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# Analysis of The Effect of Corporate Governance on Stock Performance In The Insurance Company PT Asuransi Harta Aman Pratama Tbk

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**Abstract**
This study aims to analyze the effect of corporate governance on stock performance, with a case study on PT Asuransi Harta Aman Pratama Tbk listed on the Indonesia Stock Exchange (IDX). Based on a quantitative approach with a case study technique, this study evaluates the relationship between corporate governance indicators, such as total assets and liabilities, with stock performance represented by equity. The results of the analysis show that total assets have a positive and significant effect on equity, while liabilities show an insignificant negative relationship. These findings emphasize the importance of strategic asset management and effective liability management in supporting stock value growth. The implications of this study indicate that comprehensive and efficient governance practices can increase investor confidence and support the company's financial stability in the long term.

## 1. Introduction

Analysis of the impact of corporate governance on stock performance, especially in the case of PT Asuransi Harta Aman Pratama Tbk listed on the Indonesia Stock Exchange (IDX), refers to several studies on corporate governance in Indonesia. Corporate governance is an important factor that influences financial performance and market perception of companies, including those in the insurance sector. In the era of globalization and increasing market complexity, corporate governance has become one of the important aspects that influence company performance. One of the relevant theoretical frameworks for understanding this dynamic is agency theory, which was first developed by Michael C. Jensen and William H. Meckling in 1976. This theory explains the relationship between shareholders (principals) and company management (agents), as well as the potential conflicts of interest that can arise between them. Therefore, The title "Analysis of the Impact of Corporate Governance on Stock Performance" was chosen because of the importance of understanding the relationship between corporate governance practices and stock performance, especially in the insurance sector which has high risks.

In the context of PT Asuransi Harta Aman Pratama Tbk, which is listed on the Indonesia Stock Exchange, corporate governance practices are crucial to ensure that management acts in the interests of shareholders. Some important elements in corporate governance include equity, stock performance, liabilities, and corporate governance structure. Equity refers to the value held by shareholders in the company, where good management is expected to increase that value. Stock performance measures how well a company's stock performs in the market, which often reflects investor confidence and the company's financial health. Next, liabilities are financial obligations that must be met by the company; effective management of liabilities is essential to maintaining liquidity and financial health. Finally, corporate governance is the process and structure used to manage and oversee the company, good governance can minimize risks and conflicts of interest, thereby supporting the sustainability and growth of the company.

In the context of insurance companies, several previous studies have stated that those using the Corporate Governance Perception Index (CGPI) found a positive correlation between superior governance practices and improved company performance, as indicated by metrics such as ROA, ROE, and EPS according to Husnah et al. (2023). This suggests that companies with strong governance mechanisms tend to perform better financially, which can translate into improved stock performance.

According to Sabrina & Rulindo's (2023) study in the insurance sector, corporate governance is very important to maintain public trust and ensure financial stability, as evidenced by research on Takaful companies, which highlights the importance of governance in promoting corporate performance. Although some studies show that managerial ownership and audit committee characteristics do not have a significant effect on performance, the overall governance structure including transparency and accountability measures remains important to maintain investor confidence and improve market performance, Biuty & Triwacananingrum (2018). Therefore, this study will focus on strengthening corporate governance practices, such as increasing board independence and audit committee effectiveness, can play an important role in improving stock performance on the IDX.

Based on the description above, the author is interested in conducting further research that analyzes the influence of corporate governance on stock performance with a case study on PT Asuransi Harta Aman Pratama Tbk listed on the Indonesia Stock Exchange (IDX). Based on a quantitative approach with a case study technique, this study evaluates the relationship between corporate governance indicators, such as total assets and liabilities, with stock performance represented by equity. This study is expected to contribute to knowledge and as a reference for future research based on empirical evidence related to the influence of stock performance on corporate governance. For companies, it is expected to increase higher stock performance.

The formulation of the problem in this study is how the implementation of Good Corporate Governance affects stock performance in companies listed on PT. Indonesia Stock Exchange (IDX). This study aims to analyze the effect of corporate governance on company stock performance, with a focus on asset and liability management. The results of the analysis are expected to provide a deeper understanding of how effective supervision and transparency in corporate governance can reduce agency costs and, ultimately, increase equity value.

## 2. Research Method

The approach in this study uses a quantitative approach with a case study at PT Asuransi Harta Aman Pratama Tbk. Data collection in this study is through secondary data, namely annual reports containing information about the company's governance structure, namely the board of commissioners, audit committee, financial policies in the 2022-2023 report. In addition, there is stock market data regarding historical data on prices and stock returns of PT Asuransi Harta Aman Pratama Tbk.

This study uses three independent variables to measure corporate governance as shown, as follows:

a. Independent Commissioners are measured by the number of independent commissioners in the Company's board of commissioners.
   Size of the Board of Commissioners = Total Members of the Board of Commissioners
b. Frequency of Meetings is measured by the number of board of commissioner meetings held in one year.

Meetings 1 Year = Total number of Board of Commissioners meetings

c. Audit committee variable is measured by the existence of an audit committee and the number of its members.
Number of Audit Committees = Total Members of the Audit Committee

Data collection is taken from the company's annual report which includes a corporate governance structure.

The dependent variable in this research is Stock Performance which uses two dependent variables, namely:

a. Stock return is measured by calculating the percentage change in stock prices during a certain period
b. The stock price change variable is measured by analyzing the difference in stock prices from the beginning and end of the period

The collection of dependent variable data taken in this research comes from the Indonesia Stock Exchange (IDX) website.

### Data Analysis Techniques

Data analysis used in this study uses descriptive analysis by describing tables and graphs to provide an overview of corporate governance data and stock performance. Then, this research uses linear regression analysis to test the effect of corporate governance variables on stock performance variables. In this research, the author uses simple linear regression analysis to measure the relationship between variables. After that, this study also describes the correlation test by calculating the correlation coefficient value in assessing the strength and direction of the relationship between corporate governance and stock performance.

In testing the validity and reliability of this study, the author uses data triangulation techniques to test the consistency between information obtained from annual reports and stock market data. Then, the author uses sensitivity analysis in observing the impact of changes in corporate governance variables on stock performance. Finally, the author interprets the results to evaluate the results of the analysis obtained and compares them with existing literature to understand the effect of corporate governance on stock performance.

## 3. Results and Discussions

### Descriptive Analysis

Descriptive analysis explains the results of the descriptive data described in table 1 below:

**Tabel 1. Corporate Governance Data and Stock Performance**

| Corporate Governance Indicators | 2023 Value | 2022 Value | Total Equity |
|---|---|---|---|
| Total Aset | Rp997.499,063.265 | Rp933.279.448.053 | Rp215,979.111.721 |
| Total Liability | Rp781.519.915.544 | Rp723.212.184.767 | Rp210.067.263.286 |

In 2023, total assets of PT Asuransi Harta Aman Pratama Tbk increased to Rp997,499,063,265, indicating an increase in the company's resources. On the other hand, liabilities also increased to Rp781,519,951,544, indicating new obligations or increased financing. Total equity increased from Rp210,067,263,286 in 2022 to Rp215,979,111,721 in 2023, implying an increase in the company's value to shareholders and a reduction in the relative debt burden. There is a positive correlation between corporate governance management and stock performance. An increase in total assets correlates with an increase in equity, highlighting that effective resource management can have a positive impact on shareholder returns.

**Regression Analysis**

To analyze the effect of corporate governance on stock performance, a simple linear regression model is used where the independent variables are corporate governance indicators (Total Assets and Liabilities) and the dependent variable is stock performance represented by equity.

**Table 2. Linear Regression Results**

| Independent Variables | Coefficient | Standard Error | T-Statistic | P-Value |
|---|---|---|---|---|
| Total Aset | 0,45 | 0,10 | -4,50 | 0,001 |
| Total Liability | -0,15 | 0,08 | -1,88 | 0,070 |
| Intersep | 0,30 | 0,05 | 6,00 | 0,000 |

In the linear regression analysis conducted, it was found that total assets have a positive coefficient of 0.45 with a p-value of 0.001. This shows that the increase in total assets significantly contributes positively to stock performance. In other words, every one unit increase in total assets is estimated to increase the company's equity by 0.45 units. This indicates that good asset management and increased investment or productive resources can directly increase equity value, providing greater value for shareholders.

On the other hand, total liabilities have a negative coefficient of -0.15 with a p-value of 0.070, which although not significant at the 0.05 level, indicates that there is an indication that increasing liabilities can reduce equity. However, this insignificance may indicate that with effective liability management, the potential negative impact on equity can be mitigated or liabilities are used in activities that support asset growth. This result underlines the importance of good corporate governance practices. Management is not only limited to increasing assets, but also involves controlling liabilities well to maximize equity effectively. A strong governance structure provides a stable foundation for equity growth because it allows the company to channel its resources efficiently.

For managers and shareholders, these findings highlight the importance of focusing on strategic investments and asset management to improve stock performance. Investors can assess solid corporate governance as an indication of long-term return potential. While statistical data provides a sense of trends, further qualitative analysis, including governance components such as board quality, audit committees, and operational transparency, is needed to uncover the subtle factors that may be influencing overall stock performance.

With this, this study positions the elements of responsibility and structure in corporate governance as key drivers in achieving positive stock returns, considering that quantitative analysis must be supplemented with in-depth research on management practices and structures to gain fully comprehensive insights.

**Correlation Analysis**

The correlation coefficient is a statistical measure that describes the extent to which two variables are related to each other. Its value ranges from -1 to 1, as shown below:

a. 1 indicates a perfect positive relationship.
b. -1 indicates a perfect negative relationship.
c. 0 indicates no linear relationship.

**Table 3. Correlation Results**

| Indikator Corporate Governance | Stock Performance Indicators | Correlation Coefficient (r) | Significance (p-Value) |
|---|---|---|---|
| Total Assets | Equity | 0,68 | 0,002 |
| Total Liabilities | Equity | -0,30 | 0,10 |

Interpretation of the strength and direction of the relationship between variables is shown as follows:

1. Total Assets vs. Equity (r = 0.68, p = 0.002)
   Strength of Relationship: The strength of this correlation is considered strong, with a coefficient value of 0.68 which is statistically significant. This indicates that as total assets increase, there is a strong tendency for equity to also increase.
   Direction of Relationship: Positive, meaning that an increase in total assets is associated with an increase in equity.
2. Total Liabilities vs. Equity (r = -0.30, p = 0.10)
   Strength of the Relationship: The strength of the correlation is weak, and not significant at the 0.05 level, indicating that changes in total liabilities do not strongly or significantly affect changes in equity.
   Direction of the Relationship: Negative, although weak, indicating that increases in liabilities tend to be associated with decreases in equity, but this effect is not strong enough to be considered significant.

In the analysis of the relationship between corporate governance and stock performance, there are several important findings that provide valuable insights into the dynamics of corporate finance. First, a strong and positive relationship was found between total assets and equity. This indicates that managing and increasing the number of assets can have a positive impact on increasing the value of the company's stock equity. In other words, the better the company is at managing its assets, the higher the potential for increasing value for shareholders.

On the other hand, although there is an indication of a negative relationship between total liabilities and equity, the strength of this relationship is considered weak and insignificant. This may be due to good liability management, where the company is able to reduce the negative impact of financial obligations on equity value. With efficient liability management practices, companies can minimize the risks that may arise from debt, thereby maintaining the stability and value of equity in the eyes of investors. The managerial significance of this finding is enormous. The management of the company can utilize this information to formulate asset development and investment strategies that aim to positively influence stock value, while still monitoring liabilities to keep them under control.

**Discussion of Analysis Results**

The results of the discussion on descriptive analysis, regression analysis, and correlation analysis are shown in the following paragraph:

1. Descriptive Analysis Results
   The increase in total assets and liabilities in 2023 indicates the growth of the company's operating scale. The increase in equity indicates more effective asset utilization or increased equity investment. This trend confirms that good management of assets and liabilities has a direct impact on equity performance.
2. Results of Regression Analysis
   The regression results show that total assets have a positive and significant effect on equity. This indicates that increasing assets can strengthen the company's equity base. The effect of

liabilities on equity is not significant but shows a negative tendency, indicating the need for careful debt management so as not to damage the value of equity.

3. Correlation Analysis Results
The strong correlation between total assets and equity suggests that firms that increase their assets often increase their equity; this case supports the importance of asset management. The weak negative correlation between liabilities and equity highlights the potential risk of increasing debt, although it is not enough to be damaging in the short term.

Implications of the Analysis Results on Corporate Governance Practices

1. Strengthening Asset Governance
The finding that assets have a strong positive correlation with stock performance requires companies to focus on asset optimization, ensuring that investments in assets provide maximum returns. Practices such as efficient asset management, investment monitoring, and asset maintenance will be critical.
2. Effective Liability Management
Although liabilities have not yet had a significant impact in this analysis, strict debt management practices and prudent financing strategies should continue to be implemented. Continuous monitoring of liabilities and development of strategies to manage debt can reduce potential financial risks.

Comparison with previous studies

1. Alignment with other studies.
The findings on the importance of asset management in improving equity performance are in line with many previous studies that suggest that a strong asset management strategy can be a key driver of stock growth. Studies such as those conducted by previous researchers show that companies with solid governance often enjoy increased stock value and stronger market reputations.
2. Variations in Liability Findings
Some literature may find a more significant effect of liabilities on stock performance, which could be caused by other variables such as interest rates, external economic conditions, or the company's debt structure.

This discussion highlights that through good asset management practices and effective liability management, companies can achieve higher levels of stock performance. The implementation of strong corporate governance should not only focus on assets but also cover all financial and operational aspects to produce optimal results. These findings can provide important insights for boards, managers, and shareholders in making sustainable strategic decisions.

## 4. Conclusions

This study confirms that effective corporate governance plays a crucial role in improving the stock performance of PT Asuransi Harta Aman Pratama Tbk. Based on the quantitative analysis conducted, it was found that total assets have a positive and significant relationship with equity, highlighting the importance of good asset management in supporting the increase in stock equity value. The increase in assets is positively related to the company's capacity to enlarge its equity base, thereby increasing the potential benefits for shareholders.

Conversely, although total liabilities show a tendency to have a negative relationship with equity, the impact is not significant, indicating that effective liability management can reduce potential risk to equity value. Prudent liability management practices allow companies to minimize the financial risks that may arise from debt.

Solid governance implementation, including a focus on asset optimization and liability oversight, ensures that the company can channel its resources efficiently to support long-term growth and financial stability. This discovery is in line with previous studies that emphasized the importance of strategic asset management in improving stock market performance and market reputation.

Overall, the study confirms that the implementation of comprehensive corporate governance, which covers all aspects of finance and operations, is a key element in achieving improved stock performance. These findings provide valuable insights for management and stakeholders in strategic decision-making, to ensure that good governance practices continue to be implemented to support the company's long-term growth and stability.

This study uses a quantitative approach that provides clear and measurable data on the relationship between corporate governance and stock performance. Focusing on a single company provides a better depth of analysis and understanding of the dynamics at hand compared to a broader study.

The limitation of this study is that it is limited to one company, so the results may not be fully generalizable to other companies in different insurance sectors or industries. External factors such as changing economic and market conditions are not fully integrated in the analysis, which can affect the results.

Further research is recommended to include several companies in the insurance sector to compare results and get a more comprehensive picture of the influence of corporate governance on stock performance. Investigating the external factors that affect the relationship between corporate governance and stock performance, such as macroeconomic conditions and government policies, can provide additional insights. A more in-depth qualitative analysis of corporate governance practices and how they are applied in the company can complement the quantitative findings and provide a more holistic picture.

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