounting quality. Second, a more in-depth study of the mechanism can be carried out when RPT harms one of the parties within the company, namely, by using external audits or other monitoring mechanisms that can correct the negative consequences of RPT. Third, using cross-country data would enable researchers to explore whether differences in legal and institutional environments between countries explain the prevalence of the types of RPT used for opportunistic or efficient purposes. The previous study shows the importance of ownership structure on the firm outcome (Setiawan et al. 2019, 2020). Therefore, it is interesting to consider on the role of ownership structure on the relationship between RPT and firms outcome.

**Author Contributions:** Conceptualization, T.R.W., D.S. and A.K.W.; methodology, T.R.W. and D.S. and A.K.W.; software, T.R.W.; validation, T.R.W., D.S. and A.K.W.; formal analysis, T.R.W. and D.S., A.K.W.; investigation, T.R.W. and D.S.; resources, T.R.W.; data curation, T.R.W. and D.S.; writing—original draft preparation, T.R.W.; writing—review and editing, D.S. and A.K.W. All authors have read and agreed to the published version of the manuscript.

**Funding:** The authors acknowledge the financial support from Universitas Sebelas Maret, grant number 254/UN27.22/PT.01.03/2022.

**Data Availability Statement:** Not applicable.

**Conflicts of Interest:** The authors declare no conflict of interest.

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