

The Effect of Implementing Good Corporate Governance on Company Performance in Banking Companies Listed on the IDX

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ABSTRACT

Objective: This research aims to examine the effect of implementing good corporate governance (GCG) on company performance, especially in the banking sector listed on the IDX for the 2020–2022 period. The independent variables used are the Independent Board of Commissioners, Board of Directors, Audit Committee, and Managerial Ownership with the dependent variable Return On Assets (ROA). **Method:** The sampling technique used was purposive sampling and a sample of 81 was obtained. Data collection used secondary data taken from www.idx.co.id. The data analysis technique uses linear multiple regression analysis. **Result:** The research results show that the independent board of commissioners, board of directors, and audit committee have a significant positive influence on company performance. In contrast, managerial ownership did not show a significant influence on company performance in this study. **Novelty:** The novelty of this study lies in its specific focus on the banking sector listed on the IDX during the 2020–2022 period, providing empirical evidence of how different components of good corporate governance contribute to company performance, particularly emphasizing the stronger impact of institutional governance mechanisms compared to managerial ownership.

INTRODUCTION

Rapid developments in the times and technology have had an impact on the business world. One of these impacts is extremely fierce and competitive business competition. Every company strives to improve its performance so that it is viewed favorably, especially by potential investors, shareholders, and other stakeholders [1]. A company's ability to achieve its profit targets indicates that its performance is running well. The better the company's performance, the better the stakeholders' view of the company. This is because, in general, the profits earned by a company will give the impression that the company is capable of maintaining and increasing its growth and can provide prosperity for its stakeholders [2]. Looking at the increasingly fierce competition in the banking world today, companies are competing to increase their competitiveness. Therefore, banking companies must be able to maintain their performance, as this is a measure of success in bank management.

Based on data [3], banking performance has increased over the last two years after being affected by the Covid-19 pandemic, which caused an economic crisis in Indonesia. This can be seen from the increasing movement of banking company share prices. There are several factors that cause stock prices to fluctuate, both internal and external. The factors that are in the spotlight are PBV (Price to Book Value), EPS (Earnings Per Share), and the company's profit margin. One example is Bank Negara Indonesia (BNI). Based on annual data [4], PT Bank Negara Indonesia (BNI) experienced a share price increase

of up to IDR 10,326 per share in the third quarter of 2023. This increase in share price was supported by a 14.2% increase in net profit, reaching IDR 20.90 trillion. With the increase in share price, BNI conducted a stock split with a ratio of 1:2, whereby after the stock split, the share price per share became Rp5,225. This was done so that the number of shares in circulation would increase and the price per share would decrease, making it cheaper and more accessible to investors [5]. With this situation, Bank BNI proved that the company was able to produce better company performance so that it could provide optimal value for stakeholders, especially shareholders.

Company performance is a reflection of a company's financial condition. In banking companies, analyzing financial statements by calculating financial ratios can help management assess the performance of banking companies, whether the company's operational activities have been successful or not [6]. Measuring company performance is very important because these measurements will be used as a standard for a company's success during a certain period, and the results can be used as guidelines for improvements to enhance company performance [7]. Company performance can be measured using financial ratios, one of which is ROA (Return On Assets), which is a type of profitability ratio. ROA is an important tool for assessing how efficiently a company generates profits through its assets. The reason for using ROA analysis is that business owners and investors can evaluate how well a company manages its resources, thereby assisting in effective decision-making. ROA is also used to assess their position in the market by comparing the company's ROA value with that of its competitors. The higher the ROA value, the higher the company's profits and the better the company's performance in terms of asset utilization. This can attract investors to trade shares because when profits increase, share prices also increase. Conversely, if the ROA value is low or negative, the company is experiencing losses, indicating that the company's assets are not yet capable of generating profits [8].

GCG stands for Good Corporate Governance, which refers to sound corporate management practices aimed at gaining the trust of stakeholders in the company. The Forum Corporate Governance in Indonesia (FCGI) defines governance as a set of rules that connect both external and internal stakeholders in relation to their rights and obligations [9]. By implementing good corporate governance, company management will find it easier to make decisions, increase the company's efficiency, and maintain relationships with stakeholders. Therefore, companies that implement good corporate governance in terms of finance or operations are considered to have better performance [10]. The banking business is tied to the economy and society. A bank's reputation is essential to attract public interest in the bank itself and build trust in using banking services [11]. In Indonesia, there have been numerous cases of corruption, embezzlement, and fraud committed by bank employees themselves as a result of companies' failure to implement good corporate governance. In banking, the implementation of good corporate governance is expected to reduce the risk of fraud that benefits personal interests [12].

Basically, the first concept of GCG is internal balance, which includes harmony between company organs related to institutional structure and operational mechanisms. The second is external balance, which includes all company responsibilities to stakeholders and the community [13]. In this study, the researcher used four variables to measure GCG, namely the independent board of commissioners, the board of directors, the audit committee, and managerial ownership. The independent board of commissioners acts as a supervisor and a balancing force between the interests of related stakeholders. The board of directors is responsible for the management and administration of the company's interests. The audit committee has the function of assisting the board of commissioners in carrying out its responsibilities to stakeholders. Managerial ownership means that management has a dual role as manager and shareholder, which can influence decision-making [14]. The importance of alignment between the company's management, independent board of commissioners, board of directors, audit committee, and managerial ownership in running company activities, especially in terms of financial performance, is expected to result in efficient and effective company performance. The relationship between these GCG variables is interrelated in maximizing company performance. The proportion of independent commissioners, the structure of the board of directors, the audit committee, and effective managerial ownership reflect the application of the principles of accountability, transparency, and good governance. The implementation of good GCG helps ensure that companies are managed ethically and accountably, which supports the strengthening of strong institutions and systems. This supports the establishment of strong and accountable institutions, in line with the objectives of Sustainable Development Goals (SDGs) point 16. GCG supports the achievement of SDGs 16 by strengthening integrity, accountability, and transparency in business and organizational practices.

The Independent Board of Commissioners has the function of supervising the company's operational activities regarding the implementation of GCG. The independent board of commissioners can influence the company's performance because it has the authority to supervise and advise on the company's survival to the management, and independent commissioners also act as a bridge in the event of a dispute between internal managers [15]. The results of research gap regarding the influence of the independent board of commissioners on company performance in the research results [16] state that the independent board of commissioners has an influence on company performance. Meanwhile, research [17] states that the independent board of commissioners has no influence on company performance. This could be due to the lack of performance of the independent board of commissioners in supervising work that could harm the company.

The Board of Directors is one of the company's organs that plays an important role in the implementation of GCG in the company and is considered the main key to success in applying GCG principles. The Board of Directors has the task of being responsible for making decisions related to policy, finance, operations, and the strategic direction of the company. Research [18] states that the board of directors has a positive effect on ROA. This means that the more members of the board of directors in a company, the better the

company's operations will be, which will in turn affect the company's performance. This is in contrast to study [19], which states that the board of directors has no effect on company performance (ROA). This suggests that the size of the board of directors does not guarantee effectiveness in managing company operations. Good and honest board performance will improve company performance, which in turn will have a positive impact on the company's performance.

The Audit Committee is a body formed by the board of commissioners to assist in auditing the implementation of the board of directors' duties in the company's operational activities, especially for improving the quality of financial reports. In conducting audits, the audit committee must be independent so that transparency of accountability can be relied upon, and the audit committee is expected to reduce fraud that could affect the company's performance [20]. Researchers found differences of opinion in the results of previous studies. Research [21] states that the audit committee has a positive and significant effect on company performance. Meanwhile, research [22] shows that the audit committee has a negative and insignificant effect on company performance. The results of this study mention that if the audit committee is weak, there will be a lack of control and effectiveness, which can affect company performance, causing it to decline.

Managerial ownership refers to the number of shares owned by the company's management. A company's performance can be said to be optimal if it has managerial ownership. This is because managers who are owners of the company can directly control the management of the company. [23]. Researchers found a gap regarding the influence of managerial ownership on company performance. Research [24] states that there is a positive influence of managerial ownership on company performance, which means that management has an internal interest in ROA. The results of research conducted [25] show that there is no influence of managerial ownership on company performance. This may be because the number of shares owned by management is small, so that management is inflexible and slow in decision-making, because other shareholders, or in other words, shareholders who own more shares than management itself, will influence and supervise management performance.

GCG is stated in Agency Theory. According to Jensen and Meckling (1976) in [26], agency theory is the relationship between the principal (shareholders) and the agent (company management). This theory encourages the emergence of the concept of Good Corporate Governance, which is expected to minimize undesirable things in company management through supervision of the agents' performance. GCG assures principals (shareholders) that agents (company management) will work in accordance with their duties and responsibilities for the benefit of the company, thereby ensuring that invested funds will be managed properly [27]. The different attitudes and interests of principals and agents cause problems that are detrimental to the company, so that governance plays an important role as a control mechanism for the company. With the help of the board of directors, internal and external auditors can minimize problems arising in the principal-agent relationship [28].

This study is an update of a previous study [2]. What distinguishes this study from the previous one is the sampling data used with the year of the study and the addition of independent variables. This researcher collected sample data from banking companies listed on the IDX for the 2020-2022 period, which is a continuation from the previous year, to determine the effect of GCG on company performance in that year. This study adds Managerial Ownership as an independent variable to determine its effect on company performance. Based on the above background, this study aims to determine the effect of the number of independent commissioners, board of directors, audit committee, and managerial ownership on the performance of banking companies listed on the IDX for the period 2020-2022. Therefore, the researcher is interested in conducting research with the title "The Effect of Good Corporate Governance Implementation on Company Performance in Banking Companies Listed on the IDX".

Hypothesis Development

The Influence of Independent Boards of Commissioners on Company Performance

According to agency theory, an independent board of commissioners can reduce problems that arise with agents because the power wielded by managers can be balanced through oversight mechanisms. This oversight mechanism will encourage management to disclose more information. Independent boards of commissioners must be independent, not involved in the management of the company, and free from the influence of parties with personal interests. If independent boards of commissioners do not act independently in carrying out their duties, then the board of commissioners will not influence the company's performance. The larger the number of independent commissioners, the more optimal their independence, and the more efficient the company's performance [15]. This is in line with research [16] which states that independent boards of commissioners influence company performance.

H1: Independent Boards of Commissioners Influence Company Performance

The Influence of the Board of Directors on Company Performance

The board of directors consists of individuals elected by shareholders to supervise and manage company affairs. Agency theory states that managers are responsible for managing the company. Therefore, the board of directors is formed to ensure effective management of the company and to guarantee its success and sustainability. The board of directors plays an important role in setting strategies and making decisions in line with company targets [2]. The larger the number of board members as agents, the higher the company's performance, including increased profits [29]. This is in line with research conducted [2], [18], and [29], which states that the board of directors has a positive effect on company performance, meaning that the board of directors, in carrying out its duties, is able to achieve company targets and performance goals.

H2: The Board of Directors Affects Company Performance

The Impact of Audit Committees on Company Performance

Agency theory explains that a company needs an audit committee to conduct supervision. An effective and efficient audit committee has the function of improving control over personal desires so that administrative agency conflicts can be minimized. If

the audit committee performs its duties well, management accountability transparency can be relied upon. With an independent and competent audit committee, the effectiveness of GCG implementation and financial reporting processes can be ensured, thereby reducing fraud that could affect company performance. [20]. This is in line with research conducted by [21] and [30], which states that audit committees influence company performance.

H3: Audit Committees Influence Company Performance

The Effect of Managerial Ownership on Company Performance

In agency theory, managerial ownership can reduce agency conflicts that arise within a company. Shareholders have direct access to company performance, so they can ensure that their investments are performing well. The greater the number of shares owned, the greater the position in company decision-making [31]. When company leaders also act as shareholders, there is a commonality of purpose between principal and agent. This can lead to an increase in company profits [23]. This is in line with studies [24] and [32], which state that managerial ownership affects company performance, meaning that the proportion of shares owned by management that plays an active role in decision-making affects company performance.

H4: Managerial Ownership Affects Company Performance

Conceptual Framework

The conceptual framework regarding the influence of good corporate governance on company performance in banking companies listed on the IDX in this study is described as follows:

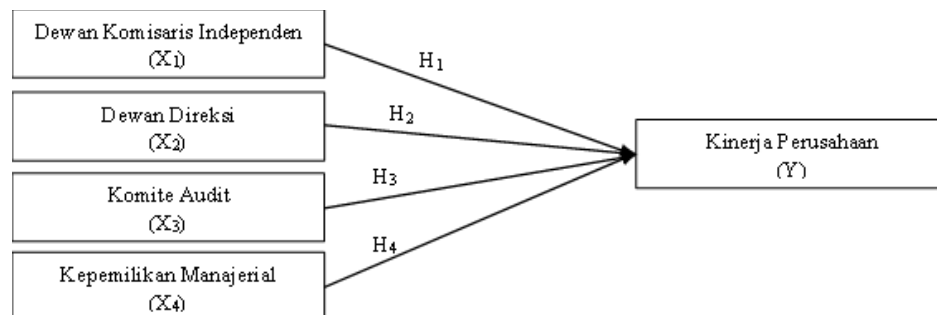


Figure 1. Conceptual Framework.

RESEARCH METHOD

Type of Research

This type of research is classified as quantitative research. Quantitative research refers to the calculation of numerical data, relying on objective measurements and mathematical analysis to prove hypotheses. The purpose of this research is to determine the influence between variables, which are then tested using hypotheses. The object used in this study is banking companies listed on the IDX for the 2020-2022 period.

Data Type and Source

The type of data used is quantitative data. The data source in this study is secondary data. Secondary data is data obtained indirectly by researchers. This data can be obtained through documents, websites, books, and existing sources. The data sources in this study

came from the annual reports and financial reports of banking companies listed on the Indonesia Stock Exchange (IDX). The researcher obtained data from various sources, including the official website of the Indonesia Stock Exchange (IDX) at www.idx.co.id, the official websites of the companies studied, and previous research results such as journals or articles relevant to the topic of this study.

Population and Sample

The population is the entirety of the objects to be studied, while the sample is a subgroup or a small part of the population. The population used by the researcher was banking companies listed on the IDX for the 2020-2022 period. The sampling technique used in this study was purposive sampling. Purposive sampling is a sampling technique based on specific criteria that are relevant to the research topic. The criteria for sample selection in this study are described in Table 1 as follows:

Table 1. Sample Criteria.

Sample Criteria	Number
Banking companies listed on the Indonesia Stock Exchange (IDX) in 2020-2022	47
Sample Criteria:	
1. Banking companies not listed on the Indonesia Stock Exchange in 2020-2022	(2)
2. Banking companies that did not provide consecutive financial and annual reports in the 2020-2022 period	(13)
3. Companies that did not produce Good Corporate Governance reports in the 2020-2022 period	(5)
Number of research samples	27
Research period	3
Total data to be studied	81

Source: Author

Operational Definitions and Variable Measurements

Table 2. Operational Definitions and Variable Measurements.

Description	Variable	Operational Definition	Measurement	Reference
Independent	Independent Board of Commissioners (X ₁)	The Independent Board of Commissioners consists of members who have no relationship with any party, especially management or stakeholders, so that they can act independently and solely in the interests of the company.	DKI = $\frac{\sum \text{Independent Board of Commissioners}}{\sum \text{Board of Commissioners Members}} \times 100\%$	[16]

	Board of Directors (X ₂)	The board of directors is the company organ that is fully responsible for the company's operations and represents the company both internally and externally for the benefit of the company.	$DD = \sum \text{Members of the Board of Directors}$	[29]
	Audit Committee (X ₃)	The audit committee is an institution formed to assist the board of commissioners in improving the quality of financial reports, performing supervisory functions, creating controls, and maintaining the effectiveness and efficiency of audits.	$KA = \sum \text{Audit Committee Members}$	[21]
	Managerial Ownership (X ₄)	Managerial ownership is the level of share ownership by management. Management also participates in the company's investments and decision-making.	$KM = \frac{\sum \text{Shares owned by management}}{\text{Total Shares}} \times 100\%$	[23]
Dependent	Company Performance (Y)	Company performance is a measure used by companies to determine their achievements using financial or other information.	$ROA = \frac{\text{Net Profit}}{\text{Total Asset}}$	[20]

Source: Author

Data Analysis Techniques

The analysis technique used in this study was multiple linear regression for hypothesis testing. The researcher used Statistical Program for Special Science (SPSS) version 26 software to assist in data processing.

Multiple Linear Regression Analysis

Multiple linear regression analysis is a regression model involving two or more independent variables. The purpose of this analysis is to determine the direction of the relationship between each independent variable and the dependent variable, whether it is positive or negative [2]. The researcher used this analysis because four independent variables were used. The following is the regression model used in this study:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Explanation:

Y = Company Performance (ROA)

a = Constant

b₁, b₂, b₃ = Regression coefficients for each variable

X₁ = Independent Board of Commissioners

X₂ = Board of Directors

X₃ = Audit Committee

X₄ = Managerial Ownership

e = Standard error

Hypothesis Testing

Hypothesis testing is conducted to prove the validity of a statement and provide a basis for decision making based on a population or sample data that has been collected [33]. Hypothesis testing in this study was conducted using the coefficient of determination (R²) and partial significance test (t-test).

1. Coefficient of Determination Test (R²)

The coefficient of determination (R²) test is a measuring tool used to measure the extent of the influence of independent variables on dependent variables. The R² value is 0-1. The higher the R² value, or in other words, the closer it is to 1, the greater the influence of X on Y. Conversely, if the R² value is 0, this indicates that there is no influence of X on Y [34].

2. Partial Significance Test (t-test)

The partial significance test (t-test) is a measure used to test whether independent variables have a partial (individual) effect on the dependent variable. If the t-test significance value is < 0.05, it indicates that the hypothesis is accepted, meaning that the independent variables have a partial significant effect on the dependent variable. Conversely, if the t-test significance value is > 0.05, then there is no significant partial effect between the independent variable and the dependent variable [20].

RESULTS AND DISCUSSION

Results

Descriptive Statistics

Table 3. Descriptive Statistics

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
Independent Board of Commissioners	81	.36	1.10	.5726	.16051
Board of Directors	81	1.10	2.49	1.9190	.39711
Audit Committee	81	3.00	8.00	4.1111	1.31339
Managerial Ownership	81	.00	.10	.0059	.01546
ROA	81	.01	.96	.3812	.22955
Valid N (listwise)	81				

Source: Data processed using SPSS version 26 (2024)

Based on the results of descriptive statistical tests, this study involved 81 samples. The following are details of several variables studied: The Independent Board of Commissioners had a minimum value of 0.36 and a maximum value of 1.10, with a mean of 0.5726 and a standard deviation of 0.16051. The Board of Directors showed a minimum value of 1.10 and a maximum value of 2.49, with a mean of 1.9190 and a standard deviation of 0.39711. The Audit Committee recorded a minimum value of 3.00 and a maximum value of 8.00, with a mean of 4.1111 and a standard deviation of 1.31339. Managerial Ownership has a minimum value of 0.00 and a maximum value of 0.10, with a mean of 0.0059 and a standard deviation of 0.01546. ROA (Return on Assets) shows a minimum value of 0.01 and a maximum value of 0.96, with a mean of 0.3812 and a standard deviation of 0.22955.

Classical Assumption Test

Normality Test

Table 4. Normality Test.

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		81
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.15874844
Most Extreme Differences	Absolute	.084
	Positive	.084
	Negative	-.041
Test Statistic		.084
Asymp. Sig. (2-tailed)		.200 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: Data processed using SPSS version 26 (2024)

The normality test in Table 4 shows a Kolmogorov-Smirnov test value of 0.200 (>0.05), so it can be concluded that the data is normally distributed.

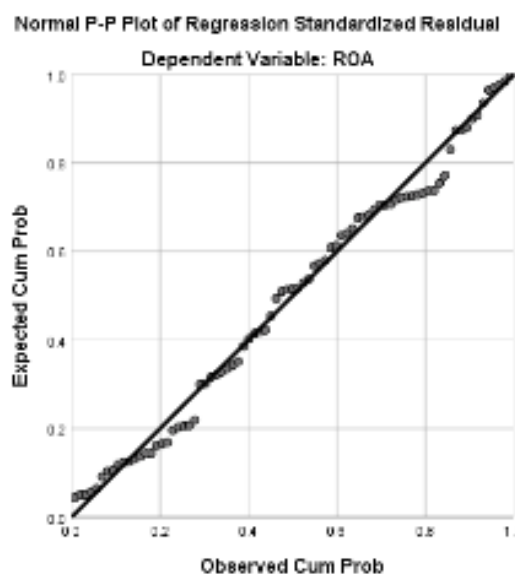


Figure 2. Plot of Regression Residual.

Source: Data processed using SPSS version 26 (2024)

In addition, the normality test is also supported by the Plot of Regression Residual, where if the data points on the plot are close to the diagonal line, then the data is normally distributed. The normal probability plot graph from this study shows that the data distribution is along the diagonal line and follows the pattern of the line well, so it can be concluded that the data is normally distributed.

Multicollinearity Test

Table 5. Multicollinearity Test.

Coefficients ^a		Collinearity Statistics	
Model		Tolerance	VIF
1	Independent Board of Commissioners	.935	1.069
	Board of Directors	.763	1.311
	Audit Committee	.761	1.314
	Managerial Ownership	.969	1.032

a. Dependent Variable: ROA

Source: Data processed using SPSS version 26 (2024)

Based on the results of the multicollinearity test, each variable has a VIF value of less than 10 and a tolerance value greater than 0.1. Therefore, it can be concluded that there is no multicollinearity.

Heteroscedasticity Test

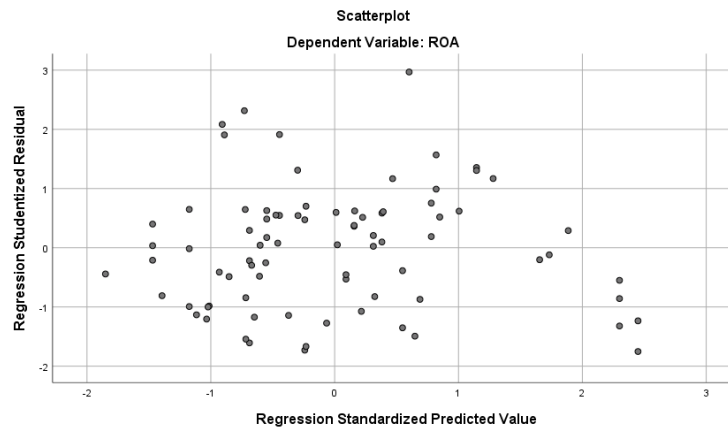


Figure 3. Heteroscedasticity Test.

Source: Data processed using SPSS version 26 (2024)

Based on the results of the heteroscedasticity test in Figure 3, the distribution pattern of the points on the graph does not show a specific pattern. Therefore, it can be concluded that there is no heteroscedasticity.

Autocorrelation Test

Table 6. Autocorrelation Test.

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.722 ^a	.522	.497	.16287	1.469

a. Predictors: (Constant), Managerial Ownership, Board of Directors, Independent Board of Commissioners, Audit Committee

b. Dependent Variable: ROA

Source: Data processed using SPSS version 26 (2024)

Based on the autocorrelation test results in Table 6, the Durbin-Watson value is 1.469, which is within the range of -2 to +2. Thus, it can be concluded that there is no autocorrelation.

Multiple Linear Regression Analysis

Table 7. Multiple Linear Regression Analysis.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.508	.110		-4.605	.000
	Independent Board of Commissioners	.280	.117	.196	2.385	.020
	Board of Directors	.220	.053	.380	4.187	.000
	Audit Committee	.076	.016	.433	4.764	.000
	Managerial Ownership	-.753	1.196	-.051	-.629	.531

a. Dependent Variable: ROA

Source: Data processed using SPSS version 26 (2024)

The regression equation in this study is as follows, along with an explanation of the regression coefficients:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

$$Y = -0.508 + 0.280 X_1 + 0.220 X_2 + 0.076 X_3 + -0.753 X_4 + e$$

1. The constant value (α) of -0.508 indicates that if the values of the Independent Board of Commissioners, Board of Directors, Audit Committee, and Managerial Ownership are zero, then ROA will remain at -0.508.
2. The regression coefficient for the Independent Board of Commissioners is 0.280, meaning that every one-unit increase in the Independent Board of Commissioners will increase ROA by 0.280.
3. The regression coefficient for the Board of Directors is 0.220, meaning that every one-unit increase in the Board of Directors will increase ROA by 0.220.
4. The regression coefficient for the Audit Committee is 0.076, meaning that each unit increase in the Audit Committee will increase ROA by 0.076.
5. The regression coefficient for Managerial Ownership is -0.753, indicating that each unit increase in Managerial Ownership will decrease ROA by 0.753. This negative coefficient indicates that an increase in Managerial Ownership can decrease ROA.

Hypothesis Testing

Coefficient of Determination (R^2)

Table 9. Coefficient of Determination (R^2).

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.722 ^a	.522	.497	.16287

a. Predictors: (Constant), Managerial Ownership, Board of Directors, Independent Board of Commissioners, Audit Committee

Source: Data processed using SPSS version 26 (2024)

The test results show that the R Square value is 0.522 or 52.2%. This means that the variables of Independent Board of Commissioners, Board of Directors, Audit Committee, and Managerial Ownership can explain approximately 52.2% of the variation in the ROA variable. The remaining 47.8% is explained by other factors not included in this study.

t-test

Table 10. t-test.

Model		Coefficients ^a		Standardized Coefficients Beta	t	Sig.
		Unstandardized Coefficients B	Std. Error			
1	(Constant)	-.508	.110		-4.605	.000
	Independent Board of Commissioners	.280	.117	.196	2.385	.020
	Board of Directors	.220	.053	.380	4.187	.000
	Audit Committee	.076	.016	.433	4.764	.000
	Managerial Ownership	-.753	1.196	-.051	-.629	.531

a. Dependent Variable: ROA

Source: Data processed using SPSS version 26 (2024)

This test uses degrees of freedom (df) with a confidence level of 5% or 0.05. With $k=4$ and $df_2=n-k-1$ ($81-4-1=76$), the t-table value obtained is 1.991. The conclusions from the test results are as follows:

1. Independent Board of Commissioners on ROA

The calculated t-value for the Independent Board of Commissioners variable is 2.385 (> 1.991), and the significance value obtained is 0.020 (< 0.05). Thus, H1 is accepted.

2. Board of Directors on ROA

The t-value for the Board of Directors variable is 4.187 (> 1.991), and the significance value obtained is 0.000 (< 0.05). Therefore, H2 is accepted.

3. Audit Committee on ROA

The t-value for the Audit Committee variable is 4.764 (> 1.991), and the significance value obtained is 0.000 (< 0.05). Therefore, H3 is accepted.

4. Managerial Ownership on ROA

The t-value for the Managerial Ownership variable is -0.629 (< 1.991), and the significance value obtained is 0.531 (> 0.05). Therefore, H4 is rejected.

Discussion

The Influence of Independent Board of Commissioners on Company Performance

The results in Table 10 show that the Independent Board of Commissioners variable has a t-value of 2.385, which is greater than 1.991, and a significance value of 0.020, which is less than 0.05. This indicates that the Independent Board of Commissioners has an effect on company performance, thus accepting H1. The alignment between the research results and agency theory shows that a high proportion of Independent Board of Commissioners will improve monitoring capabilities within the company, thereby minimizing principal-agent conflicts. With stricter supervision, the potential for managers to engage in practices that only benefit themselves and harm the company can be minimized. The optimal control and service functions of the Independent Board of Commissioners contribute to better governance, which in turn can support the growth and development of the company [15]. The more Independent Board of Commissioners there are, the higher the level of supervision of managerial activities. This reduces the possibility of irregularities or decisions that are detrimental to shareholders. The Independent Board of Commissioners can also provide constructive input on investment policies and decisions, which can have a positive impact on company performance [35]. This study is in line with the results of studies conducted [15], [16] and [35], which state that there is a positive relationship between the proportion of the Independent Board of Commissioners and company performance. This is because the independent board of commissioners can function as an effective control mechanism in corporate governance.

The Influence of the Board of Directors on Company Performance

The results in Table 10 show that the Board of Directors variable has a t-value of 4.187, which is greater than 1.991, and the significance value obtained is 0.000, which is

less than 0.05. This indicates that the Board of Directors has an effect on company performance, thus accepting H2. The results of this study are in line with the results of studies [2], [18], and [29], which state that the Board of Directors has a positive effect on company performance. Research shows that increasing the number of board members can contribute to improving company performance. The board of directors plays a crucial role in achieving company targets and determining performance goals, thus having a significant impact on company performance. According to agency theory, an increase in the number of board members as company agents can improve operational management and decision-making processes, which in turn can have a positive impact on increasing company profits. With more members, the board can cover a wider range of expertise and experience. This allows the board to handle more complex issues in a more informed and strategic manner [36]. A board of directors with diverse insights and skills is indeed invaluable to a company. Diversity in backgrounds and expertise enables them to provide more comprehensive and creative advice, which can help protect the company's wealth and drive profitability growth. With different perspectives, the board of directors can be more effective in identifying opportunities and risks, as well as formulating better strategies to achieve the company's goals [18].

The Influence of Audit Committees on Company Performance

The results show that the t-value for the Audit Committee variable is 4.764 (> 1.991), and the significance value obtained is 0.000 (< 0.05), which means that the Audit Committee has an effect on company performance, so H3 is accepted. The positive direction of the relationship explains that the larger the number of audit committees, the greater the improvement in company performance. In the agency theory framework, the audit committee acts as an independent internal control mechanism, which can reduce the risk of financial statement manipulation and ensure that management acts in the interests of shareholders. These results are in line with the results of studies [21] and [30]. Compliance with regulations that stipulate the minimum number of audit committee members is part of good corporate governance and can increase the trust of investors and third parties. With an adequate number of audit committee members, especially if they are people with relevant expertise, the audit committee can provide more comprehensive and in-depth supervision of financial statements and internal control systems. The combination of an appropriate number and good quality members can have a significant positive impact on company performance [30].

The Effect of Managerial Ownership on Company Performance

The results of the study show that the t-value for the Managerial Ownership variable is -0.629 (< 1.991), and the significance value obtained is 0.531 (> 0.05), which means that the Managerial Ownership variable has a negative effect on company performance, so H4 is rejected. This study contradicts studies [24] and [32], which state that managerial ownership has a positive effect on company performance. This is because the shares owned by managers are very small (on average only 0.0059% of paid-up capital), so managers may not have enough motivation or power to significantly influence the company's strategic decisions. If ownership is very small, its influence on

company performance can be limited. Conversely, greater share ownership can give them more control and influence in important decision-making [37]. Low share ownership by management can reduce their incentive to act in the long-term interests of the company. Managers may focus more on short-term compensation and profits than on the long-term benefits of the company [38].

CONCLUSION

Fundamental Finding : The conclusion based on the results of research on the effect of implementing good corporate governance (GCG) on company performance is that the implementation of GCG involving a proportion of Independent Commissioners has a significant positive effect on company performance by increasing supervision and reducing principal-agent conflicts. The number and diversity of Board of Directors members also have a positive impact on company performance by improving management and strategic decision-making. The Audit Committee shows a positive influence on company performance by improving the quality of financial statement oversight and internal control systems. Managerial ownership does not show a significant influence on company performance in this study, possibly because managers' share ownership is too small to effectively influence strategic decisions. Overall, the implementation of good GCG contributes to more effective corporate governance, which in turn improves company performance through tighter supervision and better management. **Implication :** These findings emphasize the importance for companies, particularly in the banking sector, to enhance their corporate governance structures through a balanced composition of boards, effective oversight committees, and clear managerial accountability to ensure sustainable performance growth. **Limitation :** The scope of this research is limited to banking companies listed on the IDX during the 2020–2022 period, which may not reflect governance practices in other industries or longer time horizons. **Future Research :** Future studies should expand the dataset across different industries and include additional GCG-related variables such as the Sharia Supervisory Board, Risk Management, Institutional Ownership, and Foreign Ownership, while incorporating broader performance indicators such as Return on Equity (ROE) and Return on Investment (ROI) to produce more comprehensive and generalizable insights.

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