TRANSFER PRICING AS A MODERATING VARIABLE OF THE INFLUENCE OF GOOD CORPORATE GOVERNANCE ON COMPANY PERFORMANCE

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Abstract

This research is a quantitative study with an explanatory approach, namely an approach that uses previous research as the main material to analyze more deeply and prove the hypothesis used in this study. The data used in this study are primary data that researchers obtained from Cemerlang Jaya bvangunan employees spread throughout Indonesia. The data obtained is in the form of an online questionnaire with a total of 10 questions related to the hypothesis in this study. The result in this article show show that the two hypotheses proposed by the researcher can be accepted due to similar answers from Cemerlang Jaya building employees spread throughout Indonesia who agree that good corporate governance can affect company performance, can improve employee welfare, and make the company's financial condition stable. Based on the results of the first row of the third table above, it shows that the influence of Good Corporate Governance on Company Performance can have a positive relationship direction and a significant influence because the value is positive and below the significance level of 0.05, namely 0.03. In addition, in the next row, the Transfer Pricing variable can also influence the Good Corporate Governance variable on Company Performance.because of the same thing, namely the P-Values are positive and below the significance level of 0.05. This is because Transfer Pricing can affect the company's financial stability which ultimately has an impact on Company Performance.

Keywords : *Company Performance , of Good Corporate Governance , Transfer Pricing*

1. INTRODUCTION

The tight competition between companies encourages companies to achieve optimal profits, as well as maintain the sustainability of the company by continuously improving the company's performance. Many obstacles affect companies in achieving their goals, one of which is the loss of investor or creditor trust to channel investment or credit. Therefore, it is necessary to implement GCG in a company to help in the success or increase the success of the business (Nuraeni et al., 2017).

Corporate Governance according to (Cadbury Committee) in (Iskandy Wijaya, 2020)is a system that directs and controls a company with the aim of achieving a balance between the power of authority needed by the company to ensure its continued existence and accountability to stakeholders. This is related to the regulations of the authority of owners, directors, managers, shareholders, and so on. The Cadbury Committee is a set of rules that formulate the relationship between shareholders, managers, creditors, government, employees, and other interested parties both internal and external in relation to their rights and responsibilities (Iskandy Wijaya, 2020).

Corporate Governance is a set of regulations that govern the relationship between shareholders, company managers, creditors, government, employees and other internal and external stakeholders related to their rights and obligations, or in other words a system that regulates and controls the direction of a company's strategy and performance (Nugroho, 2014) According to (Huda, 2011) Corporate Governance can be defined as a process and structure used by company organs (shareholders/capital owners, commissioners/supervisory boards and directors) to improve business success and company accountability in order to realize long-term shareholder value while still paying attention to the interests of other stakeholders, based on laws and regulations and ethical values.

Agoes (2009:101) defines in (Churniawati, 2020) that good corporate governance as a system that regulates the relationship between the board of commissioners, the role of the board of directors, shareholders, and other stakeholders. Good corporate governance is also referred to as a transparent process for determining the company's goals, achieving them, and assessing its performance. From several definitions listed above, it can be concluded that Good Corporate Governance (GCG) is a principle that regulates or controls the company in order to achieve the company's goals in improving financial performance and regulating the relationship between shareholders. GCG is also one of the keys to the company's success in growing and being profitable in the long term while winning global competition, especially for companies that have been able to develop and become open (Oktaviani, 2021).

Every company must ensure that the basic principles of GCG are applied to every aspect of the business and at all levels of the company. The principles of GCG, namely transparency, accountability, responsibility, independence, and fairness and equality are needed to achieve the sustainability of the company's business by considering stakeholders. In general, the implementation of Corporate Governance in concrete terms according to the Organization for Economic Cooperation and Development (OECD) (2004), has the following objectives for the company (Ardianto, 2023): 1. Facilitating access to domestic and foreign investment. 2. Obtaining a cheaper cost of capital. 3. Providing better satisfaction in improving the company's economic performance. 4. Increasing stakeholder confidence and trust in the company. 5. Protecting directors and commissioners from lawsuits.

Improving financial performance greatly influences the sustainability of a company's business, especially in attracting investor trust. One effort to increase the quantity of a company is to implement Good Corporate Governance (GCG). According to the Forum for Corporate Governance in Indonesia (FCGI), 2008 by implementing Corporate Governance, the benefits that can be gained include (Kurniyati & Khairiyani, 2020): 1. Improving company performance, improving company operational efficiency, and improving services to stakeholders. 2. Making it easier to obtain cheaper financing funds because of the trust factor which will ultimately increase corporate value. 3. Restoring investor trust to invest in Indonesia. 4. Shareholders will be satisfied with the company's performance because it will also increase shareholders' value and dividends.

Another benefit for companies implementing GCG (Djatmiko, 2004 in Sandi, 2006) is that investor trust, business partners, or creditors become more agile because of the clear division of tasks and authorities, and the balance of power between the company's internal structures, namely directors, commissioners, audit committees, and so on (Pasorong, 2012). Thus, decision making becomes more accountable and more careful for the sake of the company's sustainability (Zarkasyi, 2008).

Based on the above explanation, the researcher believes that Good Corporate Governance can have a positive relationship direction and a significant influence on Financial Performance. There are a number of previous studies (Nurhayati, 2020); (Cintia Yuniarti, 2014) & (Febriyanto, 2013) which show that the Good Corporate Governance variable can have a positive relationship direction and a significant influence on Company Performance. Unlike the three variables, this article adds the Transfer Pricing variable as a moderating variable.

2. RESEARCH METHODS

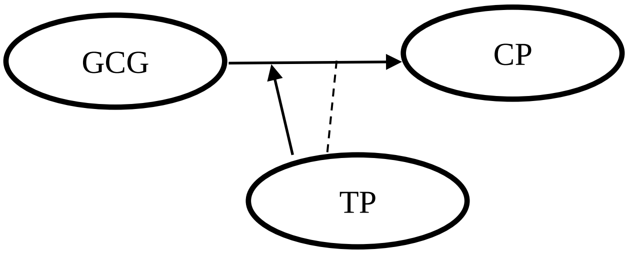

Figure 1
Model

Noted:
GCG: Good Corporate Governance
CP: Company Performance
TP: Transfer Pricing

The first image of the research model above shows that each variable used in this study aims to analyze the effect of Good Corporate Governance on Company Performance. The purpose of this study is in line with a number of previous studies, namely (Nurhayati, 2020); (Cintia Yuniarti, 2014) & (Febriyanto, 2013). Unlike the three studies above, this article adds the Transfer Pricing variable as a moderating variable (Jonathan Sarwono, 2016). This research is a quantitative study with an explanatory approach, namely an approach that uses previous research as the main material to analyze more deeply and prove the hypothesis used in this study (Abdurahman, 2016). The data used in this study are primary data that researchers obtained from Cemerlang Jaya bvangunan employees spread throughout Indonesia (Putra et al., 2016). The data obtained is in the form of an online questionnaire with a total of 10 questions related to the hypothesis in this study.

Hypothesis:
H1: The Influence of Good Corporate Governance on Company Performance
H2: Transfer Pricing Can Moderates The Influence of Good Corporate Governance on Company Performance

3. RESULT AND DISCUSSION

Background Analysis

The tight competition between companies encourages companies to achieve optimal profits, as well as maintain the sustainability of the company by continuously improving the company’s performance. Many obstacles affect companies in achieving their goals, one of which is the loss of investor or creditor trust to channel investment or credit. Therefore, it is necessary to implement GCG in a company to help in the success or increase the success of the business (Nuraeni et al., 2017).

Corporate Governance according to (Cadbury Committee) in (Iskandy Wijaya, 2020)is a system that directs and controls a company with the aim of achieving a balance between the power of authority needed by the company to ensure its continued existence and accountability to stakeholders. This is related to the regulations of the authority of owners, directors, managers, shareholders, and so on. The Cadbury Committee is a set of rules that formulate the relationship between shareholders, managers, creditors, government, employees, and other interested parties both internal and external in relation to their rights and responsibilities (Iskandy Wijaya, 2020).

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Every company must ensure that the basic principles of GCG are applied to every aspect of the business and at all levels of the company. The principles of GCG, namely transparency, accountability, responsibility, independence, and fairness and equality are needed to achieve the sustainability of the company's business by considering stakeholders. In general, the implementation of Corporate Governance in concrete terms according to the Organization for Economic Cooperation and Development (OECD) (2004), has the following objectives for the company (Ardianto, 2023): 1. Facilitating access to domestic and foreign investment. 2. Obtaining a cheaper cost of capital. 3. Providing better satisfaction in improving the company's economic performance. 4. Increasing stakeholder confidence and trust in the company. 5. Protecting directors and commissioners from lawsuits.

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Based on the above explanation, the researcher believes that Good Corporate Governance can have a positive relationship direction and a significant influence on Financial Performance. There are a number of previous studies (Nurhayati, 2020); (Cintia Yuniarti, 2014) & (Febriyanto, 2013) which show that the Good Corporate Governance variable can have a positive relationship direction and a significant influence on Company Performance. Unlike the three variables, this article adds the Transfer Pricing variable as a moderating variable.

Validity Test

Good Governance researchers believe can have a positive relationship direction and significant influence on Company Performance. However, is the same thing felt by respondents. The following are the results of the validity test on the data collected by researchers (Sarstedt et al., 2014).

Table 1
Validity Test

Variable	Question Item	Loading Factor
Good Corporate Governance (X)	Good corporate governance can affect company performance	0.882
	Good corporate governance can make company targets easily achieved	0.874
	Good corporate governance can make the company's financial stability good	0.869
	Corporate governance can improve employee welfare	0.889
Company Performance (Y)	Company performance can be affected by corporate governance	0.932
	Company performance can be affected by transfer pricing	0.945
	Company performance can be affected by employee welfare	0.944
	Company performance can be affected by the company's financial stability	0.962
Transfer Pricing (Z)	Transfer pricing can affect company performance	0.981
	Transfer pricing can affect good corporate governance	0.987

Validity Test > 0.70

Reliability Test

After the researcher asked whether good Corporate Governance can make employees comfortable, can improve Company Performance, and so on related to the topic in this study, respondents answered similar things. The next stage is to ensure whether the main topic in this study is a reliable variable or not. Based on this, here are the results of the reliability test in this article (Hair, 2010).

Table 2
Reliability Test

Variable	Composite Reliability	Cronbach Alfa	Noted
Good Corporate Governance	0.941	0.901	Reliable
Company Performance	0.976	0.935	Reliable
Transfer Pricing	0.988	0.945	Reliable

Reliable > 0.70

Path Coefisien

The final stage to complete the proof of the hypothesis used in this study, namely the Good Corporate Governance variable can have a positive relationship direction and significant influence on Company Performance and the Transfer Piricing variable can moderate it is the Path Coefficient stage. The following are the results of the Path Coefficient in this article (Ghozali, 2016).

Table 3
Path Coefisien

	Variable	P-Values	Noted
Direct Influence	GCG->CP	0.031	Accepted
Indirect Influence	TP* GCG->CP	0.008	Accepted

Significant Level < 0.05

The results of the third table above show that the two hypotheses proposed by the researcher can be accepted due to similar answers from Cemerlang Jaya building employees spread throughout Indonesia who agree that good corporate governance can affect company performance, can improve employee welfare, and make the company's financial condition stable. Based on the results of the first row of the third table above, it shows that the influence of Good Corporate Governance on Company Performance can have a positive relationship direction and a significant influence because the value is positive and below the significance level of 0.05, namely 0.031. These results are in line with previous studies, namely (Nurhayati, 2020); (Cintia Yuniarti, 2014) & (Febriyanto, 2013). In addition, in the next row, the Transfer Pricing variable can also influence the Good Corporate Governance variable on Employee Performance because of the same thing, namely the P-Values are positive and below the significance level of 0.05. This is because Transfer Pricing can affect the company's financial stability which ultimately has an impact on Company Performance.

4. CONCLUSION

The results of the third table above show that the two hypotheses proposed by the researcher can be accepted due to similar answers from Cemerlang Jaya building employees spread throughout Indonesia who agree that good corporate governance can affect company performance, can improve employee welfare, and make the company's financial condition stable. Based on the results of the first row of the third table above, it shows that the influence of Good Corporate Governance on Company Performance can have a positive relationship direction and a significant influence because the value is positive and below the significance level of 0.05, namely 0.031. These results are in line with previous studies, namely (Nurhayati, 2020); (Cintia Yuniarti, 2014) & (Febriyanto, 2013). In addition, in the next row, the Transfer Pricing variable can also influence the Good Corporate Governance variable on Employee

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