

PENGARUH GOOD CORPORATE GOVERNANCE DAN STRUKTUR MODAL (DER) TERHADAP KINERJA KEUANGAN (ROA) PADA PERUSAHAAN PERBANKAN YANG TERDAFTAR DI BEI TAHUN 2018-2022

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ABSTRAK

Penelitian ini bertujuan untuk mengetahui pengaruh dewan komisaris, dewan direksi, komite audit, kepemilikan manajerial dan struktur modal terhadap kinerja keuangan pada perusahaan perbankan yang terdaftar di BEI periode 2018-2022. Penelitian ini menggunakan data sekunder. Teknik pengambilan sampel dalam penelitian ini menggunakan purposive sampling. Jumlah sampel dalam penelitian ini sebanyak 43 perusahaan. Penelitian ini menggunakan metode analisis deskriptif dan beberapa jenis evaluasi dengan menggunakan software SmartPLS. Hasil penelitian ini menunjukkan bahwa dewan komisaris berpengaruh positif dan tidak signifikan terhadap kinerja keuangan. Dewan direksi berpengaruh positif signifikan terhadap kinerja keuangan. Komite audit berpengaruh negatif tidak signifikan terhadap kinerja keuangan. Kepemilikan manajerial dan struktur modal berpengaruh negatif signifikan terhadap kinerja keuangan.

Kata Kunci: Kinerja Keuangan; GCG; Kepemilikan Manajerial; Struktur Modal

THE EFFECT OF GOOD CORPORATE GOVERNANCE AND CAPITAL STRUCTURE (DER) ON FINANCIAL PERFORMANCE (ROA) ON BANKING COMPANIES LISTED ON IDX 2018-2022

ABSTRACT

The research purposed to determine the effect of board of commissioners, board of direction, audit committee, managerial ownership and capital structure on financial performance in banking companies listed on the IDX for the 2018-2022 period. This research uses secondary data. The sampling technique in this research used purposive sampling. The number of samples in this study was 43 companies. This research uses descriptive analysis methods and several types of evaluation using SmartPLS software. The results of this research show that the board of commissioners has a positive and insignificant effect on financial performance. The board of directors has a significant positive effect on financial performance. The audit committee have an insignificant negative effect on financial performance. Managerial ownership and capital structure has a significant negative effect on financial performance.

Keywords: Financial Performance; GCG; Managerial Ownership; Capital Structure

INTRODUCTION

A company is an organization led by an individual or a group with specific goals. Companies are influential players in the economy. The modern development of Indonesia's economy has significantly impacted the industrial sector, leading to rapid growth. The economy is a vital factor for society, and hence, Indonesia's economy must continue to improve. This economy development has resulted in the establishment of many new companies. As the economy grows, companies are expected to enhance their performance quality, which is crucial for their survival. Good performance quality indicates a company's health, and the better the performance, the healthier the company. High quality performance also increases public trust in the company.

In the past five years, Indonesia's economy has been unstable, especially in 2020, when it experienced a significant decline compared to the previous year. However, by 2021, the economy had begun to recover and continued to improve in the following years. The instability of Indonesia's economy can impact a company's performance. With economic advancements, companies need to have good management. One way to achieve this is by analyzing a company's financial statements to understand its financial position and prevent fraud.

Financial performance provides a snapshot of a company's financial health and helps determine whether the company is thriving or struggling. Financial performance evaluations are essential for management to fulfill their responsibilities to shareholders (Rahman, 2020).

The financial sector, specifically banking, is the focus of this study because banks play a critical role in a country's economy by managing public funds. In Indonesia, banks operate either conventionally or based on syariah principles. A bank's performance can be evaluated by reviewing its financial statements, which provide both quantitative and qualitative measurements of the company's achievements over a given period.

There are four major banks in Indonesia, Bank Central Asia (BCA), Bank Rakyat Indonesia (BRI), Bank Mandiri, and Bank Negara Indonesia (BNI) that have experienced fluctuating net profits from 2019 to 2020. These fluctuations were primarily due to the COVID-19 pandemic, which severely impacted the Indonesian economy. BCA's net profit in 2019 was IDR 286 trillion, which dropped to IDR 271 trillion in 2020. BRI's net profit declined from IDR 344 trillion in 2019 to IDR 187 trillion in 2020. Mandiri's net profit fell from IDR 275 trillion in 2019 to IDR 171 trillion in 2020. BNI also experienced a drop in net profit from IDR 154 trillion in 2019 to IDR 33 trillion in 2020. This reduction in profits led to a decline in the performance of these banks, which affected their overall health. The COVID-19 pandemic also resulted in an increase in non-performing loans, further reducing bank revenues.

Good financial performance is closely linked to the implementation of Good Corporate Governance (GCG). Better GCG practices lead to improved financial performance. GCG is particularly important in the banking sector because of its crucial role in the economy.

The board of commissioners is responsible for overseeing company operations following GCG principles, monitoring decisions made by the company, and advising the board of directors. The commissioners are tasked with supervising management to ensure they act in the best interest of the company, which can enhance performance (Aprianingsih & Yushita, 2016). This aligns with the findings of Rahmawati et al. (2017), who found that the board of commissioners influences financial performance.

The board of directors is responsible for managing company operations and governance and is appointed by the General Meeting of Shareholders (RUPS). Under the Company Law, directors must be capable of legal actions and must not have been declared bankrupt (Hidayat, 2015). Research by Sejati et al. (2018) also supports the conclusion that the board of directors influences financial performance.

The audit committee is an independent group appointed to oversee the internal control systems of a company. The committee supports the board of commissioners in supervising financial reporting, risk management, audits, and the implementation of corporate governance (Sari et al., 2020). Research by Sari et al. (2020) shows that the audit committee impacts financial performance.

Managerial ownership refers to the portion of a company's shares held by its management, which aligns the interests of shareholders and managers. Higher managerial ownership is expected to lead to better management performance and improved company profitability (Alim & Assyifa, 2019). This is consistent with research by Sari et al. (2020), which shows that managerial ownership affects financial performance.

Capital structure is how companies allocate funds from different sources. An optimal balance between long-term debt and equity can directly affect a company's value. An ideal capital structure enables a company to achieve optimal returns, benefiting both the company and its shareholders (Rahman, 2020). Yuliani (2021) found that capital structure influences financial performance.

LITERATURE REVIEW

Agency, Signalling, and Trade Off Theory

Agency theory is used to explain or resolve conflicts that arise between principals (shareholders) and agents (managers). Agency theory describes a contract in which shareholders appoint agents or managers and delegate decision-making responsibilities to them. Managers, who are more informed about the company's condition, are

expected to maximize operational efficiency while fulfilling their responsibilities (Setiawan & Setiadi, 2020). According to agency theory, if agents have superior information compared to the principals, agency problems can arise, benefitting the agents while disadvantaging the principals. This can lead to agency costs, but these can be minimized through ownership structures, which are part of good corporate governance. Good corporate governance is rooted in agency theory, aiming to ensure that management's actions toward investors are fair and transparent, in line with GCG principles.

Signalling theory is aimed at providing positive signals to investors to facilitate decision-making processes. A positive financial signal for investors is a company's financial statement, which shows whether the company's financial performance is satisfactory. The existence of information asymmetry between management and external parties gives rise to signalling theory. As a result, companies are required to disclose all relevant information, both financial and non-financial, to avoid information asymmetry.

Trade-off theory explains the balance between the benefits and costs associated with debt. According to this theory, the more a company is financed by debt, the greater the risk of financial distress, due to the higher interest costs. This theory is used to understand how a company's financial performance is affected by its capital structure, as indicated by the debt-to-equity ratio.

Good Corporate Governance (GCG)

Good corporate governance (GCG) can be defined as a set of processes, policies, rules, and institutions that influence the management of a company and help manage risks to achieve corporate objectives. By improving governance, companies can enhance long-term shareholder value.

Board of Commissioners

The board of commissioners is responsible for ensuring that good corporate governance principles are implemented within the company. Commissioners are also tasked with overseeing management's actions to improve the company's performance.

Board of Directors

The board of directors is responsible for making decisions on company operations. They are accountable for managing the company, including setting operational policies and being responsible for the overall health of corporate management.

Audit Committee

According to the Indonesian Audit Committee Association (IKAI), the audit committee is formed by the board of commissioners to assist and strengthen the board's oversight function, particularly regarding financial reporting, risk management, audits, and the implementation of good corporate governance in a professional manner.

Managerial Ownership

Managerial ownership is a component of good corporate governance where managers are also shareholders. This involvement encourages managers to act more cautiously when making decisions, as they bear the consequences of their actions. Greater managerial ownership can lead to better management performance, which, in turn, enhances company profitability (Alim & Assyifa, 2019).

Capital Structure

Capital structure is an important factor for a company's growth and sustainability, as it can have a strategic impact on long-term corporate objectives. An optimal capital structure can help maximize profits and maintain the company's competitive edge. Conversely, an inefficient capital structure can increase operational risks and the likelihood of bankruptcy.

Financial Performance

Financial performance analysis is used to assess the effectiveness of financial rules within a company. Performance measurement aims to evaluate a company's progress and generate useful information for management decision-making, ultimately adding value to the company and its stakeholders (Sofi'ah & Amanah, 2019).

Hypothesis Formulation

The Influence of the Board of Commissioners on Financial Performance (ROA)

The board of commissioners acts as a control mechanism that guides the company's governance. They are responsible for providing strategic direction, overseeing company operations, and ensuring that the directors enhance operations in line with corporate goals. Agency theory suggests that proper oversight can minimize conflicts between agents and shareholders. Therefore, it can be concluded that the board of commissioners can improve the quality of financial reporting, preventing fraud. This is consistent with research by Rahmawati et al.

(2017) and Haryani & Susilawati (2023), who found that the board of commissioners has a positive influence on financial performance. However, Tertius & Christiawan (2015) found that the board of commissioners has no effect on financial performance.

H₁: The Board of Commissioners has a positive effect on Financial Performance (ROA).

The Influence of the Board of Directors on Financial Performance (ROA)

The board of directors is appointed to manage the company's operations. They play a crucial role in implementing good corporate governance, performing duties in line with corporate objectives, and managing external relations. The effectiveness of a company's operations can be influenced by the number of directors, as higher-quality work from the board can lead to improved performance. The board of directors can also help reduce agency problems by using their authority to set effective corporate policies, thus improving financial performance. This is supported by studies from Kartikasari (2017), Khoirunnisa & Karina (2021), and Aprila et al. (2022), which found that the board of directors has a positive influence on financial performance. However, Intia & Azizah (2021) found no significant impact.

H₂: The Board of Directors has a positive effect on Financial Performance (ROA).

The Influence of the Audit Committee on Financial Performance (ROA)

The audit committee serves as an extension of the board of commissioners to implement good corporate governance principles. The committee assists the board in managing the company. Having more members on the audit committee enhances management oversight and reduces opportunities for financial misreporting. This also improves the quality of reported earnings and, subsequently, financial performance. Studies by Putra & Fidiana (2017) and Syadeli & Sa'adah (2021) found that the audit committee positively influences financial performance. However, Ngedo et al. (2019) found no effect.

H₃: The Audit Committee has a positive effect on Financial Performance (ROA).

The Influence of Managerial Ownership on Financial Performance (ROA)

Managerial ownership refers to the involvement of managers as shareholders in a company. This type of ownership aligns the interests of management with those of other shareholders, motivating managers to maximize company performance and minimize conflicts of interest. The greater the managerial ownership, the more incentivized the management is to carry out their responsibilities diligently and avoid financial misreporting. Research by Hermiyetti & Katlanis (2016) shows that managerial ownership positively influences financial performance. However, Sejati et al. (2018) found no significant effect.

H₄: Managerial Ownership has a positive effect on Financial Performance (ROA).

The Influence of Capital Structure (DER) on Financial Performance (ROA)

Capital structure is a critical financial decision for corporate managers to improve profitability and financial performance. Capital structure can be viewed in terms of its use in company operations, debt utilization, and the issuance of equity. Companies that rely on higher levels of debt tend to experience faster growth and better financial results. Research by Rahman (2020) and Ningsih & Utami (2020) indicates that capital structure has a positive influence on financial performance. However, Hasti et al. (2022) found no significant effect.

H₅: Capital Structure (DER) has a positive effect on Financial Performance (ROA).

RESEARCH METHODOLOGY

Based on previous theories and research, the relationship between the board of commissioners, board of directors, audit committee, managerial ownership, and capital structure on financial performance can be seen in Figure 1 below

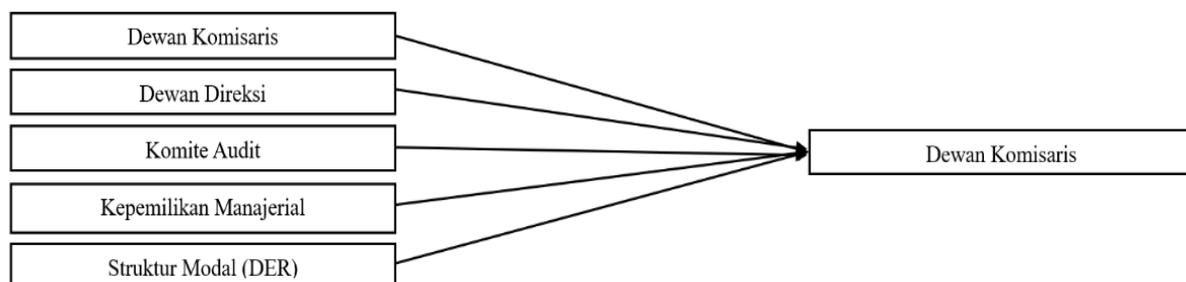


Figure 1. Theoretical Framework

Research Framework

Research Location and Time

This research was conducted using data from websites such as Indonesia Stock Exchange (IDX) and other relevant sources, focusing on data from banking companies. The research period is from August 2023 to January 2024.

Population and Sample

The population in this study consists of banking companies listed on the IDX during the 2018-2022 period. A total of 47 companies were selected as the population, and the sampling technique used was purposive sampling. The final sample consisted of 43 companies, excluding companies that conducted an IPO after 2018.

Table 1. Sample Selection Criteria

No	Sample Selection Criteria	Num. of Companies
1	Banking Companies listed on the Indonesian Stock Exchange	47
2	Banking Companies that conducted an IPO after 2018	(4)
Total		43

Operational Research Variables

In this study, the independent and dependent variables used consist of:

Board of Commisioners (X₁)

The board of commisioners is measured using the formula:

$$UKKOM = \sum \text{ number of board of commisioners members}$$

Board of Directrors (X₂)

The board of directors is measured using the formula:

$$UKDIR = \sum \text{ number of board of directors members}$$

Audit Committee (X₃)

Audit Committee is measured using the formula:

$$KOMITE AUDIT = \sum \text{ number of audit commitee members}$$

Managerial Ownership (X₄)

Managerial Ownership is measured using the formula:

$$\text{Managerial Ownership} = \frac{\text{Number of Managerial Shares}}{\text{Total Outstanding Shares}}$$

Capital Structure (X₅)

Capital Structure is measured using the formula:

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Financial Performance (Y)

Financial Performance is measured using the formula :

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Data Analysis Techniques

Descriptive Analysis

Descriptive analysis is a statistical technique that uses mean, minimum value, maximum value, and standard deviation to describe or present sample data in a more easily understandable form.

Multicollinearity Test

The multicollinearity test aims to determine whether there is a correlation between independent variables in the regression model. A good test result indicates no high correlation between independent variables. Multicollinearity can be identified based on the tolerance value and the Variance Inflation Factor (VIF) value, where if the tolerance

value is greater than 0.10 and the VIF value is less than 10, it is concluded that there is no multicollinearity between the independent variables in the regression model.

Coefficient of Determination (R^2) Test

The coefficient of determination test shows how much influence the independent variables have on changes in the dependent variable simultaneously. The coefficient of determination value ranges from 0 to 1. A low coefficient value may indicate the limited ability of independent variables to explain the dependent variable. In contrast, a coefficient value close to 1 suggests that the independent variables provide almost all the information needed to predict the dependent variable.

Path Analysis

According to Ghodang (2020), path analysis is a technique used to determine the cause-and-effect relationships in multiple regression, where independent variables influence the dependent variable either directly or indirectly.

Partial Test (Hypothesis Test)

According to Wulandari et al. (2020), a partial test shows how much influence each independent variable—such as the board of commissioners, board of directors, audit committee, managerial ownership, and capital structure—has on explaining variations in the dependent variable. The partial test can be conducted with the following criteria: If $\text{Sig } t < 0.05$, then H_0 is rejected, and H_a is accepted. This indicates a significant influence of the independent variable on the dependent variable partially. If $\text{Sig } t > 0.05$, then H_0 is accepted, and H_a is rejected. This indicates no significant influence of the independent variable on the dependent variable partially.

RESULT AND DISCUSSION

Descriptive Analysis

Table 2. Descriptive Analysis And Frequency Distribution

	Mean	Minimum	Maximum	Standard Deviation
Board of Commissioners	4.767	2.000	15.000	2.382
Board Of Directors	6.242	3.000	17.000	2.739
Audit Committee	3.842	2.000	10.000	1.175
Managerial Ownership	0.003	0.000	0.240	0.018
(DER)	5.083	0.139	16.079	3.043
(ROA)	0.005	-0.258	0.091	0.034

Board of Commissioners

The minimum value for the board of commissioners is 2, which was recorded by companies such as Bank KB Bukopin Tbk (BBKP), while the maximum value of 15 was recorded by Bank Rakyat Indonesia (BBRI). The average value is 4.767, indicating that most companies have a sufficient number of commissioners to oversee the board of directors and audit committee. The standard deviation is 2.382.

Board of Directors

The minimum value for the board of directors is 3, found in companies such as Bank KB Bukopin Tbk (BBKP). The maximum value of 17 was recorded by Bank Mandiri (BMRI). The average value is 6.242, showing that the directors are generally effective in policy-making, and the standard deviation is 2.739.

Audit Committee

The audit committee's minimum value is 2, observed in companies like Allo Bank Indonesia Tbk (BBHI), while the maximum value of 10 was found in Bank Syariah Indonesia (BRIS). The average audit committee size is 3.842, which is in line with the minimum requirement of three members, with a standard deviation of 1.175.

Managerial Ownership

The minimum value for managerial ownership is 0%, observed in companies like Bank Ganesha Tbk (BGTG), Bank Maybank Indonesia Tbk (BNII), and Bank Mega Tbk (MEGA). The maximum managerial ownership of 24% was found in Bank Jago Tbk (ARTO). The average managerial ownership is 0.003%, indicating that a very small portion of shares is owned by management, with a standard deviation of 0.018.

Capital Structure (DER)

The minimum capital structure value is 0.139, found in Bank Pan Indonesia Tbk (PNBN), while the maximum value is 16.079, observed in Bank Tabungan Negara (BBTN). The average capital structure is 5.083, with a standard deviation of 3.043.

Financial Performance (ROA)

The minimum ROA value is -0.258, recorded by Bank KB Bukopin Tbk (BBKP), while the maximum ROA value of 0.091 was achieved by Bank BTPN Syariah Tbk (BTSPS). The average ROA is 0.005, with a standard deviation of 0.034.

Multicollinearity Test

The multicollinearity test results indicate that there is no high correlation between independent variables in the regression model, as all tolerance values are greater than 0.10, and all VIF values are below 10.

Coefficient of Determination (R²)

The adjusted R-squared value of the independent variables (Board of Commissioners, Board of Directors, Audit Committee, Managerial Ownership, and Capital Structure) on Financial Performance is 0.074, indicating that 7.4% of the variance in financial performance is explained by these variables, while the remaining 92.6% is explained by other factors not examined in this study.

Path Analysis

Table 3. Results of the Path Analysis

Variabels	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Conclusion
DK→ROA	0.056	0.034	0.161	0.348	0.728	Not Significant
DD→ROA	0.236	0.244	0.098	2.401	0.016	Significant
KA→ROA	-0.169	-0.147	0.146	1.158	0.247	Not Significant
KM→ROA	-0.077	-0.075	0.038	2.014	0.044	Significant
DER→ROA	-0.164	-0.172	0.068	2.419	0.016	Significant

Based on the data above, the research analysis model can be concluded as follows:

$$ROA = 0,056X_1 + 0,236X_2 - 0,169X_3 - 0,077X_4 - 0,164X_5$$

Hypothesis Testing (t-test)

The Influence of the Board of Commissioners on Financial Performance (ROA)

Based on Table 3 of the Multiple Linear Regression, it is shown that the Board of Commissioners variable has a P Value of 0.728, while the alpha is set at 0.05 (P Value 0.728 > 0.05). It can be concluded that Ho is accepted, and Ha is rejected. This indicates that the Board of Commissioners does not influence Financial Performance.

The Influence of the Board of Directors on Financial Performance (ROA)

Based on Table 3 of the Multiple Linear Regression, it is shown that the Board of Directors variable has a P Value of 0.016, while the alpha is set at 0.05 (P Value 0.016 < 0.05). It can be concluded that Ho is rejected, and Ha is accepted. This indicates that the Board of Directors has an influence on Financial Performance.

The Influence of the Audit Committee on Financial Performance (ROA)

Based on Table 3 of the Multiple Linear Regression, it is shown that the Audit Committee variable has a P Value of 0.247, while the alpha is set at 0.05 (P Value 0.247 > 0.05). It can be concluded that Ho is accepted, and Ha is rejected. This indicates that the Audit Committee does not influence Financial Performance.

The Influence of Managerial Ownership on Financial Performance (ROA)

Based on Table 3 of the Multiple Linear Regression, it is shown that the Managerial Ownership variable has a P Value of 0.044, while the alpha is set at 0.05 (P Value 0.044 < 0.05). It can be concluded that Ho is accepted, and Ha is rejected. This indicates that Managerial Ownership negatively influences Financial Performance.

The Influence of Capital Structure (DER) on Financial Performance (ROA)

Based on Table 3 of the Multiple Linear Regression, it is shown that the Capital Structure variable has a P Value of 0.016, while the alpha is set at 0.05 (P Value 0.016 < 0.05). It can be concluded that Ho is accepted, and Ha is rejected. This indicates that Capital Structure (DER) negatively influences Financial Performance.

The Influence of the Board of Commissioners on Financial Performance (ROA)

The test results show that the board of commissioners does not influence financial performance. The average value of the board of commissioners is 4.767, indicating that the board is not sufficient to provide supervision over the directors and audit committee to achieve the company's objectives. This does not support agency theory, which states that the board of commissioners can minimize agency problems and reduce agency costs. These results are in line with the research conducted by Honi et al. (2020) and Yuliyanti & Cahyonowati (2023), which found that the board of commissioners does not influence financial performance. However, this contradicts the study by Rahmawati et al. (2017), which found that the board of commissioners has a significant influence on financial performance.

The Influence of the Board of Directors on Financial Performance (ROA)

The test results show that the board of directors influences financial performance. The average value of the board of directors is 6.242, indicating that the directors are effective in making policies for the success of the company. This supports agency theory, which states that the board of directors influences the company's operations, as proper decision-making can improve financial performance. These results are consistent with the research conducted by Khoirunnisa & Karina (2021), Haryani & Susilawati (2023), and Septiana & Aris (2023), which found that the board of directors influences financial performance. However, it contradicts the research by Yuliyanti & Cahyonowati (2023), which found that the board of directors does not influence financial performance.

The Influence of the Audit Committee on Financial Performance (ROA)

The test results show that the audit committee does not influence financial performance. The average value of the audit committee is 3.842, indicating that it does not meet the OJK regulation requiring companies to have a minimum of three audit committee members. This does not support agency theory, which states that the audit committee is effective in enhancing oversight and reducing agency costs. These results are in line with the studies conducted by Gemilang & Wiyono (2022) and Subiyanto & Amanah (2022), which found that the audit committee does not influence financial performance. However, they contradict the research by Sarafina & Saifi (2017), which found that the audit committee has a significant influence on financial performance.

The Influence of Managerial Ownership on Financial Performance (ROA)

The test results show that managerial ownership has a significant negative effect on financial performance. The average managerial ownership is 0.003, indicating that only a small portion of the company's shares is owned by management. This supports agency theory, which states that managerial ownership cannot minimize agency problems due to the presence of managers owning shares. These results are consistent with the research conducted by Suciati (2019) and Irsyad (2022), which found that managerial ownership has a negative and significant effect on financial performance. However, it contradicts the study by Hermiyetti & Katlanis (2016), which found that managerial ownership has a positive and significant effect on financial performance.

The Influence of Capital Structure (DER) on Financial Performance (ROA)

The test results show that capital structure has a significant negative effect on financial performance. The average capital structure (DER) is 5.083, indicating that the use of debt in the capital structure does not improve financial performance. This contradicts trade-off theory, which states that increasing debt will enhance company performance. These results are consistent with the studies by Kristianti (2018) and Dewi et al. (2018), which found that capital structure (DER) has a negative and significant effect on financial performance. However, they contradict the study by Pratiwi & Winarsih (2022), which found that capital structure (DER) has a positive but insignificant effect on financial performance.

CONCLUSION

The board of commissioners does not influence financial performance, as the total number of commissioners is not sufficient to allow the company to achieve good performance. This may also be due to the lack of supervision from the board of commissioners over management performance. Agency theory, which states that the board of commissioners can minimize agency problems and reduce agency costs, has not been fully implemented in the company, so it has not improved financial performance. The board of directors influences financial performance, where each increase in the number of directors leads to an improvement in financial performance. A larger board of directors positively impacts the company because task distribution becomes clearer. The audit committee does not influence financial performance, as the company has not yet met the requirement of having a minimum of three audit committee members. Agency theory, which suggests that the audit committee is effective in enhancing company oversight, has not been maximally applied, so it does not affect the company's financial performance. Managerial ownership has a negative and significant effect, where the negative result indicates that as managerial

ownership increases, financial performance decreases. High managerial ownership cannot align the interests of management and shareholders, preventing the company from achieving its goal of improving financial performance. Capital structure has a negative and significant influence on financial performance, where the improper use of debt in the capital structure does not improve the company's financial performance.

The limitations of this research include issues with the data, as it is not normally distributed, and not all company activities are disclosed in financial and annual reports, requiring the search for additional sources.

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