
Related party transaction is the transfer of resources, services or obligations between a reporting entity and related parties, regardless of whether a price is charged or not. Related party transaction is an important corporate action with the highest incidence rate of all corporate actions of the companies in the business groups listed in the Indonesia Stock Exchange. The study in general aimed to analyze aggregate-based related party transactions and other determinants that affect the firm value of the companies in the Indonesia Stock Exchange. The study, specifically on each business group, aimed to: (1) analyze the related party transactions influenced by the ultimate shareholder ownership structure, good corporate governance, debt to equity ratio and period of crisis; (2) analyze the types and patterns of related party transactions, control variable and period of crisis that affect firm value, and (3) analyze the impacts of macroeconomic variables in the forms of oil price, interest rates, exchange rates, Gross Domestic Product (GDP), business cycle and period of crisis that affect firm value.

The results of the aggregate-based study are: (1) a greater proportion of ultimate shareholders with the support of good corporate governance will create the perspective of efficient transactions, but the opposite situation will create the perspective of conflict of interest, (2) the profit-loss accounts which positively affect firm value show a propping pattern; on the contrary, the balance sheet accounts which negatively affect firm value show a tunneling pattern; bigger firm does not ensure better corporate governance, so it can elevate firm value; DER shows that related party transactions are thick with thin capitalization nuance, and (3) oil price is significantly positive in affecting firm value; interest rates are significantly negative in affecting firm value; exchange rates are significantly positive in affecting firm value; GDP is significantly negative in affecting firm value which is caused by the consumption supporting GDP but not investment, the speculative liquidity preference of foreign investors and the lack of financial literacy of household investors; business cycle is significantly positive (parallel) in affecting firm value, and period of crisis is significantly negative in affecting firm value.

The results of the study on the Astra Group are: (1) the proportion of the ultimate shareholders is dominant up to 70% with the support of good corporate governance that creates the perspective of efficient transactions, (2) the transaction types of sales and earnings as well as purchases and costs with propping pattern are significantly positive in affecting firm value; tunneling is unavoidable but does not significantly affect firm value; bigger firm has more potential in reducing firm value, but it is still under control which can be seen from the insignificantly negative effect; a reasonably high DER has negative effect on firm value due to banking business, and (3) most of the estimation results of Model 3 of Aggregation apply to the Astra Group, but the automotive
industry being the dominant division in the Astra Group has caused the exchange rate variable to have significantly negative effect on firm value; business cycle being insignificantly negative (not parallel) in affecting firm value is caused by the fact that the negative effect of consumption supporting GDP is distorted by the positive effect of liquidity preference and financial illiteracy.

The results of the study on the Lippo Group are: (1) the proportion of the ultimate shareholders is balanced with that of the non-ultimate shareholders, so the effect of good corporate governance and the mission of the ultimate shareholders will affect the perspectives of efficient transactions and or conflict of interest, (2) the related party transactions of sales and earnings as well as purchases and costs show a propping pattern; the related party transactions of debt, account receivable and asset tunneling which are significantly negative in affecting firm value show that tunneling pattern in a long term will disadvantage the non-ultimate shareholders; company’s size being insignificantly positive in affecting firm value demonstrates that bigger firm will have more potential in elevating propping that can increase firm value, and (3) all estimation results of Model 3 of Aggregation apply to the Lippo Group with deeper analysis on the real estate industry and retail trade as the leading divisions of the Lippo Group.

The results of the study on the Bakrie Group: (1) the proportion of the ultimate shareholders that is left to only 22% and is not supported by good corporate governance creates the perspective of conflict of interest, (2) the related party transactions of sales and earnings are of propping nature with the perspective of conflict of interest being the “window dressing” and maintaining the requirement of refinancing; the related party transactions of purchases and costs which are insignificantly negative in affecting firm value confirm cash tunneling; related party transactions of debt and debt to equity ratio are insignificantly positive in affecting firm value which show that debt is related and third-party debt cannot cure financial crisis; related party transactions of account receivable and asset tunneling are significantly negative in affecting firm value; company’s size which is significantly negative in affecting firm value shows that bigger firm leads to bigger occurrence of financial issues, and (3) all estimation results of Model 3 of Aggregation apply to the Bakrie Group with the mining industry as the leading division being affected.

This study has proven that firm’s strengths at micro level with the perspective of related party transactions of efficient transactions, good corporate governance, and types and patterns of related party transactions that increase firm value have turned firm value more immune from the shock and fluctuation of macro economy. On the contrary, firm’s weaknesses at micro level due to the perspective of related party transactions of conflict of interest, lack of good corporate governance, and types and patterns of related party transactions that decrease firm value have turned firm value not immune and declining more if exposed to the shock and fluctuation of macro economy. Therefore, the estimation results of Model 1, Model 2 and Model 3 interact with and affect each other.

Keywords: business group, firm value, good corporate governance, macro economy, related party transaction.