



## The Effect of Political Connection and Women Directors on Company Value with Financial Performance as a Mediating Variable

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### ABSTRAK

This research aims to examine the effect of political connections and women directors on company value with financial performance as a mediating variable. The sampling technique used in this study was purposive sampling. The analysis technique used in this study was multiple linear regression analysis. The results of this study showed that political connections and women directors have a positive effect on financial performance. However, the result showed that political connections and women directors have no effect on company value. Then, the result also showed that financial performance has a positive effect on company value. The results of the mediation test using the Sobel test showed that financial performance is able to mediate the relationship between political connections and company value, while financial performance does not mediate women directors and company value.

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## INTRODUCTION

Banks are financial institutions that have a very important role in the community's economy. Banking plays a role in controlling the monetary stability system in a country, namely its contribution to regulating the circulation of money. The phenomenon related to the bankruptcy of Silicon Valley Bank in Santa Clara, California, United States, in 2023 raises concerns globally in the banking industry. The concern of investors on the stock market is that the collapse of Silicon Valley Bank (SVB) could trigger a broader crisis in the sector (Kompas.com) and according to (Buchari, 2023), bank ruptcies also occurred in Indonesia in 1998 due to bank *runs*, causing a monetary crisis. The impact felt is that experiencing a *bank run* can make the firm bankrupt, because massive withdrawals can cause panic and decrease trust from other customers. This concern is not only felt globally but also by Indonesia, which is reflected in the response issued by Deputy Chairman of the Board of Commissioners of the Financial Services Authority (OJK) Mirza Adityasawara, who asked banks to strengthen the implementation of governance, risk management, and prudential principles in order to maintain corporate value so that investors still have confidence in the banking industry and do not do *bank runs* ([www.cnbcindonesia.com](http://www.cnbcindonesia.com)).

Function of the bank, which is to collect funds from the public, did not work as it should and triggered a *rush* so that many banks experienced liquidation (P. Y. Sari & Priantinah, 2018).(Ligita & Muazaroh, 2020; Gonçalves,Gaio & Rodrigues 2022) In his research, he stated that one of the factors that influences the company value political connections and women directors of the factors that affect company value. The first factor that influences the company value is its political connections. (Ligita & Muazaroh, 2020). The success of a firm cannot be separated from the influence of the environment in which it was founded, one of which is politics. Political connections are shaped by the relationship between politicians and business elites (Faccio, 2010; Faccio, Masulis & McConell 2006). (Faccio, Masulis & McConell 2006) measured political connections based on shareholding. If the shares are owned by the government, it can "facilitate the way" of the firm in obtaining profits, thereby increasing the value of the company.

Research on the influence of political connections on corporate value provides mixed conclusions. (Efendi, Susilawati, Suryaningsih 2022; Innayah, Wibowo, Mukarromah, Pratama 2022; Ligita & Muazaroh, 2020; Rochmah, Rachmanti, Nugroho & Putri 2021; Yudha Pratama & Setiawan, 2019) found that political connections positively affect company value. Different results were obtained in the results of studies conducted by (Dewanti, 2019; Haryati, Rustiarini & Dewi 2021; R. Sari & Darmawati, 2021; Seftiana, Evana & Amelia 2022; Supatmi, 2022; Sutrisno & Mohamad, 2019; Sulastri & Sari, 2020) which found a negative influence of political connections on company value.

The second factor that can affect the value of a company is the number of women directors. According to (Carter, D'Souza, Simkins & Simpson 2010), if women are able to contribute a unique source of additional talent, may be able to increase company value for shareholders and benefit other constituents. Results of previous research conducted by (Brahma, Nwafor & Boateng 2021;

Hamdani & Hatane, 2017; Issa, 2017; Sutrisno & Fella, 2020) show that women directors have a positive influence on company value. The results obtained in the research conducted by this study are different from those obtained by (Al-Matari & Alosaimi, 2022; Gruszczyński, 2020; Isidro & Sobral, 2015; Puspitasari & Srimindarti, 2022; Widhiastuti, Kiswanto & Jati 2020) Women directors negatively affect the company value.

The third factor that can affect the company value is financial performance. Financial performance is one aspect that investors consider when investing. The financial high performance will drive an increase in its stock market price. Thus, investors will give good signals and respond positively. Therefore, the financial performance is a factor that will determine its value through an increase in stock price.

Financial performance mediates the influence of political connections on market performance because investors will first look at a company performance before investing in stocks. If financial performance is good, investors will be interested in buying shares, which will eventually increase stock prices (Ligita & Muazaroh, 2020). Research conducted by (Efendi, Susilawati & Suryaningsih, 2022; Fauziah & Jamal, 2020; Nafasati & Hilal, 2021; Rusnaeni, Gursinda, Sasongko & Hakim, 2022; Setiawanta, Purwanto & Hakim, 2019) shows that financial performance has a positive effect on the value of the company. Research conducted by (Efendi, Susilawati & Suryaningsih, 2022) shows that financial performance is able to mediate political connections with financial performance. Research conducted by (Isidro & Sobral, 2015) demonstrated that financial performance is able to mediate women directors with financial performance.

The financial performance will drive an increase in its stock market price. Thus, investors will give good signals and respond positively. Therefore, the financial performance is a factor that will determine its value through an increase in stock price. The purpose of this study was to examine the effect of political connections and women directors on company value, with financial performance as a mediating variable. This research is a development of (Ligita & Muazaroh, 2020) research, which examines political connections and market performance with financial performance as a mediation variable. This study is interested in adding the variable of women directors because, according to *Resource Dependence Theory*, women directors can bring a different set of knowledge, expertise, and skills to create effective relationships with external parties so as to improve the performance of (Innayah & Pratama, 2021); Sutrisno & Mohamad, 2019) is expected to increase investor assessment of the firm.

## LITERATURE REVIEW

### *Resource Dependence Theory*

Resource Dependency Theory, proposed by (Pfeffer and Salancik, 1978), explains how organizational behavior is influenced by external resources. (Pfeffer 1972) also explains that companies that build relationships with external parties that are important or have great influence can reduce uncertainty. The reduction in uncertainty provided by the relationship also

lowered the transaction costs inherent with (Williamson's, 1984) and could ultimately improve the company's performance.

Resource dependence theory is the basis for explaining the relationship between political connections and corporate financial performance. De Cabo, Gimeno & Nieto, (2012) explained that dependence on external parties, although it provides benefits for the company, can also cause risks and uncertainties. With this political tie, it is hoped that the company can obtain a larger resource base to improve its financial performance (Wong & Hooy, 2018). *Resource dependence theory* also underlies the relationship between diversity in directors and financial performance (Innayah, Wibowo & Mukarrohmah 2022). The presence of women on the board of directors will be a valuable resource for the company because it can offer unique new information and perspectives that can improve company performance (Sutrisno & Mohamad, 2019).

### ***Signaling Theory***

(Spence, 1978) formulates a concept called signal theory. This theory reveals that the company will try to provide information to investors in the form of a signal that describes the company's condition. Signal theory describes management's perception of the company's growth in the future (Adeliani, 2020). The purpose of delivering signals in the form of company information is an effort to reduce information asymmetry between management as a party that manages the company directly and external parties (Berghe & Levrau, 2004).

Signal theory underlies the relationship between political connections and corporate value. Good financial performance is a positive signal for investors, so many company shares are bought by investors, which will eventually increase the company's stock price. Increasing the company's stock will increase its value (Al & Nawaiseh, 2017). Signal theory also underlies the relationship between women directors and company values. The presence of women directors will provide a new perspective on management, so that the information produced is more diverse for decision making. According to (Simpson, Carter, D'Souza & Simkins, 2010) if women are able to contribute a unique source of additional talent, companies may be able to increase value for shareholders and benefit other constituents.

Signal theory can also be a cornerstone in the relationship between financial performance and company value. Finance is a measure of the success of a company's performance that describes performance over a certain period of time (Al & Nawaiseh, 2017). Reported earnings are used by management to signal to investors about a company's performance, which may influence investment decisions (Aljifri & Moustafa, 2007).

### ***The Effect of Political Connections on Financial Performance***

Political connections are arguably important Chen et al., (2013) and is considered a valuable resource for most companies (Fisman, 2001). From the perspective of *resource dependence theory*, politically connected companies reduce corporate external risks, increase corporate resilience, and facilitate easier business transactions (Hillman, 2005). More politically connected

companies improve their performance. This argument is in line with previous research conducted by (Balqis et al., 2019; Bencheikh & Taktak, 2017; Innayah, Wibowo, Mukarromah & Pratama 2022; Ligita & Muazaroh, 2020.; Saeed, Belghitar & Clark, 2019) which states that political connections have a positive effect on the company's financial performance, meaning that stronger political connections will encourage the company's financial performance.

**H1: Political connections positively affect financial performance.**

### *The Effect of Women Directors on Financial Performance*

According to the resource dependence theory, women directors bring a different set of knowledge, expertise, and skills to create effective relationships with external parties. Women directors effectively contribute to the formulation of appropriate policies as well as the effectiveness of corporate governance, and thus help improve financial performance (Nugrahani, 2021). Innayah, Fuad, Pratama 2021) say that if there are women directors in the company, they can manage intellectual capital, so that the company's performance will improve. Studies conducted by (Asri, 2017; Salbila, Jaapar, Khalid 2019; Sutrisno & Mohamad, 2019) show that women directors have a significant positive effect on company performance.

**H2: Women directors have a positive effect on financial performance.**

### *The Effect of Political Connections on Corporate Value*

The underlying argument that political connections or attachments to company value are important is that political relationships with the government can provide competitive advantages for companies, such as easy access to funding and low tax rates paid by companies (Bandiyono, 2020). Signal theory supports the idea that a company that has a good profit is a company's signal to attract investors. So that the company's shares can be bought by investors. A large demand for shares will increase the stock price, which will eventually increase the value of the company (Al & Nawaiseh, 2017; Efendi, Susilawati, Suryaningsih 2022; Pratama, 2022; Pratama & Setiawan, 2019) show that political relations positively affect the value of the company.

**H3: Political connections positively affect company value.**

### *The Effect of Women Directors on Company Value*

Women are considered capable of becoming leaders in the company because they have characteristics that are not possessed by men (Innayah & Pratama, 2019). In addition, the presence of women in top management provides new perspectives that are not seen by top management, which is only occupied by men (Hamdani & Hatane, 2017). Signal theory explains that a company with good performance will send a positive signal to investors. The increase in stock price indicates that the value of the company has also increased. So it can be said that company performance is a factor that determines the value of the company, which is reflected in the stock price (Hamdani & Hatane, 2017). The role of women in improving company performance (Innayah & Pratama, 2021); (Sutrisno & Mohamad, 2019).

#### **H4: Women directors have a positive effect on company value**

##### **The Effect of Financial Performance on Company Value**

Signaling theory explains how to convey information as a good signal. Signals about the company can be obtained through the company's financial statements (Supatmi, 2022). (Kusumajaya, 2011) Arguing that investors will buy company stock because they are attracted by the profitability that the company provides to shareholders, high profitability will increase the *book value* as a measure of the company's value. Research conducted by (Efendi, Susilawati & Suryaningsih, 2022; Fauziah & Jamal, 2020; Nafasati & Hilal, 2021; Rusnaeni, Gursinda, Sasongko & Hakim 2022; Setiawanta et al., 2019) shows that financial performance has a positive effect on the value of the company.

**H5: Financial performance has a positive effect on company value.**

##### **The Effect of Political Connections on Company Value Through Financial Performance**

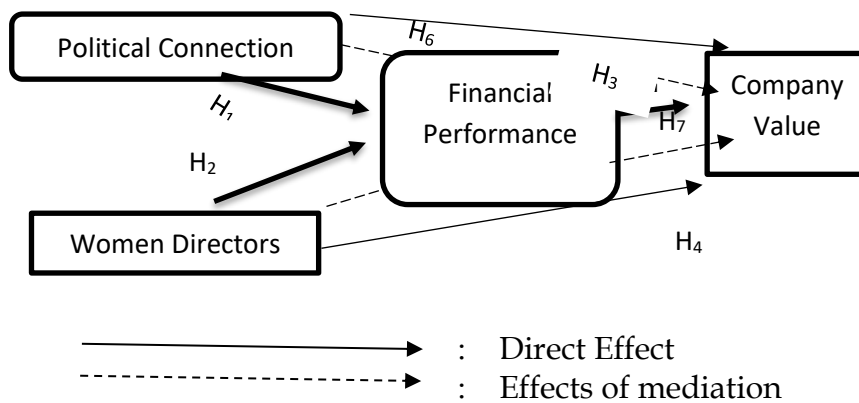
Political connections as described by (Chancharat, Detthamrong & Chancharat 2019; Faccio, 2010) Can provide benefits for companies by maximizing their financial performance. Signal theory argues that strong company performance will send positive signals to investors, supporting this. Companies with good financial performance will be more in demand by investors because they are considered to have good fundamentals. Companies that are in great demand by investors will have an impact on increasing the company's stock price. The results of this study are in line with research conducted by (Efendi, Susilawati, Suryaningsih, 2022) shows that financial performance is able to mediate political connections with financial performance.

**H6: Financial performance mediates the relationship between political connections and company values.**

##### **The Effect of Political Connections on Company Value Through Financial Performance**

Resource dependence theory provides a foundation for the idea that women directors have a role in corporate governance and performance (Gonçalves, Gaio & Rodrigues 2022). Women directors bring a different set of knowledge, expertise, and skills to create effective relationships with external parties. Studies conducted by (Isidro & Sobral, 2015) found evidence that corporate value through financial performance influences the higher representation of women on the board of directors. Women board of directors are positively associated with financial performance (measured in terms of return on assets and return on sales) and with ethical and social compliance, which in turn is positively related to company value.

**H7: Financial performance mediates the relationship between women directors and the Company's values**



## RESEARCH METHODS

### Population, sample, and sampling technique

The population in this study is made up of companies listed on the Indonesia Stock Exchange. The sampling method uses the *purposive* sampling method or sampling in this study, namely banking companies listed on the Indonesia Stock Exchange in the 2017-2021 period.

### Operational Definition and Variable Measurement

#### Company Value

Company value is the *present value* of future free cash flows at a discounted rate at the weighted average cost of capital. This study uses *Price to Book Value (PBV)* is a market ratio used to measure the performance of a stock's market price to its book value, as supported by (Dwiputra & Cusyana, 2022). Here is the formula for calculating the value of a company (Brigham & Houston, 2019a):

$$Company\ value = \frac{Share\ Price}{\frac{Book\ value\ of\ shares}{Total\ Equity}}$$

$$Book\ Value\ Of\ Shares = \frac{Total\ Equity}{Number\ of\ outstanding\ shares}$$

#### Women Directors

Women directors are women representatives who serve as directors of companies. In this study, the measurement of women directors followed the measurements in the research conducted by (Devika & Yuliana, 2020) by using dummy variables. Score 1 if there are women on the board of directors, and 0 if there are no women directors.

#### Financial Performance

Financial performance is an analysis conducted to see the extent to which the company has implemented the rules of financial implementation properly and correctly. Financial performance in this study was measured using *Return on Assets (ROA)* like in the majority of previous studies (Efendi et al., 2022; Eissa & Eliwa, 2021; Innayah et al., 2021; Pang & Wang, 2021; Tawiah et al., 2022). The formula for calculating ROA refers to (Brigham & Houston, 2019):

$$\text{Return on Assets} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

### Data Collection Techniques

Multiple linear regression analysis is used to determine the effect or relationship between two or more independent variables and one dependent variable. The multiple linear regression equation can be written as follows:

Equation I. The Effect of Political Connections and Women Directors on Financial Performance

$$\text{Performance} = \alpha + \beta_1\text{Political} + \beta_2\text{women} + e$$

Equation II. The Effect of Political Connections, Women Directors, and Financial Performance on Company Value

$$\text{Value} = \alpha + \beta_1\text{Political} + \beta_2\text{Women} + \beta_3\text{Performance} + e$$

Where

$\alpha$  : Constant

$\beta_{1-3}$  : Regression coefficient

$e$  : error/residual

Politics : variables of political connection

Women : variables of women directors

Performance : variables mediating financial performance

Value : variable company value

## RESULTS AND DISCUSSION

### Overview and Object of Research

The population in this study is companies listed on the Indonesia Stock Exchange in 2017-2021. The sampling method used in this study is the *purposive* sampling method, or sampling, namely banking companies listed on the Indonesia Stock Exchange in the period 2017 to 2021.

**Table 1. Sample Selection Techniques**

No	Sample Criteria	Sum
1.	Banking Company listed on the Indonesia Stock Exchange (IDX) in the 2017-2021 period.	32 companies
	Number of Observations (32 companies x 5 years)	160 observations
2	Observations that do not have complete data on the variables needed in this study during the 2017-2021 period	(4 observations)
3	Observations that do not generate profits in banking companies in 2017 - 2021	(11 observations)
	Total observations	145 observations
	Casewise observations in equation 1	(9 observations)
	Total observations of equation 1	136 observations
	Casewise observations in equation 2	(18 observations)
	Total observations of equation 2	127 observations

### Descriptive Statistical Test

Descriptive statistical analysis tests are used to see the tendency of each variable in the study. The tools used in this analysis are the mean mean, maximum value, minimum value, and standard deviation (Ghozali, 2018).

**Table 2. Descriptive Statistical Test Results**

	Descriptive statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
Political Connections	136	0	1	0.30147	0.46059
Women Directors	136	0	1	0.69852	0.46059
Financial Performance	136	-0,00045	0.02680	0.01026	0.00743
Company Value	136	0.00018	9.07600	1.37304	1.25875

*Source: Processed secondary data, 2023*

Based on the results of the descriptive statistics above, the political connection variable has an average of 0.30147, meaning that on average there are 30% of banking companies in Indonesia that have political connections due to shares owned by the government or state during the 2017–2021 period. Women directors in this study had an average score of 0.69852, which shows that there are 69.8% of banking companies led by women directors. In Indonesia, there is no official regulation on the inclusion of women on the board of directors. In 2011, through the International Finance Corporation (IFC), the World Bank launched an initiative to raise awareness of the presence of women directors in developing countries, including Indonesia. This shows that Indonesian banks are starting to pay attention to women in top executive positions (Innayah et al., 2022).

The financial performance variable in this study has an average of 0.01026, meaning that on average, banking companies in Indonesia generate net income of 0.01 times their total assets. The company value variable in this study has an average of 1.37304, meaning that on average, banking companies in Indonesia are valued at 1.3 times their book value by the market.

### Classical Assumption Test

#### *Normality Test*

The Normality the significance value is greater than 0.05, then it can be said that the data is normally distributed (Ghozali, 2018a).

**Table 3. Normality Test Results**

One-Sample Smirnov Test Equation 1	Kolmogorov	Unstandardized Residual	Information
N		136	
Monte Carlo Sig. (2-tailed)		0.086	Pass the normality test
Equation 2		127	
N			
Monte Carlo Sig. (2-tailed)		0.055	Pass the normality test

*Source: Processed secondary data 2023*

In this study, we tested data normality using the Kolmogorov-Smirnov One Sample method and the *Monte Carlo method*. When the  $\text{sig} > 0.05$ , it indicates that the research data are normally distributed. The results of the normality test of equation 1 show that the value of *Sig. (2-tailed) Sig. >  $\alpha$* , which is  $0.085 > 0.05$ , Furthermore, the result of equation 2 shows that the value of *Sig. (2-tailed) Sig. >  $\alpha$* , which is  $0.055 > 0.05$ , The results of the normality test show that the two equations are normally distributed.

**Multicollinearity Test**

The multicollinearity test in this study uses the Tolerance and Inflation Factor (VIF) method. Provided that if the Tolerance value is  $> 0.10$  and  $\text{VIF} < 10$ , there are no symptoms of multicollinearity (Ghozali, 2018b)

**Table 4. Multicollinearity Test Results**

Variable	Collinearity Statistics		Information
	Tolerance	VIF	
<b>Equation 1</b>			
Political connections	1.000	1,000	Passes multicollinearity
Women directors	1.000	1,000	Passes multicollinearity
<b>Equation 2</b>			
Political connections	0.995	1.005	Passes multicollinearity
Women directors	0.983	1.018	Passes multicollinearity
Financial performance	0.987	1.013	Passes multicollinearity

Source: Processed Secondary Data 2023

Equation 1 variable of political connections and women directors has a tolerance of  $1,000 > 0.10$  and  $\text{VIF } 1,000 < 10$ . There are no symptoms of multicollinearity. Equation 2 variables of political connection tolerance  $0.995 > 0.10$  and  $\text{VIF } 1.005 < 10$  do not exhibit symptoms of multicollinearity. The results of the study on women directors variables had a tolerance value of  $0.983 > 0.10$  and  $\text{VIF } 1.018 < 10$  passed the multicollinearity test. The financial performance variable has a tolerance value of  $0.987 > 0.10$  and a  $\text{VIF of } 1.013 < 10$ . The results of the multicollinearity test show that the two equations are not exposed to the problem of multicollinearity.

**Heteroscedasticity Test**

**Table 5. Heteroscedasticity Test Results**

Variable	Sig	Information
<b>Equation I</b>		
Political Connections	0.320	Passes Heteroscedasticity test
Women Directors	0.826	Passes Heteroscedasticity test
<b>Equation I</b>		
Political Connections	0.960	Passes Heteroscedasticity test
Women Directors	0.738	Passes Heteroscedasticity test
Financial Performance	0.299	Passes Heteroscedasticity test

Source: Processed Secondary Data, 2023

In this study using the Glejser test method to see whether there are symptoms of heteroscedasticity determined at a significance value must be greater than 0, (Ghozali, 2018b). Equation 1 sig variable political connection  $0.320 > 0.05$  while sig variable female directors  $0.826 > 0.05$ . While the equation of 2 sig variables of political connections is  $0.960 > 0.05$  while the sig variables of female directors are  $0.738 > 0.05$ . The financial performance variable has a sig of  $0.299 > 0.05$ . Thus equations I and II pass the heteroscedasticity test.

**Autocorrelation Test**

**Table 6. Autocorrelation Test Results**

Model	N	Durbin-Watson	Information
1	136	0.820	Pass Autocorrelation Test
2	136	0.721	Pass Autocorrelation Test

Source: Processed Secondary Data 2023

Based on the table above, the *Durbin-Watson* value of equation 1 is obtained a value of  $-2 < 0.820 < 2$  and in equation 2 a value of  $-2 < 0.721 < 2$ . Thus, it can be concluded that the regression model in this study, both equations I and II, does not exhibit autocorrelation (Sujarweni, 2015):

**Multiple Linear Regression Analysis Test**

**Table 7. Hypothesis Testing Results**

Independent Variables	Dependent Variables			
	Financial Performance		Company Value	
	Model 1	Conclusion	Model 2	Conclusion
Const	0.007 (5.842)*		0.838 (6.360)*	
Political Connections	0.003 (2.127)*	Supported	0.047 (0.342)*	Not supported
Women Directors	0.003 (2.599)*	Supported	-0.235 (-1.704)	Not supported
Financial Performance			32.498 (6.132)*	Supported
Adj R2	0.065		0.221	
F	5.710		12.917	
Prob > F	0.004		0.000	

Description: \* significant at 5%

Based on the results of the regression test above, the regression equation formed for model 1 is as follows:

$$\text{Financial Performance} = 0.007 + 0.003 \text{ Politics} + 0.003 \text{ Women} + e$$

The multiple linear regression equation can be described as follows:

$\alpha = 0.007$ . A constant of 0.007 means that if the variable political connection, women directors, is zero or constant, then the value on the financial performance variable is 0.7 times.

**$\beta_1$  Politics = 0.003.** The regression coefficient of political connections has a value of 0.003, meaning that if the company has political connections, financial performance will increase by 0.3 times.

**$\beta_2$  Women = 0.004.** The regression coefficient of women directors has a value of 0.003, meaning that if there are women directors in the company, financial performance will increase by 0.3 times.

Based on the results of the regression test above, the regression equation formed for model 2 is as follows:

Company Value = 0.974 + 0.830 Politics - 0.193 Women + 3.658 Performance + e

The multiple linear regression equation can be described as follows:

**$\alpha = 0.838$ .** A constant of 0.838 means that if the variables of political connections, women directors, and financial performance are zero or cons, then the value of the company value variable is 83.8 times.

**$\beta_1$  Politics = 0.047.** The gender diversity regression coefficient has a value of 0.047, and this value is positive, which means that if the company has political connections, its value will increase by 4.7 times.

**$\beta_2$  Women = -0.235.** The regression coefficient of women directors has a value of -0.235, meaning that if there are women directors in the company, the company's value decreases by 23.5 times.

**$\beta_3$  Financial Performance = 32.498.** The regression coefficient of financial performance has a value of 32.498, meaning that if the company's performance increases by 1%, then its value increases 32.48 times.

#### ***Model Conformity Test (Adjusted R Square)***

The model fit test is used to measure how far the model is able to explain the dependent variable, which has a value between 0 and 1 (Ghozali, 2018c). Based on table 7, the Adjusted R Square value in model 1 is 6.5%. This shows that political connections and women directors are able to explain financial performance variables by 6.5%, while 93.5% are influenced by other variables that are not studied. While the Adjusted R Square value in model 2 is 22.1%. This shows that political connections, women directors, and financial performance can explain the value of the company by 22.1%, while the remaining 77.9% is influenced by other variables that are not studied.

#### ***F Test (Model Feasibility Test)***

The F test is used to determine the sig value. If the sig value is checked using the F test and the sig value < 0.05 or 5%, then the regression model used can be applied (Ghozali, 2018d). Based on table 7, the significance value of F in model 1 is 0.004, while the significance value of F in model 2 is 0.000. So that both models are fit because the sig F value < 0.005 (Ghozali, 2018d).

#### ***Sobel Test***

The Sobel test is an intermediate or mediating variable that serves to mediate the relationship between the independent variable and the dependent variable (Suliyanto, 2011). The decision-making process of this sobel test is done by comparing the calculated t value with the table t value. If the calculated t

value > the table t value, then it can be concluded that there is a mediation effect, and vice versa (Ghozali, 2018).

**Table 8. Sobel Test Results**

Hypothesis	One-tailed Probability	Conclusion
Hypothesis 6: Financial performance mediates the relationship between political connections and corporate values	0,003	Supported
Hypothesis 7: Financial performance mediates the relationship between women directors and corporate values	0,050	Not supported

Source: online sobel calculator daniel soper

Based on the results of the Sobel test, a one-tailed probability value of hypothesis 6 < 0.005 was obtained, so hypothesis 6, which states that financial performance mediates the relationship between political connections and company value, is supported. While the value of one-tailed probability hypothesis 7 = 0.005, hypothesis 7 which states that financial performance mediates the relationship between women directors and company values, is not supported.

## RESULTS AND DISCUSSION

### *Results of Testing Political Connections to Financial Performance (H1)*

Based on table 7, the political connection variable has a calculated value of < ttable (2.127 > 1.656) with a positive direction, then Ho is accepted and Ha is rejected, and a significance value of 0.035 which is smaller than 0.05. Thus, the first hypothesis that political connections positively affect financial performance is supported. The results of this study provide empirical evidence that politically connected companies or companies whose shares are owned by the government tend to have better financial performance. This is in line with *Resource Dependence Theory*, which states that political entanglements provide competitive advantages for companies, such as easy access to funding and tax discounts, so that companies have the possibility of obtaining higher levels of profit (Pratama, 2022). (Bencheikh & Taktak, 2017; Innayah et al., 2022; Ligita & Muazaroh, n.d.; Saeed et al., 2019) which states that political connections positively affect financial performance.

### *Results of the Women Directors' Test of Financial Performance (H2)*

Based on table 7, the women directors variable has a calculated value of < ttable (2.599 > 1.656) with a positive direction, Ho is accepted and Ha is rejected and a significance value of 0.010 which is smaller than 0.05. Thus, the second hypothesis that women directors have a positive effect on financial performance is supported. The results of this study provide empirical evidence that the presence of women directors on the boards of directors of companies, especially banks, plays a significant role in producing better financial performance. This is in line with *Resource Dependence Theory*, which states that f women directors are seen as having unique knowledge, expertise, and skills

that are different from men, these abilities can be optimized to build effective relationships with external parties (Singh et al, 2016). The results of this study are in line with research conducted by (Innayah et al, 2021; Innayah & Pratama, 2021; Salbila et al, 2019; Sutrisno & Mohamad, 2019) which concludes that women directors have a significant positive effect on the company's financial performance.

### ***Testing Political Connections to Company Value (H3)***

Based on table 7, the political connection variable has a calculated value of  $< t_{table}$  ( $0.342 < 1.657$ ) with a positive direction, then  $H_0$  is accepted and  $H_a$  is rejected, and a significance value of 0.733 which is greater than 0.05. Thus, the third hypothesis, that political connections have no effect on corporate value, is not supported. This shows that political connections, as measured by shareholdings owned by the government or state, have no impact on the value of the company. In this context, government ownership of shares is not a factor that drives stock prices to be valued higher by the market, as indicated by a high *price-to-book value*. Results from previous research conducted by (Ligita & Muazaroh, 2020; Sutrisno & Mohamad, 2019) reveal that political connections have no effect on the value of the company.

### ***Results of Women Directors' Testing of Company Value (H4)***

Based on table 7, the women directors variable has a calculated value of  $< t_{table}$  ( $-1.704 < 1.657$ ) with a positive direction,  $H_0$  is accepted and  $H_a$  is rejected, and a significance value of 0.091 which is greater than 0.05. Thus, the fourth hypothesis, that women directors have no effect on company value, is not supported. The existence of women directors is one of the reasons it does not have an impact on the value of the company, namely because the appointment of women directors is limited to meet the rules and courtesy, so they may not have enough knowledge and experience to add value to the company (Fauzi & Locke, 2012). Research conducted by (Darmadi, 2011) shows that controlled families dominate in Indonesia (Claessens et al, 2000), state that the existence of women on the board is solely due to familial ties and the control of shareholders or boards who have skills and experience (Innayah et al, 2020). Therefore, management carried out by women directors will not maximize the value of the company. Results of previous research conducted by (Fernando & Setiawan, (2021) In the results of his study, he concluded that the presence of women on the board of directors has no effect on company value.

### ***Results of Financial Performance Testing of Company Value (H5)***

Based on table 7, financial performance has a calculated value of  $< t_{table}$  ( $6.132 > 1.657$ ) with a positive direction,  $H_0$  is accepted and  $H_a$  is rejected, and a significance value of 0.000 which is less than 0.05. Thus, the fifth hypothesis, which states that financial performance has a positive effect on company value, is supported. *Signaling theory* explains how to convey information as a good signal. Signals about the company can be obtained through the company's financial statements (Supatmi, 2022). (Kusumajaya, 2011) Arguing that investors will buy company stock because they are attracted by the profitability that the

company provides to shareholders, high profitability will increase the *book value* as a measure of the company's value. The results of this study are in line with research conducted by (Efendi et al., 2022; Fauziah & Adi, 2021; Nafasati & Hilal, 2021; Rusnaeni et al., 2022; Setiawanta et al., 2019) which concludes that financial performance has a positive effect on the value of the company.

***Results of Financial Performance Mediation Testing on the Relationship Between Political Connections and Company Values (H6)***

Based on Table 7, the Sobel test result is 0.004. Values of  $0.004 < 0.05$ . So the sixth hypothesis states that financial performance mediates the relationship between political connections and corporate value, which is supported. Political connections as described by (Chancharat et al 2019; Faccio, 2010) Can provide benefits for companies by maximizing their financial performance. Signal theory argues that strong company performance will send positive signals to investors, supporting this. Companies with good financial performance will be more in demand by investors because they are considered to have good fundamentals. Companies that are in great demand by investors will have an impact on increasing the company's stock price (Innayah et al., 2022). The results of this study are in line with research conducted by (Efendi et al, 2022) shows that financial performance is able to mediate political connections with financial performance.

***Results of Financial Performance Mediation Testing on the Relationship Between Women Directors and Company Values (H7)***

Based on Table 7, the Sobel test result is 0.05. Value  $0.10 > 0.05$ , So the seventh hypothesis, which states that financial performance does not mediate the relationship between women directors and company value, is not supported.

The presence of women on the board of directors is one of the reasons it does not have an impact on the value of the company through financial performance, namely because the appointment of women directors is limited to obeying rules and courtesy (Fauzi & Locke, 2012). Therefore, women directors cannot improve financial performance or increase company value. Companies with poor financial performance will make investors not interested in buying company shares, which then will not increase the company's stock price in the capital market, so ultimately the company's value cannot increase.

In the context of this study, women directors do not play a role in improving financial performance and cannot play a role in increasing company value. The results of this study are in line with the research conducted. The results of previous research conducted by (Hamdani et al., 2020.; Widhiastuti et al., 2020) concluded that financial performance does not mediate women directors relationship with company values.

**CONCLUSION**

Based on the results of data analysis and discussion on the effect of political connections and women directors on company value with financial

performance as a mediating variable in banking companies listed on the Indonesia Stock Exchange in 2017–2021, the following conclusions can be drawn: (1) Political connections affect financial performance. (2) Women directors effect financial performance. (3) Political connections have no effect on the value of the company. (4) Women directors have no effect on company value. (5) Financial performance affects the value of the company. (6) Financial performance mediates political connections to company values. (7) Financial performance does not mediate women directors against company values.

#### **Limitation**

1. The value of the coefficient of determination in this study are 0.065 (equation 1) and 0.221 (equation 2) so there are still many factors that affect financial performance and company value but are not studied in this study.
2. This research is only on banking companies listed on the Indonesia Stock Exchange (IDX) in the 2017–2021 period.

#### **FURTHER STUDY**

We realize that the results of this study still have a number of weaknesses caused by the limitations found by the researcher. Future researchers are suggested to 1) So the researchers suggest future research add other variables such as: institutional ownership and company size; 2) extend the sampling period, 3) the test results in equation 1 show that political connections and women directors can improve performance, so banking companies in Indonesia are expected to pay attention to the presence of women on the board of directors, and increase the number of shares owned by the government; 4) the results in equation 2 show that financial performance can increase company value, so the company is expected to improve financial performance because it is proven to increase investor assessment of the company.

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