ABSTRACT

Related party transactions can be beneficial if carried out correctly and ethically. They can be detrimental if misused, such as triggering a conflict of interest and benefiting only one party. In the long term, it can have an impact on decreasing public and investor confidence, which may also reduce firm value. Therefore, ESG is used as a tool that is thought to be able to prevent this. The role of ESG in this research aims to analyze the moderating effect of related party transaction relationships on firm value.

This research uses observations of 62 LQ45 companies listed on the Indonesia Stock Exchange from 2019 to 2022. The sampling technique uses purposive sampling with secondary data obtained from the well-known Bloomberg terminal institution. Out of a population of 62 companies over 4 years, 216 samples were selected based on specific criteria. The method for processing the sample used descriptive statistical analysis as well as panel data regression analysis and moderated regression analysis (MRA) assisted by the E-Views 12 application.

The findings from this research show that beneficial related party transactions (BRPT) have a positive effect on firm value. However, detrimental related party transactions (DRPT) do not have a significant effect on firm value. Meanwhile, the moderating role of ESG in this research is unable to reduce the negative impact of detrimental related party transactions (DRPT) on firm value. ESG actually has the opposite effect from the positive relationship between beneficial related party transactions (BRPT) on firm value.

Keywords: beneficial related party transactions (BRPT), detrimental related party transactions (DRPT), firm value, ESG