THE EFFECT OF GOOD CORPORATE GOVERNANCE ON THE COMPANY FINANCIAL PERFORMANCE

(Study Case in Indonesian Energy Sector Listed Companies in Indonesian Stock Exchange from Period 2018-2021)

A THESIS

Presented as Partial Fulfillment of the Requirements
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By

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DECLARATION OF AUTHENCITY

Herein I declare the originality of the thesis; I have not presented anyone else's work to obtain my university degree, nor have I presented anyone else's words, ideas, or expression without acknowledgement. All quotations are cited and listed in the bibliography of the thesis.

If in the future this is proven to be false, I am willing to accept any sanction complying with the determined regulation or its consequences.

Yogyakarta, March 10, 2023

Putri Sarza Parilla

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بِسْمِ اللَّهِ الرَّحْمَٰنِ الرَّحِيمِ

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ABSTRACT

The objective of this study is to examine empirically the impact of corporate governance on financial performance of energy sector companies listed in IDX, covering the period from 2018 to 2021. This research uses purposive sampling method Multiple linear regressions is used as the method. The results demonstrated that the managerial ownership had a positive and significant effect on company financial performance, while, institutional ownership, size of board directors, size of audit committee had positive and insignificant effect on company financial performance and proportion of board commissioners independence had a negative and insignificant effect on company financial performance.

Keywords: Corporate Governance (CG), Managerial Ownership, Institutional Ownership, Size of Board of Directors (BOD), Proportion of Board Commissioners Independence, Size of Audit Committee, Financial Performance, Return on Assets (ROA).

CHAPTER I

INTRODUCTION

1.1 Background

Every company fundamentally aims to maximize its value by carried out the best performance from all stakeholders (Rahman & Subagio, 2021). Related to the company, Weston, Mitchell & Mulherin (2004) stated that company as a network of contract, actual and explicit, that specify the roles of various participant or stakeholders (workers, managers, owners, lenders) and defined their right, obligation, and payoffs under various conditions. Since there are multiple stakeholders in a company, it is important to ensure that varying interest among stakeholders are coherence to achieve efficiency and value maximization of company (Weston et al., 2004).

Financial performance of company is reported in the financial statement. Analyzing the financial statement provided insight into how the organization runs its business to achieve its goals by performing in an effective and efficient way which it is reflected their financial performance. Suhadak, Kurniaty, Handayani & Rahayu (2019) explained the effectiveness referring to the ability of achieving specific goals, while the efficiency is related to the comparation between output that could be generated from the input provided. In other words, effectiveness only considered the output while efficiency took account on both input and output side. Since financial performance of company is reflected in the financial statement, company must increase the financial performance in order to attract investors.

Suhadak et al. (2019) assumed that investor initially performed a financial analysis of company to be invested by looking at the ratio of financial statement.

In the process of maximizing the company's value, conflicts emerged between the shareholder and management which called as agency problem. Beside the lean to be accommodated by luxurious facilities, managers also tended to ask for a right to make strategic decision. Managers are likely to either take a risky investment or defensive investment since they did not have as much sense of having a place to the company as shareholders did and the tendency to avoid the risks might cause a losing of opportunity of profitable investments**.** Most managers who do not possess any share in a company might not take advance thought in utilizing company benefits for different speculations.

Also, some managers may not put in their full effort as shareholders expected because their limited stock ownership as well as their fixed salary (Suhadak et al., 2019). All mentioned are the agency problem which is an deterrent in accomplishing the objective of company.

According to Kao, Hodgkinson & Jaafar (2019), corporate governance mechanisms had a significant influence on firm performance. All organization to stand in a long-term required a good corporate governance since the GCG will give shareholders certainty that the company runs well and partners are treated similarly. a good corporate governance would provide shareholders an assurance to recover their investment reasonably, appropriately, and efficiently, and ensure that management acts for the benefit of the company (Mahrani and Soewarno, 2018).

The success of a company in the long run is inseparable from the role of GCG. According to Hermuningsih, Kusuma, & Cahyarifida (2020) a significant relationship between corporate governance and company performance proposes that firms ought to actualizing these five principles of corporate governance: transparency, accountability, responsibility, independency, and fairness, to assess and correct their performances.

It is recognized throughout the world that GCG has become one of the essential issues in evaluating a company's strengths and functions (Crifo, Escrig-Olmedo, & Mottis, 2019). The lack of corporate governance implementation was one of the factors in the economic crisis in 1998 in Indonesia. Government realized that implementing Good Corporate Governance is important as a protection of the economy. In 1999, National Committee on Corporate Governance (KNKG) was established with vision to encourage and improve the effectiveness of the application of Good Governance in Indonesia as a concrete effort in improving weak governance. In order to build culture that is good with good governance both in the public and corporate sectors, KNKG also compiled a guideline for good corporate governance (code for good corporate governance) that can be used by companies in implementing corporate governance.

In addition, Suhadak et al. (2019) mentioned that Asian Development Bank concluded two reasons that cause economic crisis in Asian countries including Indonesia; they are ineffective in supervising the role of commissary board and audit committee of a company in protecting shareholder’s interest. Therefore, implementing GCG in Indonesia is expected to enhances the professionalism the company activities and promotes the shareholder's welfare without putting aside stakeholder's interest

There have been prior studies analysing the relationship between corporate governance and company financial performance (Arora & Sharma, 2016; Agustiningsih, Sulistyaningsih, & Purwanto, 2016; Ararat, Black, & Yurtoglu, 2017; Yuniarti & Syaichu, 2018; Situmorang & Simanjuntak, 2019; Sa'diyah, 2020; Hermuningsih et al., 2020; Rahman & Subagio, 2021; Hindasah, Supriyono, & Ningri, 2021; Kyere & Ausloos, 2021). However, a lot of prior study displayed inconsistent results.

According to Rahman & Subagio (2021), the study results agreed that managerial ownership showed a significant and positive effect on return on assets. They believed that by providing the ownership of the company to the managers would minimize opportunistic behaviour by having equal interests in the company which argued the findings of Yuniarti & Syaichu (2018) showed that the managerial ownership has no significant effect on ROA.

Furthermore, Yuniarti & Syaichu (2018) found that institutional ownership showed a significant negative effect on ROA. It is the opposite of Rahman & Subagio (2021) which stated that institutional ownership does not have a significant effect but has a positive direction of change as its value increases.

Another study by Agustiningsih et al. (2016) stated that the board size had a positive effect on the company's financial performance as measured by CFROA and ROE. However, Soud & Aypek (2021) examined that board size had a negative insignificant impact on firm performance as indicated for Kenya commercial banks. The higher size of board provided more divergent perspectives of different boars which prolonged the process of making decision and inefficiency of management control. Other way the larger number of board members arises difficulty on agreement for certain decisions, meanwhile the board consisted of fewer members tended to compile and agree on particular opinions (Soud & Aypek, 2021).

According to Yuniarti & Syaichu (2018) found that independent board of commissioners had no effect on company performance. Meanwhile, according to Kyere & Ausloos (2021) & Hindasah et al. (2021), in their study concurred that proportion of Independent Commissioners on financial performance show a significant value.

Besides, in terms of corporate governance, the audit committee is recognised as one of the most prominent committees that have to exist in the company structures. The key aim behind the audit committee's creation is to elevate the consistency of auditing and the board of directors' questioning. The study by Ashari & Krismiaji (2020) explained that audit committee size positively affects firms' financial performance. It means that the larger audit committee size the more effective the audit committee to safeguard the firm's financial performance. Surprisingly, Soud & Aypek (2021) in their study result showed there was insignificantly a negative impact of audit committee numbers on ROE and ROA.

Based on the research conducted by Arora & Sharma, 2016; Agustiningsih et al., 2016; Ararat, Black, & Yurtoglu, 2017; Yuniarti & Syaichu, 2018; Situmorang & Simanjuntak, 2019; Machmud, Ahmad, Khalik, Murfat, &

Basalamah, 2020; Sa'diyah, 2020; Hermuningsih et al., 2020; Rahman & Subagio, 2021; Hindasah, Supriyono, & Ningri, 2021; Kyere & Ausloos, 2021; Nugroho, Ts, & Suhendro, 2021, there were some corporate governance proxies that can be analyzed in research to examine the principles or characteristics of Good Corporate Governance. These proxies included managerial ownership, institutional ownership, size of the board of directors, size of board independent, number of board meetings and audit committee.

The inconsistencies of prior research results prompted the author in investigating the effect of CG towards the company performance. Basically, this study is an extended replication from the prior studies. Its novelty is the industry used in the research object. Previous studies used another sector such banking, consumer goods, mining, and property. This study would raise different findings as it examined different types of industry and research periods as its study cases.

Listed company from energy sector in Indonesian Stock Exchange is used in this study as the research object. As the continuous development of technology, it is interested to do research on the energy sector companies.

According to IDX Quarterly Statistics-1st QUARTER 2022 Report, the energy sector index or IDX Energy Sector is the sectoral index with the highest increase on the Indonesia Stock Exchange (IDX). On a year-to-date (YTD) basis, the energy sector stock index has risen by about 41.29%. It was also highlighted throughout 2021 that the energy industry has been grown by 45.56%, surpassing the IHSG's performance which only grew by 10%. The need for energy that continually increases along with technological developments made the energy sector intriguing to research for. Moreover, the renewable energy is considered prospective because this business will continue to run in line with increasing in market demand.

Previously, another sectors such banking, manufacturing, food and beverages industry, and property has been studied by researchers. For this reason, the existence of this research on the effect of GCG on the company financial performance from energy industry is expected enrich the research on the CG field as previously done.

Thus, the present study is a response to what was discussed in previous studies. The set of challenges and problems above represents a call for author to study "THE EFFECT OF CORPORATE GOVERNANCE ON THE COMPANY PERFORMANCE" with empirical studies on listed company from energy sector in Indonesian Stock Exchange (IDX) from 2019-2021.

1.2 Research Problem Formulations

Based on the following background, the research problem formulations as follows:

1. Does the managerial ownership affect the company performance?
2. Does institutional ownership affect the company performance?
3. Does the size of the board of directors affect the company performance?

4. Does the proportion of board of commissioners independence affect the company performance?
5. Does the number of audit committee affect the company performance?

1.3 Research Objectives

The research objectives based on the problem formulation listed above are as follows:

1. To determine the effect of the good corporate governance mechanism as proxied by managerial ownership with company performance.

2. To determine the effect of the good corporate governance mechanism as proxied by institutional ownership on company performance.

3. To determine the effect of the good corporate governance mechanism as proxied by size of the board of directors on company performance.

4. To determine the effect of the good corporate governance mechanism as proxied by the proportion of independent commissioners to company performance.

5. To determine the effect of the good corporate governance mechanism as proxied by the size of the audit committees to company performance.

1.4 Research Contributions

1) For Academics Purposes

This research is expected to contribute for existing literature about the effect of CG to company performance and as reference that can be used to add information regarding the development of further research.

2) For Investors

The results of this study could be used as reference and consideration in assessing the company for decision making before doing investment.

1.5 Systematics of Writing

Chapter I: Introduction

Chapter 1 included the general description of the research by explaining the background of the study about the effect of CG on company performance, problem formulation, research contributions, and systematics of writing.

Chapter II: Theoretical Framework and Hypothesis Development

Chapter 2 explained the theoretical review used in this research, the summary of previous research, and the development of research hypotheses.

Chapter III: Methodology

Chapter 3 described the research method which consisted of the population and sample used, operational definition of variables, and also the data collection method.

Chapter Iv: Data Analysis and Results

Chapter 4 presented descriptions of the research object, analysis result data and description of the results of hypothesis testing and discussion of research results.

Chapter V: Conclusion, Limitation and Recommendation

Chapter 5 concluded the results of study, the research limitation and the suggestion for the next research.

CHAPTER II

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

2.1 Literature Review

2.1.1 Agency Theory

Agency theory concept is strongly related to Corporate Governance. According to Anand (2008) in his book, it stated that Agency theory is the best practice for organizing the relationship between the principal and the agent. This theory was a significant component of Berle and Means's discussion of Corporate Governance. In their context, shareholders are the principals, while managers are the agents. One of agency theory's fundamental principles is that agency loss occurs in the corporate structure. Agency loss refers to the number of money principals (i.e., shareholders) "lose" by not running the corporation themselves.

Aypek & Soud, (2021) explained the agency theory as the relationship between two parties; principal such (shareholders) and agent (such as board of directors*)*. Shareholders in a public company act as principals, while the Executive Director serves as an agent who is delegated authority by the principal. In this case, shareholders employed the director to act accordingly to the principal's interests (Mahiswari & Nugroho, 2016).

Again, agency theory assumed those agency problems arose as managers and shareholders pursued different interests. Shareholders desired managers to operate the company as well as possible to prosper their principals, but managers also wanted to fulfill their personal interests humanely (Yuniarti & Syaichu, 2018). However, managers tended to use company resources to fulfill economic and psychological needs, while shareholders demanded increased corporate profitability and dividends. It occurred because managers operate the firm aligned with their interests and not those of shareholders (Mahrani & Soewarno, 2018).

For that, one of the ways that can be used to monitor contract issues between management and investors and limit the opportunistic behavior of management is through the implementation of GCG (Mahrani & Soewarno, 2018). Therefore, agency theory provides a sensible explanation of the importance of corporate governance.

2.1.2 Corporate Governance

Relating corporate governance, British Cadbury Committee defined corporate governance as the system by which companies are directed and controlled (Cadbury Report, 1992). The Cadbury Report explained that good corporate governance is a set of rules that determine the relationship between stakeholders, managers, creditors, government, employees, and other external and internal stakeholders concerning rights and responsibilities.

Good Corporate Governance aims to establish an effectively organized management structure and activity system that will facilitate the corporation's ability to meet the needs of shareholders and any other pressing needs that may arise (Anand, 2008).

One of the most fundamental components of good Corporate Governance is the establishment of an effective company hierarchy. It means that the shareholders, board members, executives, and their respective relationships must all be organized consistently with Corporate Governance principles.

Referring to the Otoritas Jasa Keuangan Indonesia stated in Law Number 55/POJK.03/2016 regarding the Implementation of Governance for Commercial Banks, there are five principles applied to CGC: transparency, accountability, responsibility, independence, and fairness. Applying the principles of Good Corporate Governance within the company also makes it possible to prevent fraud and abuse of authority from the management and directors within the company.

Numerous corporate governance studies found that several corporate governance proxies can be used in research to examine the principles or characteristics of Good Corporate Governance. These proxies include managerial ownership, institutional ownership, size of the board of directors, size of the board of directors, board independence, and size of the audit committee.

Good corporate governance provides a sense of security to creditors and shareholders and has an impact on increasing the trust of creditors and shareholders for their investments in the company (Nugroho & Suhendro, 2021). A sound corporate governance system offers compelling security to investors to recuperate their investment persuasively, relevantly, and efficiently and guarantees that management acts for the company's benefit (Mahrani & Soewarno, 2018). In addition, concatenation of corporate governance scandals around the world alleviated investors' trust in financial statements and evoked suspicion toward the company (Soud & Aypek, 2021). Finally, corporate governance is absolutely a situation that an organization must-have to maintain the sustainability of the company in the long term.

According to World Bank (2014), the corporate governance structure of listed companies consists of an internal auditor, external auditor, corporate secretary, general meeting of shareholders, Board of Committees, Board of Directors, and Board of Commissioners. The National Committee for Corporate Governance Policy (KNKGC) stated that in implementing good corporate governance, companies must have several aspects, including institutional ownership, managerial ownership, independent commissioners, and commissioners. Prior to deciding to invest in a company, investors looked into the firm corporate governance mechanisms (Kyere & Ausloos, 2021). Corporate governance mechanisms such as managerial ownership, institutional ownership, size of the board, board independence, and audit committee are used in the study.

a. Managerial Ownership

Providing opportunities for companies to managers to participate in share ownership aims to provide a sense of equality between managers and shareholders in the company so that companies can reduce agency conflicts which will also reduce agency costs (Rahman & Subagio, 2021). In addition, it is in accordance with the agency theory that the relationships that occur between the shareholders (principals) and managerial ownership (agents) in corporate decision-making can affect the value of the company (Trafalgar & Africa, 2019).

b. Institutional Ownership

Institutional ownership is the portion of company ownership by another institution in a company (Rahman & Subagio, 2021). Trafalgar & Africa (2019) theorized that institutional ownership could increase a company's performance by utilizing information held by institutions in overseeing the company's activities. This follows the agency theory that describes relationships that occur between the shareholders or institutional ownership (principals) and management (agents) in corporate decision-making that can affect the value of the company (Trafalgar & Africa, 2019, p.30). So the higher the company value as well higher the institutional ownership.

c. Board of Directors

According to Indonesian Law No. 40 the Year 2007 concerning Limited Company article 108, the board of board of directors is a part of the company's organ. It shall conduct supervision over the management policy, the implementation of the management in general, either regarding the company or its business and provides advice to the board of directors. A study by Hindasah et al. (2021) suggested that the more the number of the board of directors, the better the board of directors supervision so that managers are more careful and more active in improving performance. This confirms the findings of Agustiningsih et al. (2016)

d. Independent Commissioners

Independent commissioners are members of a board of commissioners with no financial, managerial, shareholding, or family relationships with other commissioners, directors, and controlling shareholders or banks that may influence their ability to act independently (Hermuningsih et al., 2020). According to Indonesian Law No. 40 of the Year 2007 concerning Limited Companies, the general rule is that a limited company or PT (Perseroan Terbatas) must have at least one director and one commissioner. There is no limit to the maximum number of directors and commissioners it can have. In contrast, public and listed companies must have a minimum of two directors (at least one independent) and two commissioners (at least one independent). In addition, under IFSAR 33/2014, if the company appoints more than two commissioners, at least 30% of the commissioners must be independent. A study by Hindasah et al. (2021) revealed that independent commissioners positively affected the company's performance as the existence of an independent commissioner would prevent errors in managing the company's financial statements, which could harm various parties.

e. Audit Committee

Several definitions have been provided. For instance, BAPEPAM Kep. 29/PM/2004 defined that the board of commissioners forms an audit committee to supervise the company's management and is responsible for supervising the financial reporting process. Al-Homaidi, Almaqtari, Ahmad, & Tabash (2019) and Ashari & Krismiaji (2020) found that the size of the audit committee is one of the significant indicators of GCG has a significant impact on the company's financial performance.

2.1.3 Financial Performance

According to IAI (2007), financial performance is the company's ability to manage and control its resources. We can evaluate how the company carried out its business activities by using the rules of financial implementation properly and correctly by analyzing its financial performance (Machmud et al., 2020). The financial performance is reflected in the company's financial statement, which is part of financial reporting. Abib, Catapan, Catapan, Catapan, & Da Veiga (2015), cited in Osadchy et al. (2018), mentioned that the system of financial reporting indicators contains four criteria: relevance, reliability, comparability, and clarity.

Referring to the Decision of the Chairman of the Capital Market and Financial Institutions Supervisory Agency Number KEP-134/BL/2006, considering that the annual report of Issuers and Public Companies is an essential source of information for shareholders and the general public to make an investment decision. Analysis of financial statements is a preliminary step towards short-, medium- and long-term planning of the company's activities. Analyzing the company's financial statement enables us to gain information related to the company's financial performance, for example, the company's profitability.

The company uses some tools to assess the company's financial statement, which could generate favorable and unfavorable financial condition for the company that reflects work performance in a certain period. By the legislation, the accounting financial statements are an open source of information, and basic parameters unify its composition, content, and presentation forms, it becomes possible to develop standard methods to read and analyze it (Suryanto & Thalassinos, 2017).

Financial ratios are one of the best tools to analyze and read financial statements. Exercising the financial ratios allows us to evaluate based on historical data collected from the company's financial statement (Alkhyeli, Abdulla, Alshehhi, Aldhaheri, Alhosani, Alsereidi, Al Breiki, & Nobanee, 2021). Shaban & Nobanee (2020) considered that financial ratios are essential for managers and external stakeholders to conduct quantitative analysis. Ratio analysis can also provide warning signs. For investors, it is crucial to understand the best technology company for investment.

2.1.3.1 Profitability ratio

There are several ratios used in analyzing the specific area of financial performance, which are usually adjusted to the need of users. These financial ratios are divided into four categories; profitability ratios, liquidity ratios, solvency ratios, and activity ratios. The measurement of the specific area of performance serves as the basis for management to improve performance in the area which requires further concerns.

Profitability reflects management's performance in managing the company and is one of the factors investors refer to in buying shares (Cecilia, Rambe, & Torong, 2015). According to Trafalgar & Africa (2019), from the point of view of investors, profitability was the most exciting ratio as it reflected how the management could raise profit from the resources given. The profitability ratios indicated the ability of the company to generate earnings, and it also revealed how the company is using its assets to generate profit. The ratio is the crucial part of the assessment tool that owners and business leaders can use to assess its performance quickly. In addition, the managers can use that ratio to make changes in the planning and implementation of the operational program, improving the company's health (Shaban & Nobanee, 2020).

2.2 Prior Research

A numerous study has discussed the effect of good corporate governance on the company financial performance, which most of these researchs's evidences from banking and manufacturing industry. However, there is no study on the technology company. Therefore, this study selected the company from technology industry as the study object.

The following table summarized the previous research on the effect of good corporate governance on the company financial performance.

No.	Title, Author, and Year	Variable and Research Object	Result
1.	Corporate Governance And Firm Performance In Developing Countries: Evidence From India (Arora & Sharma, 2016).	Board of Directors, CEO Duality, Return on Equity. Indian Manufacturing Company (2001-2010).	On one side, the findings indicated that larger boards are associated with a greater depth of intellectual knowledge, which helped improve decision-making and performance. Conversely, the results indicated that return on equity and profitability were unrelated to corporate governance indicators. The results also suggested that CEO duality was unrelated to any firm performance measures for the sample firms.
2.	The Effect of Corporate Governance on Firm Value and Profitability: Time-Series	Turkey Corporate Governance Index; Board Structure, Board Procedure, Disclosure, Ownership,	The research found that governance predicts an 8-10% increase in Tobin's q. The Disclosure Subindex of TCGI drives this result; other aspects of governance do not separately predict Tobin's q. As discussed in

	Evidence from Turkey (Ararat, Black, & Yurtoglu, 2017).	Shareholder Rights, and Tobin's Q.	Section 7, these effect sizes and the importance of a disclosure subindex were similar in magnitude to results from several other emerging markets. Also, mild evidence that higher TCGI also predicted higher profitability.
		Companies Listed on Borsa Istanbul Stock Exchange; excluding investment trusts, banks, government-controlled firms, and subsidiaries of foreign firms (2006-2012).	
3.	Corporate Governance And Firm Performance: Evidence From Saudi Arabia (Buallay, Hamdan, & Zureigat, 2017).	Ownership of the Largest Shareholder, Ownership of the Three Largest Shareholders, Size of the Board of Directors, Independency of Board of Directors and Posts of Chairman and CEO, ROE, ROA and Tobin's Q.	The results showed no significant impact of corporate governance on both firm's operational and financial performance. After testing the effect of control variables, Board size had an insignificant negative effect on the firm's performance, while big4 had a positive sign on the firm's performance. For the other control variables, firm size and firm age had different results on each firm's performance area.
		Companies Listed in Saudi Stock Exchange (2012-2014).	

4..	*Pengaruh Good Corporate Governance terhadap Kinerja Perusahaan Manufaktur di Indonesia yang Terdaftar Di BEI* (Yuniarti & Syaichu, 2018)	Board of Directors, Board of Commissioners, Independent Commissioners, Concentrated Ownership, Institutional Ownership, Managerial Ownership, Size, nd Leverage, ROA. Manufacturing Companies listed on Indonesian Stock Exchange (2012-2016).	Board of directors, board of commissioners, independent commissioners, concentrated ownership, and managerial ownership have no significant effect on ROA. While institutional ownership shows a significant negative effect on ROA. The control variable size does not show any significant effect on ROA. While leverage has a significant negative effect on ROA.
5	*Pengaruh Good Corporate Governance Terhadap Kinerja Keuangan Perusahaan* (Indriati, 2018).	Board of Independent Commissioner, Audit Committee, Managerial Ownership, Return on Asset, Net Profit Margin, Earning Per Share.	Independent board of commissioners, audit committee had a positive and significant effect on financial performance and managerial ownership had no significant effect on financial performance.

		Food And Beverages (F&B) Companies Listed on Indonesian Stock Exchange (2014-2017).	
6.	*Pengaruh Good Corporate Governance (Gcg) Terhadap Kinerja Keuangan Perusahaan Dan Pengungkapan Corporate Social Responsibility (Csr) Sebagai Variabel Intervening* (Fitriyana, 2020).	Institutional Ownership, Public Ownership, The Board of Commissioners, The Audit Committee, Company's Financial Performance (ROA), and Corporate Social Disclosure (CSR). Industrial and Chemical Sector on Indonesian Stock Exchange (2014-2018).	Institutional ownership, public ownership and audit committee had no effect on Corporate Social Responsibility. Institutional ownership, public ownership, CSR had a positive and significant effect on financial performance. Also, CSR was not an intervening variable on the relationship of public ownership, institutional ownership, board of commissioners and audit committee to the company's financial performance.
7.	*Pengaruh Mekanisme Corporate Governance Dan*	Institutional Ownership, Managerial Ownership, Proportion of Independent	This research suggested that the mechanism of corporate governance described with institutional and managerial ownership showed a positive effect on financial performance.

	Manajemen Laba Terhadap Kinerja Keuangan (Fauzi, 2020).	Commissioners, Size of Board Commissioners, Earning Management. Manufacturing Companies Listed on Indonesia Stock Exchange (2017-2018).	Additionally, the proportion of the independent commissioner and the Size of the commissioner did not affect the financial performance. The research also showed that management profit did not affect financial performance.
8.	The Effect of Corporate Governance Mechanisms on Banks Performance Using Gls: The Case From Kenya (Aypek & Soud, 2021).	The Board Size, Ratio of Non-Executive Directors, Number of Board Meetings, Number of Committees, Size of the Audit Committee, ROA, ROE, Firm Size and Leverage. Kenya Commercial Banks (2010-2019).	The result revealed that Non-Executive Directors, Number of Board Meetings, and leverage negatively and significantly impacted banks' performance. In contrast, the number of Committees and total assets had a significant positive impact. On the other hand, the board size and Size of the Audit Committee had a negative and insignificant impact on bank performance.
9.	The Influence of Corporate Governance, Capital Structure, and Company Size on the	Managerial Ownership, Institutional Ownership, Debt to Equity Ratio, Company Size, Return on Assets Capital	The results of the study overall showed that corporate governance, capital structure, and firm size had a positive effect on the company's financial performance. In addition, managerial ownership as a corporate governance proxy

	Company's Financial Performance (Rahman & Subagio, 2021).	Structure, and Firm Size. Banking Companies Listed on Indonesian Stock Exchange (2017-2019).	partially positively impacted financial performance.
10.	Corporate Governance And Firms Financial Performance In The United Kingdom (Kyere & Ausloos, 2021).	Return on Assets, Tobin's Q, Insider-Shareholding, Board-Size, Independent Board, CEO Duality, Audit Committee Meetings, Firm Size, Leverage. Firms listed on London Stock Exchange (2014).	The conclusion drawn from the empirical test on 252 firms listed on London Stock Exchange for the year 2014 indicated several results. Some were positive and negative and found no relationship between corporate governance mechanisms and financial performance. Thereby, distinguishing effects due to causes presented proof that a firm's finances could be improved when the right corporate governance mechanisms were chosen.
11.	The Effect Of Good Corporate Governance And Firm Size On Financial Performance (Hindasah, Supriyono, & Ningri, 2021)	Board of Director, Board of Commissioner, Institutional Ownership, ROA. Conventional Banking Listed on Indonesian Stock Exchange (2015-2018).	Based on the analysis results, the Board of Directors, Board of Commissioners, Independent Commissioners, and company size positively and significantly affected financial performance. Meanwhile, Institutional ownership did not significantly affect financial performance.

12.	The Impact Of Good Corporate Governance On Company Financial Performance In Indonesia Listed State-Owned Enterprises (Hasan, 2021).	Insider Ownership, Board Size, Board Independence, CEO Duality, Board Meeting, Return on Asset, Firm Size, Leverage. Indonesian State-owned Enterprises (*BUMN*) (2015-2019).	Within this research, mixed results were obtained, with both board size and board meeting having a positive and significant impact. Additionally, this research indicated insider shareholding and board independence had a slightly positive impact on firm performance. However, it also showed that CEO duality significantly negatively impacts financial performance.

2.3 Hypothesis Development

This research investigated the effect of corporate governance on the company performance. It developed the following hypothesis:

2.3.1 Effect of Managerial Ownership on Company Financial Performance

Managerial ownership can be defined as insider shareholders, such as a director or senior officer of a corporation who owned some shares of a corporation—usually more than 10% of the voting shares (Jensen & Meckling, 1976 cited in Kyere & Ausloos, 2021). Shares ownership by managers must balance the convergence or alignment of interests versus entrenchment considerations. Corporations could increase financial performance if cost is minimized. The theory of agency points out that the relationship between the managers (agents) and the shareholders (principals) in a company causes agency loss for shareholders because of the divergence in the interests of managers and owners. When management's share ownership has increased, the interests of managers are more aligned with the interests of shareholders, and thus the deviation from value maximization would decrease (convergence). Inconsistently, Kyere & Ausloos (2021) found that insider shareholding had no influence on financial performance, which confirmed the findings of Agrawal & Knoeber (1996) and Trafalgar & Africa (2019). Managerial ownership and control of voting rights may give managers sufficient power to secure their work with the company and pursue personal interests at the expense of shareholder wealth (the stronghold). Therefore the relationship between managerial ownership and financial performance is incoherent.

On the other hand, Rahman & Subagio (2021) and Din, Arshad Khan, Khan, & Khan (2021) results revealed a significant positive relationship between insider ownership with financial performance. It is in contrast with the prediction of agency theory that concentration of insider ownership aligns the interest of shareholders with those of the managers and hence improves performance (Din et al., 2021). Giving the proportion of company shares to company managers can reduce opportunistic behavior by having equal interests in the company. Based on the discussions above, the first hypothesis proposed is as follows:

H1: The managerial ownership has a positive impact on the company's financial performance.

2.3.2 Effect of Institutional Ownership on Company Financial Performance

In terms, the good corporate governance, one of the factors that affect the company's image is the existence of institutional ownership in the company. Companies with institutional ownership are supposed to be able to increase the quality in terms of their control as the institution's roles are assumed to impact the supervision of the company's operations on the management (Rahman & Subagio, 2021). Institutional ownership can oversee all company activities by utilizing information held by institutions so that the company has good performance. One of the impacts is related to decision-making, which is believed to be more effective in improving company performance. This is in line with the agency theory that theorizes relationships that occur between the shareholders or institutional ownership (principals) and management (agents) in corporate decision-making that can affect the value of the company (Trafalgar & Africa, 2019).

Situmorang & Simanjuntak (2019) and Rahman & Subagio (2021) found that institutional ownership has no effect on Return on Assets, but Rahman & Subagio, 2021 added that it had a positive direction of change as its value increases. However, Yuniarti & Syaichu (2018) and Enda & Tenaya (2017) revealed that there was a significant negative relationship. As speculated that the higher institutional ownership in the company would cause a complex conflict of interest. Because each institution had its own vision and mission in their investment. The existence of these conflicts would incurred a cost which must reduce the profit thereby reducing company financial performance. In addition, Ali, Fei, Ali, & Hussain (2021), Machmud et al (2020), Lisandri & Hayati (2019), Monica & Dewi (2019), Mahiswari & Nugroho (2016) found that it had a significant positive effect.

Due to the inconsistent research results, the author is motivated to examine the effect of institutional ownership on the company's financial performance. Therefore, the following hypothesis is proposed:

H2: The institutional ownership has a positive impact on the company's financial performance.

2.3.3 Effect of Size of Board Director on Company Financial Performance

Referring to Indonesian Law No. 40 Year 2007 on the Limited Company, the board of director has the responsibility to conduct a general and/or specific supervisions, in accordance with the articles of association, as well as providing advice for BOD. Employing more BOD is supposed to enhance the supervision of the Board of Directors so that managers exercise circumspection which leads to increasing the effectiveness of the company's operations and preventing errors that often occur in managing the company's financial statements that can disserve various parties (Hindasah et al., 2021). Arora & Sharma (2016), Johl, Khan, Subramaniam, & Muttakin (2016), Tulung & Ramdani (2018), Prasetyo & Dewayanto (2019), and Hindasah et al. (2020) findings supported the agency theory that implied the board of commissioners had a positive effect on financial performance because it provided greater monitoring so improve firm performance.

However, some studies revealed that the size of the BOD did not influence financial performance (Aypek & Soud, 2021). A study by Zabri, Ahmad, & Wah (2016) found that board size had a weak negative link with ROA, but it does not affect ROE. Akshita & Sharma (2015) claimed that a small board size induced better performance, averting divergent perspectives of different boards, which prolonged the decision-making process and the management control's inefficiency. It suggested that a board member number should not exceed 10. This is in line with Buallay et al. (2017) results that highlight the board size had a positive relationship with firm performance only within the 7-13 members. It stresses that a smaller board can direct and make better decisions and that a larger board size may lead to less firm performance. Moreover, Sa'diyah (2020) agreed that the board size had a negative and insignificant effect on financial performance.

This study believed that the large board size could positively affect a firm financial performance; this is because a large board consists of various skills, knowledge, and expertise (Hermuningsih et al., 2020). So this diversity in education, exchange of knowledge, experiences, and industry experience could lead to high-quality advice and hence better firm performance. Therefore, based on the description above, the following hypothesis is proposed to examine whether the size of board directors positively influences the financial performance or not:

H3: The size of board of directors has a positive impact on the company's financial performance.

2.3.4 Effect of Independent Board Commissioners on Company Financial Performance

Independent commissioners are members of a board of commissioners with no financial, managerial, shareholding, or family relationships with other commissioners, directors, and controlling shareholders or banks that may influence their ability to act independently (Law of the Republic of Indonesia Number 24 of 2007 concerning Limited Liability Company, 2007). The term independent commissioners are closely related to the corporate governance mechanism as their existence as the representative of independent shareholders (minority) as well as representing the interest of the investors (Tulung & Ramdani, 2018). Hermuningsih et al. (2020) believed that independent commissioners such an indicator underlies a significant relationship between corporate governance and company performance. All commissioners are independent as they must be able to accomplish their tasks independently, following the purpose and objective of the company without being influenced by interests that conflict with the company's interests. In addition, the commissioners should be able to carry out independent supervisory functions toward the directors (Tulung & Ramdani, 2018).

Hermuningsih et al. (2020) believed that independent commissioners such an indicator that underlies a significant relationship between corporate governance and company performance which in line with study by Hindasah et al. (2021) that Independent Commissioners positively and significantly affected financial performance. Otherwise, Sa’diyah (2020, p.583) revealed that the size of the independent board of commissioners has no effect on financial performance. Based on the explanation, hypothesis 4 is then proposed as follows:

H4: The proportion of independent board commissioners has a positive impact on the company financial performance.

2.3.5 Effect of Audit Committees on Company Financial Performance

Audit committee is formed by the board of commissioners as a professional and independent body to assist BOC in carrying out its supervisory functions. Audit committee is a key component of corporate governance, which is required to hold under tight restraints such activities (Bansal & Sharma, 2016). As a liaison between shareholders and the board of commissioners with management in dealing with control issues, therefore audit committee should consist of men of experience and integrity; "they are to be directly responsible to the shareholders and be independent of the board of directors and the management" (Olayiwola, 2018, p.96).

Besides, audit committee also has an important and strategic role in maintaining the credibility of the process of preparing financial statements, maintaining the creation of an adequate corporate supervision system and implementing good corporate governance.

According to the decision of Chairman BAPEPAM Kep. 29/PM/2004, the audit committee consists of at least three persons. One person as chairman must be the independent commissioner, and the two persons assigned as a member must be the one who is the outsider of the company. In case of the audit committee consists of more than one independent commissioner, one of them should be the chairman of the audit committee. Al-Homaidi, Almaqtari, Ahmad, & Tabash (2019) and Ashari & Krismiaji (2020) proved that size of the audit committee is one of the significant indicators of GCG that has a significant impact on the company's financial performance. A study by Khalifa H (2018) and Olayiwola (2018) revealed no significant relationship between audit committee size and a firm financial performance. In line with a study by Aypek & Soud (2021) found that there was an insignificant negative impact of the size of the audit committee on ROE and ROA. They assumed that a larger audit committee was inefficient. Therefore, the following hypothesis is proposed:

H5: The size of the audit committees has a positive impact on the company financial performance.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Population and Sample

Population in this research was a company listed on Indonesian Stock Exchange (IDX) for the period 2018 to 2021. Total number of companies listed in Indonesia Stock Exchange is 888.

This research used a non-probability sampling with purposive sampling technique. The purposive sampling technique used to select the companies that meet the following criteria:

1) Companies listed on IDX from **Energy** sector during 2018-2021 and are not in the process of being delisted during the observation period.
2) Companies that publish financial statements and annual reports for the period ended December 31 during the period 2018-2021.
3) Companies that provide complete information related the variables used in this study.
4) Companies that stated their financial statements in Indonesian Rupiah (IDR).

3.2 Operation Definition Variables

3.2.1 Independent Variable (Exogenous Variable)

3.2.1.1 Managerial Ownership

Managerial ownership is a percentage of shareholding by managers, directors, and commissioners which stated in the financial statement of company

(Widianingsih, 2018). The managerial ownership variable is denoted by MO. It is measured as the percentage of company outstanding shares owned by such insiders. The following equation shows the formula to calculate the managerial ownership in the company:

MO = Shares ownership by management/Outstanding share x 100%

3.2.1.2 Institutional Ownership

Institutional ownership is a percentage of shareholding by another institution with more than 10% ownership or more than 5% ownership by individual or called as blockholders. The institutional ownership variable is denoted by IO. It is expressed in percentage and the formula according to research by Trafalgar & Africa (2019) as follows:

IO = Shares ownership by institution/Outstanding shares x 100%

3.2.1.3 Size of Board Director

According to Indonesian Law No. 40 Year 2007 concerning Limited Company article 108, the board of directors is a part of company's organ, which shall conduct supervision over the management policy, the implementation of the management in general, either regarding the company or its business, and provide advice to the board of directors. Monitoring the implementation of director's policy to ensure that it is in accordance with the company objectives makes the role of board of directors is important in GCG mechanism. The size of board of directors is one of the board characteristic included in accounting information. In this research, the size of board of directors is proxied by SC and measured as follows:

SC = sum of board of director members

3.2.1.4 Proportion of Board Commissioners Independence

Independent Commissioners are the commissioners that do not have family relationships or business relationships with the directors and the shareholders. It is important to ensure that the board of commissioners acts independently as they are responsible for supervising according to a company's article of association and providing suggestions to directors.

According to Indonesian Law No. 40 the Year 2007 concerning Limited Companies, the general rule is that a limited company or PT (Perseroan Terbatas) must have at least one director and one commissioner and there is no limit to the maximum number of directors and commissioners it can have, while for public and listed companies must have a minimum of two directors (at least one independent) and two commissioners (at least one independent). In addition, under IFSAR 33/2014, if the company appoints more than two commissioners, at least 30% of the commissioners must be independent. The proportion of board commissioners independence is the ratio between the independent commissioner and the size of board commissioners. In brief, the following is used to measures the proportion of board commissioners independence in this study:

IC = Total independent commissioners/Total board of commissioners x 100%

3.2.1.5 Size of Audit Committee

BAPEPAM Kep. 29/PM/2004 defined that an audit committee is formed by the board of commissioners to carry out the task of supervising the management of the company and is responsible for supervising the financial reporting process. Audit committee size was the number of the audit committee members. The size of audit committee is expressed SAC and calculated based on the number of audit committee members, as follows:

SAC = sum of the members of audit committee

3.2.2 Dependent Variable (Endogenous Variable)

3.2.2.1 Financial Performance

Company financial performance reflected a company's financial condition and achievement based on its financial report over a certain period (Hermuningsih et al., 2020). Suhadak et al. (2019) stated that financial performance showed an organization's effectiveness and efficiency in achieving its goals. In order to attract investors, company are required to report its financial performance in form of financial statement. “Financial statement is the presentation of financial performance of company which stated an important information for various parties, specifically as a basis for making decisions about investment activities and deciding funding activities within the company” (Trafalgar & Africa, 2019).

Various ratios of financial statements are used to assess the financial performance of companies. One of them is the profitability ratio. The profitability indicated the ability of the company to gain profit. “The company must maintain its profitability so that its shares remain attractive to investors” (Trafalgar & Africa, 2019, p.29).

According to Kyere & Ausloos (2021, p.1878), “one ratio used to assess the company's profitability is a return on asset (ROA)”. ROA is a better measure when examining the relationship between financial performance and corporate governance as it is not affected by leverage, extraordinary items, and other discretionary items. For this reason, ROA is used in this research. ROA indicates how best the assets of a company are utilized to generate profit. The ROA is calculated as follows:

$$\textbf{ROA = Net income/Total assets} \times \textbf{100\%}$$

3.3 Data Collection Method

This research is using secondary data to investigate the relationship between CG and company financial performance. Secondary data can use some sources to collect secondary data, such as trade and business associations, media, books, articles, annual reports, web pages, government organizations, government sources, census bureaus, securities and exchanges, and universities.

The secondary data used in this study was obtained from different online sources such IDX website and E-Library of FEB UII. Some of the data such as journal and thesis were browsed from GoogleScholar, ResearchGate, and Emerald. Data related to firm financial performance was obtained from financial statements, such statements of profit or loss and other comprehensive income. While, the data of corporate governance mechanism was collected from financial statement, particularly from area focus on corporate information such as general information of company and from the equity section.

3.4 Data Analysis Technique

The data is quantitative. So, the data was analysed statistically using the SPSS software. “The quantitative method is employed via different types of statistical analysis that can be used to analyze the study data with longer periods and large sample sizes, leading to increased generalization capacity” (Khalifa H, 2018, p.90).

3.4.1 Descriptive Statistic

Generally, conducted a quantitative research often entails a lot of data that cannot be processed in manually; accordingly, there must be a tool make the data become a useful information. Statistics is a tool used in processing large data. It also collects and processes information to create a conversation, stimulate additional questions, and provide a basis for making decisions. So, “statistic is basically the science of collecting, organizing, presenting, analysing, and interpreting data to assist in making more effective decisions” (Lind, Marchal, & Wathen, 2018, p.3).

In statistic, there are either descriptive statistics or inferential statistics, which the application is based on the problem and the type of data used. Lind et al. (2018) summarized that descriptive statistics is a methods of organizing, summarizing, and presenting data in an informative way.

3.4.2 Classical Assumption Test

According to Riaman, Supian & Bon (2019, p.439), “the classic assumption test are conditions that must be met in an Ordinary Least Square (OLS) linear regression model, so that the model can be used as a predictor or prediction tool”. In this research, classic assumption test is used to measure the effect of these five components of corporate governance on the company performance in Indonesia. The regression model should meet the classical assumption test. It was applied by using SPSS software to examine the normality, multicollinearity and heteroscedasticity tests, (and autocorrelation test). (Pambreni, Khatibi, Azam, & Tham, 2019).

3.4.2.1 Normality Test

Normality test is run to determine whether the standard residual value has normal or abnormal regression results. When the standard residual value satisfies the normality, it shows a probability distribution curve with the highest frequency of occurrence at the center, and the frequency decreases with distance from the center. While, “if the residual value is classified as abnormal, there is no guarantee that it is centered on the mean, therefore a nonparametric test is applied because the comparison of characteristics between groups using the mean value is not possible” (Kim and Park, 2019, p.332).

3.4.2.2 Multicollinearity Test

Wondola, Aulele, & Lembang (2020) stated that Ragner Frisch first introduced the term multicollinearity in 1934, which occurred if there was a perfect linear relationship or several variables or if all variables were independent of multiple linear regression models. Specifically, if there is more than one independent variable, it is classified as multiple regression analysis.

In multiple regression analysis, multicollinearity explains a condition of an indication of a strong relationship between independent variables. So, a "multicollinearity test is performed to test whether there is a relationship between independent variables in a model of multiple linear regression equations" (Wondola et al., 2020, p.1).

3.4.2.3 Heteroscedasticity Tests

According to (Sugiarto, 2021), the heteroscedasticity test aimed to test whether in a regression model there was an inequality of residual variance between one observation to another. The variance of the residual from one observation to another observation could be either the same (homoscedasticity) or different (heteroscedasticity). However, a good regression model is a homoscedasticity regression model which mean the data strongly represent various sizes.

3.4.2.4 Autocorrelation Test

Autocorrelation test is used in a linear regression model to find whether there is a correlation between error interruptions in period t with errors in period t-1 (previous). If so, there is problem in autocorrelation; meanwhile if it is free from autocorrelation then it is classified as a good regression model. “The autocorrelation test among variables is presented by the Durbin Watson in SPSS application” (Mulyadi & Sihabudin, 2020, p.593).

3.4.3 Multilinear Regression Analysis

Lind et al. (2018, p.451) defined Regression analysis is another method to examine a linear relationship between variables. Even the exact correlation basic concept provides much more information as the linear relationship between two variables is stated in an equation. Functioning this equation will allow researchers to estimate the value of the dependent variable Y based on a selected value of the independent variable X. The technique used to develop the equation and provide the estimates is called regression analysis Statistics is a tool used in processing extensive data. It also collects and processes information to create a conversation, stimulate additional questions, and provide a basis for making decisions. The equation for the line used to estimate Y on the basis of X is referred to as the regression equation (cited in Lind et al., 2018).

Since this research examined more than one independent variables so the multilinear regression equation would be applied as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5$$

Y = Return on Assets

X1 = managerial ownership

X2 = institutional ownership

X3 = size of the board of directors

X4 = proportion of independent commissioners

X5 = size of the audit committees

3.4.4 Hypothesis Testing

After the regression equation is free from classical assumption test, then the hypothesis is tested. The collected data was analysed using statistical analysis tools, namely multiple linear regression analysis.

3.4.4.1 Coefficient Determination (R^2)

Determination Coefficient or R Square analysis is a test to examined how much the effect of the independent variables on the dependent variable. If the results show the adjusted R-squared value is equal to or near to zero, the variation of the independent variables used in the regression model contributes less to the dependent variable. Meanwhile, if the adjusted R2 value is low, the ability of the independent variables to explain the dependent variable is very limited.

3.4.4.2 F-Test

The F test is used to determine how well the regression line obtained fits the given data points. The F-test is used to examine how well the regression line obtained fits the given data points. This statistic indicates whether the regression model provides a better fit to the data than a model that contains no independent variables. In essence, the F test examined the overall significance of a regression model. When the F statistic value is greater than the F critical value, then it indicated that the regression model is statistically significant.

3.4.4.3 T-Test

A t-test is a statistical test that is used to examine how much the independent variable affected the dependent variable by comparing the means of two groups. The level of importance utilized is 0.01 ($\alpha = 1\%$). The level of significance used is 0.01 ($\alpha = 1\%$). The level significance will determine whether the hypothesis is accepted or rejected in the research. If it is less than 0.01 ($sig < \alpha$), the hypothesis is accepted, meanwhile if it is more than 0.01 ($sig > \alpha$) then the hypothesis is not accepted.

CHAPTER IV

DATA ANALYSIS AND DISCUSSIONS

4.1 Data Collection

This research used secondary data. It is collected from financial reporting of company which listing in IDX. The data used in this research had been limited from year 2018 until 2021. The population of listed company from energy sector is 73. However, only 20 companies that met the criteria set in this research. The following table summarized the research objects in this study:

Table 4.1 Sample Observation

No	Samples	Total
1	Listed company from Energy sectors.	73
2	Listed company in Energy sectors who do not published financial reporting for each period 2018-2021.	(15)
3	Listed company in Energy sectors do not meet the required variables used in the research for each period 2018-2021.	(38)
	Total samples used in the research (n)	20

Source: Secondary data processed, 2022

4.2 Descriptive Statistic Analysis

According to Mishra et al. (2019), the kind of information in a few words that described the basic features of the data in a study is called as descriptive statistics. One of the systematic way used to communicate the largest amount is functioning the descriptive statistics analysis so that information could be generated as simply as possible (Sundaram, Dwivedi, and Sreenivas, 2014). Generally, there are three types of descriptive statistics: Measures of frequency, measures of central tendency, and measures of dispersion or variation, variance, SD, standard error, quartile, interquartile range, percentile, range, and coefficient of variation provide simple summaries about the sample and the measures (Mishra et al., 2019). The result of descriptive statistic in this study can be viewed in the table below.

Table 4.2 Descriptive Statistic

Descriptive Statistics					
	N	Min.	Max.	Mean	Std. Deviation
Managerial ownership	80	.000	.674	.07824	.155838
Institutional ownership	80	.100	.907	.63279	.192844
Size of the board of directors	80	2	8	4.11	1.534
Proportion of board of commissioners independence	80	.20	.67	.4052	.09465
Size of audit committee	80	2	5	3.06	.486
Return on Assets	80	.3836	0.5202	493	13,254
Valid N (listwise)	80				

Source: Secondary data processed, 2022

The table number 4.2 provided the descriptive statistics for all variables related to corporate and company financial performance. All variables are calculated covering the period from 2018 to 2021. The descriptive statistics used in this study consist of minimum, maximum, mean, and standard deviation. The table 4.2 indicated the description of each variable as followed:

1. The mean managerial ownership in the sample of 20 selected companies comprised 0.07824 managerial ownership percentages, ranging from a minimum of 0.000 percentage of ownership to a maximum of 0.674

percentage of ownership. The standard deviation is 0.155838 which is greater than the mean 0.07824. It indicated that the data are more spread out.

2. The mean institutional ownership in the sample comprised 0.63279 managerial ownership percentages, ranging from a minimum of 0.100 percentage of ownership to a maximum of 0.907 percentage of ownership. The mean is 0.63279 which is greater than the standard deviation 0.19284. It indicated that the data are more clustered around the mean.
3. The average size of the board of directors on 20 companies which was sampled in this study was 4.11. Standard deviation showed a number of 1.534 which is smaller than the mean 4.11. It depicted that the data is heterogeneous or varied and scattered out. The lowest size of board of directors was consisted of 2 members and the highest size of board of directors was consisted of 8 members.
4. The average value of proportion of board of commissioners independence at 20 companies that were sampled in this study amounted to 0.4052. Standard deviation showed a number of 0.09465 which is lower than the mean (0.09465 > 0.4052) showing a heterogeneous or varied and scattered out. The minimum value of proportion of board of commissioners independence was 0.20 and the highest value was 0.67.
5. The average size of the audit committee on 20 companies which was selected in this study was 3.06. Standard deviation showed a number of 0.486 which is smaller than the mean 3.06. It depicted that the data is

heterogeneous or varied and scattered out. The lowest size of the audit committee consisted of 2 members and the highest size of the audit committee consisted of 5 members.

6. The average value of return on assets at 20 companies that were sampled in this study is 493. Standard deviation showed a number of 13,254 which was greater than the mean 493 (13,254 > 493) showing homogeneous or not varied data and not spread. The lowest value of return on assets was 0.3836 and the highest value was 0.5202.

4.3 Classical Assumption Test

4.3.1 Normality Test

Normality test aimed to test whether or not the standard residual value is normally distributed in a regression model. A good regression equation model by having a residual value which is normally distributed. This study used a One-Sample Kolmogorov-Smirnov Test to attempt the normally test. It is normally distributed, if the significance value is greater than probability (*p*) value 0.05.

Table 4.3 Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		80
Normal Parameters^{a,b}	Mean	.0000000
	Std. Deviation	1.193.344.184
Most Extreme Differences	Absolute	.141
	Positive	.141

	Negative		-.127
Test Statistic			.141
Asymp. Sig. (2-tailed)			.000[c]
Monte Carlo Sig. (2-tailed)	Sig.		.074[d]
	99% Confidence Interval	Lower Bound	.067
		Upper Bound	.081

Source: Secondary data processed, 2022

Based on Table 4.3 revealed that the significant value tested by the Asymptotic method was 0.000 which meant a significant value is smaller than 0.05. But on the other hand, in Table 4.3 also calculated a significant value using the Monte Carlo method, with a significance value of 0.074. In this study the significance value used was 0.111. The Exact and Monte Carlo Methods, provide a means for receiving accurate results when your data fail to meet any of the underlying assumptions necking for reliable results using the standard Asymptotic Method (SPSS, 2017). As stated, the significance value is 0.074 which greater than the *p* value 0.05, so that can be concluded that the residual data in this research method is normally distributed.

4.3.2 Multicollinearity Test

The multicollinearity test aims to test the correlation between the independent variables in a multiple linear regression model. The multicollinearity indication is detected if the tolerance value is less than 0.10 also the VIF value is greater than 10.

Table 4.4 Multicollinearity Test

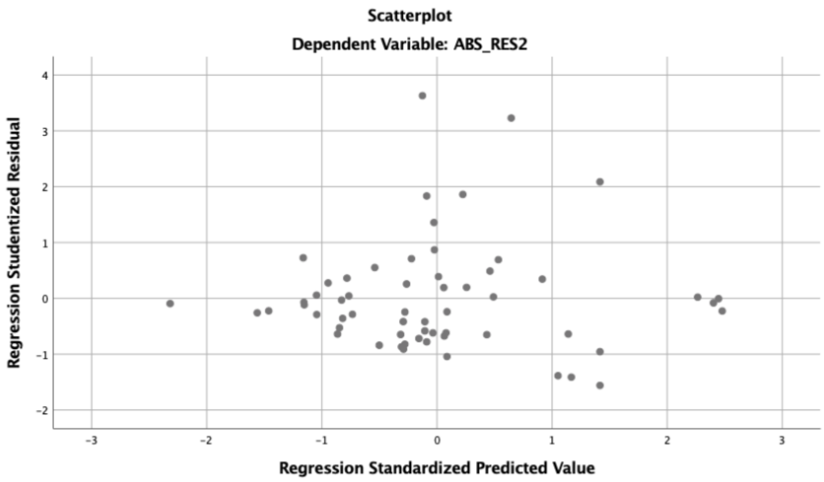
Collinearity Statistics		
Model	Tolerance	VIF
Managerial ownership	.574	1.742
Institutional ownership	.600	1.666
Size of the board of directors	.867	1.153
Proportion of board of independent commissioners	.899	1.113
Size of audit committee	.773	1.294
a. Dependent Variable: Return on Assets		

Source: Secondary data processed, 2022

Based on the table 4.4, all variables have tolerance value results more than 0.1 and showed VIF values less than 10. It concluded that this research is free of multicollinearity indication.

4.3.3 Heteroscedasticity Test

Heteroscedasticity aims to determine inequality in the regression model from the residuals of one observation to another observation. Heteroscedasticity does not occur if there is no clear pattern in the scatterplots, as well as points spread above and below the number 0 on the Y axis (Anas, 2020).



Source: Secondary data processed, 2022

Based on the results of the heteroscedasticity test in this study using a scatterplot graph, the regression model is feasible to be examined since there is no indication of heteroscedasticity as the result depicts points that spread out and no certain patterns is found.

Table 4.5 Heteroscedasticity Test

Variables	Managerial ownership	Managerial ownership	Size of the board of directors	Proportion of independent board commissioners	Size of audit committee
Sig.	0,207	0,575	0,147	0.069	0,541

Source: Secondary data processed, 2022

Additionally, using the sig. value of all variables are greater than 0.05. It concluded there was no heteroscedasticity indication in this regression. This was consistent with the results of scatterplots.

4.3.4 Autocorrelation Test

The autocorrelation test aims to test whether in the regression model there is an unequal variance of the residuals of the same observations with other observations (Sidiq, 2020). The autocorrelation test related to the result of Durbin Watson (DW) (Ghozali, 2011). If the DW value is greater than DU and the result of 4 minus the DU value is greater than the DW value. To find the DU or calculated value of Durbin Watson, by looking at the values in the table showing the number of independent variables (k) and the number of valid observations for the variable in the study (N).

Table 4.6 Autocorrelation Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.435[a]	.189	.135	1233001%	2.073
a. Predictors: (Constant), MO, IO, SC, IC, SAC					
b. Dependent Variable: ROA					

Source: Secondary data processed, 2022

In this study, the DU value is 1.7671 as the *k* is 5 and the n is 80. Based on the result on the Table 4.6, the Durbin Watson showed a value 2.073 which is greater than DU value 1.7671. Secondly, the DW value 2.073 is below the 2.2329 (4-1.7671). So, the conclusion obtained is there is no autocorrelation in this regression.

4.3.5 Multilinear Regression Analysis

Regression analysis is a method of analysing research hypotheses to test whether there is an influence between one variable and another in the form of mathematical equations. This analysis serves to find the effect of two or more independent variables (X) on the dependent variable (Y).

Table 4.7 Multilinear Regression Analysis

Variables	B	Sig.
(Constant)	-19.156	.199
Managerial ownership	27.679	.021
Institutional ownership	8.696	.352
Size of the board of directors	1.430	.145
Proportion of board of commissioners independence	-8.108	.602
Size of audit committee	4.512	.169
	Return on Assets	

Source: Secondary data processed, 2022

Based on the table above, the equation of the regression model in this study were as follows:

Y = -19.156+27.679MO+8.696IO+1.430SC-8.108IC+4.512SA

From the results of the equation the multiple linear regression model could be interpreted as follows:

1. The constant (α) of -19.156 means if all the independent variables were constant or equal to zero (0), then the value of Return on Assets (RoA) was equal to -19.156 units.

2. Managerial ownership (MO) variable, a coefficient of 27.679 with a positive sign means, if the variable MO decreases by 1 unit, then the value of Return on Assets (RoA) will increase by 27.679 units assuming that the other independent conditions constant.
3. Institutional ownership (IO) variable, a coefficient of 8.696 with a positive sign means, if the variable IO decreases by 1 unit, then the value of Return on Assets (RoA) will increase by 8.696 units assuming that the other independent conditions constant.
4. Size of the board of directors (SC) variable, a coefficient of 1.430 with a positive sign means, if the variable SC decreases by 1 unit, then the value of Return on Assets (RoA) will increase by 1.430 units assuming that the other independent conditions constant.
5. Proportion of board of commissioners independence (IC) variable, a coefficient of 8.108 was obtained with a negative sign explained that if the IC variable increases by 1 unit, then the value of Return on Assets (RoA) will decrease by 8.108 units assuming that the other independent in constant conditions.
6. Size of audit committee (SA) variable, a coefficient of 4.512 with a positive sign explained that if the variable SC decreases by 1 unit, then the value of Return on Assets (ROA) will increase by 4.512 units assuming that the other independent conditions constant.

4.4 Hypothesis Testing

4.4.1 Coefficient Determination (R^2)

Determination Coefficient or R Square analysis is a test to examined how much the effect of the independent variables on the dependent variable. If the results show the adjusted R-squared value is equal to or near to zero, the variation of the independent variables used in the regression model contributes less to the dependent variable. Meanwhile, if the adjusted R2 value is low, the ability of the independent variables to explain the dependent variable is very limited.

Table 4.8 Coefficient Determination (R^2) Analysis

R-squared	.189
Adjusted R-squared	.135

Source: Secondary data processed, 2022

Based on the data presented in table 4.8, the value of the R-squared 0.189 or 18.90% indicated that the variation of all independent variables used in this study (managerial ownership, institutional ownership, size of the board of directors, size of board independent, number of board meetings and audit committee) can affect the dependent variable (ROA) by 18.90%. Therefore, the 81.10% (0.811) was influenced by another variables outside the model that were not included in this study.

4.4.2 F-Test

The F-test is used to examine how well the regression line obtained fits the given data points. This statistic indicates whether the regression model provides a better fit to the data than a model that contains no independent variables. In essence, it tests if the regression model as a whole is useful. The results of the simultaneous significance test in this study can be seen in table 4.9 below:

Table 4.9 F-Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.626.806	5	525.361	3.456	.007[b]
	Residual	11.250.156	74	152.029		
	Total	13.876.962	79			
a Dependent Variable: Return on Assets						
b Predictors: (Constant), Size of audit committee, Proportion of board of commissioners independence, Institutional ownership, Size of the board of directors, Managerial ownership						

Source: Secondary data processed, 2022

Table 4.9 showed the F value is statistically 3.456 which is calculated by divided the MS regression by MS residual (525.361/152.029). Then, Using the F-distribution table for alpha = 0.05, with numerator of degrees of freedom 5 (df for Regression) and denominator degrees of freedom 74 (df for Residual), we found that the F critical value is 2.338. Since the F statistic (3.456) is greater than F critical value (2.338), it concluded that the regression model as a whole is statistically significant.

4.4.3 T-Test

The T-test statistically indicates how much the independent variable's effect individually could explain the dependent variable. In the T-test, H1 will be accepted if the t-value is greater than the value of t table which is 1.753 (at level of significance 5%) or accepted if the significant value is ≤ 0.05. The results of the t test can be seen in table 4.9 as follows:

Table 4.10 T-Test

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-19.156	14.776		-1.296	.199
Managerial ownership	27.679	11.749	.325	2.356	.021
Institutional ownership	8.696	9.286	.127	.936	.352
Size of the board of directors	1.430	.971	.166	1.473	.145
Proportion of board of commissioners independence	-8.108	15.461	-.058	-.524	.602
Size of audit committee	4.512	3.245	.166	1.391	.169
a. Dependent Variable: Return on Assets					

Source: Secondary data processed, 2022

According to the results on the table above, it concluded that:

1. Managerial ownership (MO) variable showed a t-value 2.356 with a significance level of 0.021. Based on the results of the t-value is greater than 1.753 or at significance level of 0.021 which is less than 0.05. Additionally, the beta value is positive 0.325. It reveals that the managerial ownership variable has a significant positive effect on financial performance as proxied by return on assets or ROA. Therefore, the first hypothesis **(H1) is supported.**

2. Institutional ownership (IO) variable showed a t-value 0.936 with a significance level of 0.352. Based on the results of the t-value is below 1.753 or at significance level of 0.352 which is greater than 0.05. Additionally, the beta value is positive 0.127. It reveals that the institutional ownership variable has a positive and insignificant effect on the company financial performance as proxied by return on assets or ROA. Therefore, the second hypothesis **(H2) is not supported.**
3. Size of the board of directors (SC) variable showed a t-value 1.473 with a significance level of 0.145. Based on the results of the t-value is below 1.753 or at significance level of 0.145 which is greater than 0.05. Additionally, the beta value is positive 0.166. It reveals that the size of the board of directors variable has a positive correlation with the company financial performance as proxied by return on assets or ROA but did not significantly affect it. Therefore, the third hypothesis **(H3) is not supported.**
4. Proportion of board of commissioners independence (IC) variable showed a t-value -0.524 with a significance level of 0.602. Based on the results of the t-value is below 1.753 or at significance level of 0.602 which is greater than 0.05. Additionally, the beta value is negative 0.058. It reveals that the proportion of board of commissioners independence variable has a negative and insignificant effect on the company financial performance as proxied by return on assets or ROA. Therefore, the forth hypothesis **(H4) is not supported.**

5. Size of audit committee (SA) variable showed a t-value 1.391 with a significance level of 0.169. Based on the results of the t-value is below 1.753 or at significance level of 0.169 which is greater than 0.05. Additionally, the beta value is positive 0.166. It reveals that the institutional ownership variable has a positive and insignificant effect on the company financial performance as proxied by return on assets or ROA. Therefore, the fifth hypothesis **(H5) is not supported.**

4.5 Hypothesis Discussion

4.5.1 H1: The managerial ownership has a positive impact on the company's financial performance.

The first hypothesis in this study is the managerial ownership (MO) has a positive impact on the company's financial performance. Based on the Table 4.10 the level of signification of MO variable is 2,1% or 0.021 which is below the level of signification (α) 5% or 0.05. The beta value is positive 0.325. It proved that MO has a positive impact on the company's financial performance proxied by Return on Assets (ROA). It is line with the previous research that found the (MO) has a positive impact on the company's financial performance (Fauzi, 2020; Rahman & Subagio, 2021; Din, Arshad Khan, Khan, & Khan, 2021).

In contrast, Yuniarti & Syaichu (2018), Indriati (2018), Trafalgar & Africa (2019) found that MO has insignificant impact on the company's financial performance. Considered the different study case and time of research by previous researchers might lead to these different findings. Finally, H1 showed managerial ownership (MO) has a positive impact on the company's financial performance.

4.5.2 H2: The institutional ownership has a positive impact on the company financial performance.

The second hypothesis is the institutional ownership (IO) has a positive impact on the company financial performance. Table 4.10 showed the institutional ownership beta value is 0.127 with a positive sign and at the level of signification above 0.05 (0.352>0.05). It explained that IO variable has insignificant positive impact on the company financial performance proxied by ROA. It is in line with the study by Hindasah, Supriyono, & Ningri, (2021) which mentioned that IO variable has insignificant positive impact on the company financial performance proxied by ROA.

However, the previous study found that institutional ownership has significantly affected the company financial performance (Trafalgar & Africa, 2019; and Fitriyana, 2020). The different findings might come from different study and time that taken by previous researchers that can affected the study result. Thus, H2 showed institutional ownership (IO) has insignificant positive impact on the company financial performance.

4.5.3 H3: The size of board of directors has a positive impact on the company financial performance.

The third hypothesis is the size of board directors (SC) has a positive impact on the company financial performance. Table 4.10 mentioned the size of board directors beta value is 0.166 with a positive sign at the level of signification above 0.05 (0.352>0.05). It explained that SC variable has insignificant positive impact on the company financial performance proxied by ROA. As in Indonesia, the range size of board of director members are relatively small, which range size of members consists of 3 up to 8 members, but mostly 3 members. Therefore, the size of BOD variable might not be appropriate to be used as one of the CG proxies to affect the company financial performance.

The results of this research proved that the size of board directors (SC) has positive and insignificant impact on the company financial performance as proxied ROA. It means that increasing the members of board directors does not have a significant influence on increasing the company financial performance as discussed. The size of board directors in a company tended to remain unchanged (probably only experiences small changes), causes this variable provided an insignificant impact on the company financial performance (Yuniarti & Syaichu, 2018).

Moreover, study by Arora & Sharma (2015) proposed that a small board size induced a better performance so averts divergent perspectives of different boards which prolonged the process of making decisions and inefficiency of management control. It suggested that a board member number should not exceed 10. Additionally, study also highlight that the board size had a positive relationship with firm performance if only within the 7-13 members. It emphasizes that a smaller board is able to direct and make better decisions and that a larger board size may lead to less firm performance (Buallay et al., 2017). Sa’diyah (2020) agreed that the board size had a negative and insignificant effect on financial performance. Hence, H3 showed size of board directors (SC) has insignificant positive impact on the company financial performance.

4.5.4 H4: The proportion of independent board commissioners has a positive impact on the company financial performance.

The fourth hypothesis is the proportion of independent board commissioners (IC) has a positive impact on the company financial performance. According to statistic result on Table 4.10, it shows IC variable has a beta value of negative 0.058 at level of signification above 0.05 (0.602>0.05).

The results of this research proved that the proportion of independent board commissioners has insignificantly a negative impact on the company financial performance. It affirmed the study results that found independent board of commissioners had a negative and insignificant effect on company performance (Sa’diyah, 2020; Yuniarti & Syaichu, 2018). It means that higher the proportion of independent board commissioners does not provide a higher company financial performance as proxied by ROA as long as meet the number of minimum requirements of independent commissioners. According to Indonesian Law No. 40 Year 2007 concerning Limited Company, for public and listed companies must have a minimum of two commissioners (at least one independent). Under IFSAR 33/2014, if the company appoints more than two commissioners, at least 30% of the commissioners must be independent.

However, this result disagreed with study by Kyere & Ausloos (2021) and Hindasah et al. (2021) that stated the proportion of independent commissioners on financial performance show a significant positive influence toward ROA. Therefore, H4 showed the proportion of independent board commissioners (IC) has insignificant negative impact on the company financial performance.

4.5.5 H5: The size of the audit committees has a positive impact on the company financial performance.

The fifth hypothesis is the size of the audit committees (SA) has a positive impact on the company financial performance. Based on the Table 4.10, the SC variable has a beta value of positive 0.166 at level of signification above 0.169 which is greater than 0.05.

The results of this research committed that the size of audit committees has a positive and insignificant impact on the company financial performance as proxied ROA. The size of audit committee in company does not influence the company financial performance (Khalifa H, 2018; Olayiwola, 2018; Soud & Aypek, 2021). As long it consisted of at least three persons, which one person as chairman must be the independent commissioners and the two persons assigned as a member must be the one who is outsiders of company (The decision of Chairman BAPEPAM Kep. 29/PM/2004), they assumed that a larger audit committee is inefficient.

In contrast, according to Ashari & Krismiaji (2020) audit committee size positively affects firms' financial performance, and as significant indicator of GCG that has a significant impact on the company financial performance (Al-Homaidi, Almaqtari, Ahmad, & Tabash, 2019; Ashari & Krismiaji, 2020).

In summary, H5 showed size of the audit committees (SA) has an insignificant positive impact on the company financial performance.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

This study aimed to examine *The Effect of Good Corporate Governance on The Company Financial Performance* in Indonesia Energy Sector during 2018 until 2021. The following conclusions drawn from this research:

1. The managerial ownership had a positive and significant impact on the company's financial performance. This meant that that percentage of managerial ownership in company's equity influenced the company's financial performance which proxied by ROA.
2. The institutional ownership had a positive and insignificant impact on the company's financial performance. This meant that percentage of institutional ownership in company's equity did not significantly influenced the company's financial performance which proxied by ROA.
3. The size of board commissioners had a positive and insignificant impact on the company's financial performance. This meant that size of board commissioners did not significantly influenced the company's financial performance which proxied by ROA.
4. The proportion of independent board commissioners had a negative and insignificant impact on the company's financial performance. This meant that increasing the proportion of independent board commissioners did not significantly influenced the company's financial performance which proxied by ROA. In other words, the results of this study implied that the

higher proportion of independent commissioners, the lower the financial performance.

5. The size of audit committee had a positive and insignificant impact on the company's financial performance. This meant that increasing the size of audit committee did not significantly influenced the company's financial performance which proxied by ROA.

5.2 Research Implications

The results of this study were expected to be able to contribute scientifically to the academics, managerial applications for practitioners in the company in the implementation of managerial activities and for regulators in the preparation and regulation of the company.

5.3 Research Limitations

There were several limitations in this research and are expected to be improved by further researchers in conducting the research.

1. The number of samples in Energy Industry that met the research criteria in this study was relatively small
2. Annual financial reporting that can be accessed publicly and free in the website had only available in the last 4 years.
3. There is a limitation in the variables used this research to proxied the corporate governance mechanisms.

5.4 Recommendations

The recommendations that be given to the next study are:

1. The future study is expected to increase the number of samples to provide a more reliable results study.
2. The future study is encouraged to use another variable in proxied the corporate governance mechanism.
3. The next research is recommended to studied the effect of good corporate governance on the company financial performance from another industry or sector that have not or still least being studied for, not limited to the foreign company as a case study.

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APPENDICES

Appendix 1 List of Energy Sector Companies

Sub-industry	No	Stock Name	Company Name
A1 OIL, GAS & COAL	1	ADMR	PT ADARO MINERALS INDONESIA Tbk
	2	ADRO	PT ADARO ENERGY INDONESIA Tbk
	3	AIMS	PT AKBAR INDO MAKMUR STIMEC Tbk
	4	AKRA	PT AKR CORPORINDO Tbk.
	5	APEX	PT APEXINDO PRATAMA DUTA Tbk
	6	ARII	PT ATLAS RESOURCES Tbk
	7	ARTI	PT. RATU PRABU ENERGI Tbk
	8	BBRM	PT Pelayaran Nasional Bina Buana Ray Tbk
	9	BESS	PT Batulicin Nusantara Maritim Tbk
	10	BIPI	PT Astrindo Nusantara Infrastruktur Tbk
	11	BOSS	PT BORNEO OLAH SARANA SUKSES Tbk
	12	BSML	PT Bintang Samudera Mandiri Lines Tbk
	13	BSSR	PT BARAMULTI SUKSESSARANA Tbk
	14	BULL	PT BUANA LINTAS LAUTAN Tbk
	15	BUMI	PT Bumi Resources Tbk
	16	BYAN	PT Bayan Resources Tbk
	17	CANI	PT Capitol Nusantara Indonesia Tbk.
	18	CNKO	PT EXPLOITASI ENERGI INDONESIA Tbk
	19	DEWA	PT DARMA HENWA Tbk
	20	DOID	PT Delta Dunia Makmur Tbk
	21	DSSA	PT Dian Swastatika Sentosa Tbk
	22	DWGL	PT Dwi Guna Laksana Tbk
	23	ELSA	PT Elnusa Tbk
	24	ENRG	PT Energi Mega Persada Tbk
	25	FIRE	PT Alfa Energi Investama Tbk
	26	GEMS	PT Golden Energy Mines Tbk
	27	GTBO	PT Garda Tujuh Buana Tbk
	28	GTSI	PT GTS International Tbk
	29	HITS	PT Humpuss Intermoda Transportasi Tbk
	30	HRUM	PT Harum Energy Tbk
	31	INDY	PT. INDIKA ENERGY Tbk
	32	INPS	PT INDAH PRAKASA SENTOSA Tbk
	33	ITMA	PT SUMBER ENERGI ANDALAN TBK
	34	ITMG	PT INDO TAMBANGRAYA MEGAH Tbk
	35	KKGI	PT RESOURCE ALAM INDONESIA Tbk
	36	KOPI	PT Mitra Energi Persada Tbk

	37	LEAD	PT LOGINDO SAMUDRAMAKMUR Tbk
	38	MBAP	PT MITRABARA ADIPERDANA Tbk
	39	MBSS	PT MITRABAHTERA SEGARA SEJATI Tbk
	40	MCOL	PT Prima Andalan Mandiri Tbk
	41	MEDC	PT MEDCO ENERGI INTERNASIONAL Tbk
	42	MITI	PT MITRA INVESTINDO Tbk
	43	MTFN	PT CAPITALINC INVESTMENT Tbk
	44	MYOH	PT SAMINDO RESOURCES Tbk
	45	PGAS	PT PERUSAHAAN GAS NEGARA Tbk
	46	PKPK	PT PERDANA KARYA PERKASA Tbk
	47	PSSI	PT PELITA SAMUDERA SHIPPING TBK
	48	PTBA	PT BUKIT ASAM Tbk
	49	PTIS	PT INDO STRAITS TBK
	50	PTRO	PT Petrosea Tbk
	51	RAJA	PT Rukun Raharja Tbk
	52	RIGS	PT Rig Tenders Tbk
	53	RMKE	PT RMK Energy Tbk
	54	RUIS	PT Radiant Utama Interinsco Tbk
	55	SGER	PT AKBAR INDO MAKMUR STIMEC Tbk
	56	SHIP	PT Sillo Maritime Perdana Tbk
	57	SMMT	PT SINAR MAS MULTIARTHA Tbk
	58	SMRU	PT SMR Utama Tbk
	59	SOCI	PT SOECHI LINES TBK
	60	SUGI	PT SUGIH ENERGY Tbk
	61	SURE	PT Super Energy Tbk
	62	TAMU	PT Pelayaran Tamarin Samudra Tbk
	63	TCPI	PT Transcoal Pacific Tbk.
	64	TEBE	PT DANA BRATA LUHUR Tbk
	65	TOBA	PT TBS Energi Utama Tbk
	66	TPMA	PT Trans Power Marine Tbk
	67	TRAM	PT Trada Alam Minera Tbk
	68	UNIQ	PT Ulima Nitra Tbk
	69	WINS	PT WINTERMAR OFFSHORE MARINE Tbk
	70	WOWS	PT GINTING JAYA ENERGI TBK
A2 ALTERNATIVE ENERGY	71	ETWA	PT Eterindo Wahanatama Tbk
	72	JSKY	PT Sky Energy Indonesia Tbk
	73	SEMA	PT Semacom Integrated Tbk

Appendix 2 Data Observations of Implementation of CG mechanism from Energy Sector Companies

No	Year	Company Name	MO	IO	SC	IC	SAC	ROA
1	2018	PT ADARO ENERGY INDONESIA Tbk	0,124	0,439	4	0,25	3	6,76%
2	2018	PT AKR CORPORINDO Tbk.	0,007	0,590	3	0,33	3	8,01%
3	2018	PT ATLAS RESOURCES Tbk	0,208	0,554	5	0,20	3	-8,07%
4	2018	PT BARAMULTI SUKSESSARANA Tbk	0,005	0,907	8	0,38	3	28,18 %
5	2018	PT Bayan Resources Tbk	0,663	0,300	6	0,33	4	45,56 %
6	2018	PT BUANA LINTAS LAUTAN Tbk	0,006	0,508	3	0,67	3	4,50%
7	2018	PT BUKIT ASAM Tbk	0,000	0,711	6	0,33	3	21,19 %
8	2018	PT Delta Dunia Makmur Tbk	0,003	0,490	7	0,43	3	6,39%
9	2018	PT Harum Energy Tbk	0,000	0,781	6	0,33	3	8,59%
10	2018	PT INDAH PRAKASA SENTOSA Tbk	0,008	0,762	2	0,50	2	-2,35%
11	2018	PT INDIKA ENERGY Tbk	0,019	0,684	5	0,40	3	2,67%
12	2018	PT INDO STRAITS TBK	0,001	0,818	2	0,50	3	0,31%
13	2018	PT LOGINDO SAMUDRAMAKMUR Tbk	0,133	0,447	3	0,33	3	28,97 %
14	2018	PT MEDCO ENERGI INTERNASIONAL Tbk	0,013	0,722	5	0,40	3	-0,54%
15	2018	PT Pelayaran Nasional Bina Buana Ray Tbk	0,004	0,824	4	0,50	3	-9,40%
16	2018	PT PELITA SAMUDERA SHIPPING TBK	0,001	0,764	3	0,33	3	12,73 %
17	2018	PT RESOURCE ALAM INDONESIA Tbk	0,004	0,649	5	0,40	3	0,41%
18	2018	PT SINAR MAS MULTIARTHA Tbk	0,000	0,723	5	0,40	2	1,53%
19	2018	PT SOECHI LINES TBK	0,051	0,799	3	0,33	3	2,00%
20	2018	PT WINTERMAR OFFSHORE MARINE Tbk	0,150	0,411	3	0,33	3	-13,11 %
21	2019	PT ADARO ENERGY INDONESIA Tbk	0,124	0,439	5	0,40	3	6,03%
22	2019	PT AKR CORPORINDO Tbk.	0,007	0,590	3	0,33	3	3,28%
23	2019	PT ATLAS RESOURCES Tbk	0,212	0,554	4	0,50	3	-1,52%
24	2019	PT BARAMULTI SUKSESSARANA Tbk	0,003	0,907	8	0,38	3	12,15 %
25	2019	PT Bayan Resources Tbk	0,657	0,300	5	0,40	4	18,33 %
26	2019	PT BUANA LINTAS LAUTAN Tbk	0,022	0,500	3	0,67	3	4,22%

27	2019	PT BUKIT ASAM Tbk	0,000	0,679	6	0,33	3	15,48 %
28	2019	PT Delta Dunia Makmur Tbk	0,004	0,433	7	0,43	3	1,73%
29	2019	PT Harum Energy Tbk	0,000	0,834	6	0,33	3	4,50%
30	2019	PT INDAH PRAKASA SENTOSA Tbk	0,008	0,762	2	0,50	2	-0,81%
31	2019	PT INDIKA ENERGY Tbk	0,019	0,684	5	0,40	3	0,14%
32	2019	PT INDO STRAITS TBK	0,001	0,818	2	0,50	3	0,61%
33	2019	PT LOGINDO SAMUDRAMAKMUR Tbk	0,172	0,384	3	0,33	3	5,66%
34	2019	PT MEDCO ENERGI INTERNASIONAL Tbk	0,017	0,720	5	0,40	3	-0,23%
35	2019	PT Pelayaran Nasional Bina Buana Ray Tbk	0,004	0,824	4	0,50	3	-5,78%
36	2019	PT PELITA SAMUDERA SHIPPING TBK	0,001	0,726	4	0,50	3	9,28%
37	2019	PT RESOURCE ALAM INDONESIA Tbk	0,004	0,599	6	0,33	3	4,29%
38	2019	PT SINAR MAS MULTIARTHA Tbk	0,000	0,692	5	0,40	3	5,09%
39	2019	PT SOECHI LINES TBK	0,034	0,799	3	0,33	3	1,36%
40	2019	PT WINTERMAR OFFSHORE MARINE Tbk	0,149	0,463	3	0,33	3	-6,80%
41	2020	PT ADARO ENERGY INDONESIA Tbk	0,124	0,439	5	0,40	3	2,48%
42	2020	PT AKR CORPORINDO Tbk.	0,007	0,606	3	0,33	3	5,15%
43	2020	PT ATLAS RESOURCES Tbk	0,213	0,498	4	0,50	3	-4,55%
44	2020	PT BARAMULTI SUKSESSARANA Tbk	0,002	0,907	8	0,38	3	11,59 %
45	2020	PT Bayan Resources Tbk	0,658	0,100	5	0,40	4	21,27 %
46	2020	PT BUANA LINTAS LAUTAN Tbk	0,025	0,336	3	0,67	3	4,56%
47	2020	PT BUKIT ASAM Tbk	0,000	0,679	6	0,33	4	10,01 %
48	2020	PT Delta Dunia Makmur Tbk	0,004	0,433	7	0,43	3	-2,41%
49	2020	PT Harum Energy Tbk	0,000	0,799	6	0,33	3	12,09 %
50	2020	PT INDAH PRAKASA SENTOSA Tbk	0,008	0,803	2	0,50	2	-3,81%
51	2020	PT INDIKA ENERGY Tbk	0,003	0,684	5	0,40	5	-2,96%
52	2020	PT INDO STRAITS TBK	0,001	0,818	2	0,50	3	0,01%
53	2020	PT LOGINDO SAMUDRAMAKMUR Tbk	0,153	0,383	3	0,33	3	-1,91%
54	2020	PT MEDCO ENERGI INTERNASIONAL Tbk	0,007	0,734	5	0,50	3	-3,08%
55	2020	PT Pelayaran Nasional Bina Buana Ray Tbk	0,341	0,829	4	0,33	3	-30,02 %

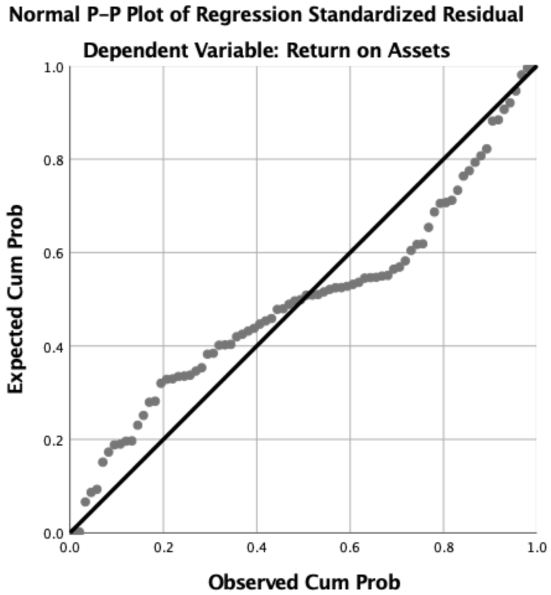
56	2020	PT PELITA SAMUDERA SHIPPING TBK	0,003	0,798	4	0,25	3	5,74%
57	2020	PT RESOURCE ALAM INDONESIA Tbk	0,002	0,649	6	0,40	3	7,98%
58	2020	PT SINAR MAS MULTIARTHA Tbk	0,003	0,853	5	0,40	3	0,02%
59	2020	PT SOECHI LINES TBK	0,034	0,799	3	0,33	3	4,14%
60	2020	PT WINTERMAR OFFSHORE MARINE Tbk	0,153	0,411	3	0,33	3	-6,78%
61	2021	PT ADARO ENERGY INDONESIA Tbk	0,127	0,450	5	0,40	3	13,56 %
62	2021	PT AKR CORPORINDO Tbk.	0,012	0,606	3	0,33	3	4,83%
63	2021	PT ATLAS RESOURCES Tbk	0,221	0,445	5	0,40	3	0,25%
64	2021	PT BARAMULTI SUKSESSARANA Tbk	0,002	0,907	8	0,38	3	47,13 %
65	2021	PT Bayan Resources Tbk	0,674	0,100	4	0,50	4	52,02 %
66	2021	PT BUANA LINTAS LAUTAN Tbk	0,024	0,304	4	0,50	3	- 38,36 %
67	2021	PT BUKIT ASAM Tbk	0,000	0,661	6	0,33	4	22,25 %
68	2021	PT Delta Dunia Makmur Tbk	0,003	0,432	5	0,40	3	0,02%
69	2021	PT Harum Energy Tbk	0,000	0,799	5	0,40	3	11,24 %
70	2021	PT INDAH PRAKASA SENTOSA Tbk	0,008	0,839	2	0,50	2	-7,51%
71	2021	PT INDIKA ENERGY Tbk	0,003	0,684	5	0,40	5	1,72%
72	2021	PT INDO STRAITS TBK	0,001	0,818	2	0,50	3	0,34%
73	2021	PT LOGINDO SAMUDRAMAKMUR Tbk	0,131	0,385	3	0,33	3	-1,94%
74	2021	PT MEDCO ENERGI INTERNASIONAL Tbk	0,007	0,737	4	0,50	3	1,10%
75	2021	PT Pelayaran Nasional Bina Buana Ray Tbk	0,339	0,824	3	0,33	3	2,00%
76	2021	PT PELITA SAMUDERA SHIPPING TBK	0,007	0,796	5	0,20	3	15,53 %
77	2021	PT RESOURCE ALAM INDONESIA Tbk	0,002	0,649	5	0,40	3	17,40 %
78	2021	PT SINAR MAS MULTIARTHA Tbk	0,003	0,837	5	0,40	3	0,84%
79	2021	PT SOECHI LINES TBK	0,034	0,799	2	0,50	3	0,86%
80	2021	PT WINTERMAR OFFSHORE MARINE Tbk	0,084	0,401	3	0,67	3	0,07%

Appendix 3 Descriptive Statistic

Descriptive Statistics					
	N	Min.	Max.	Mean	Std. Deviation
Managerial ownership	80	.000	.674	.07824	.155838
Institutional ownership	80	.100	.907	.63279	.192844
Size of the board of directors	80	2	8	4.11	1.534
Proportion of board of commissioners independence	80	.20	.67	.4052	.09465
Size of audit committee	80	2	5	3.06	.486
Return on Assets	80	-38.36%	52.02%	49272%	1325359%
Valid N (listwise)	80				

Appendix 4 Normality Test

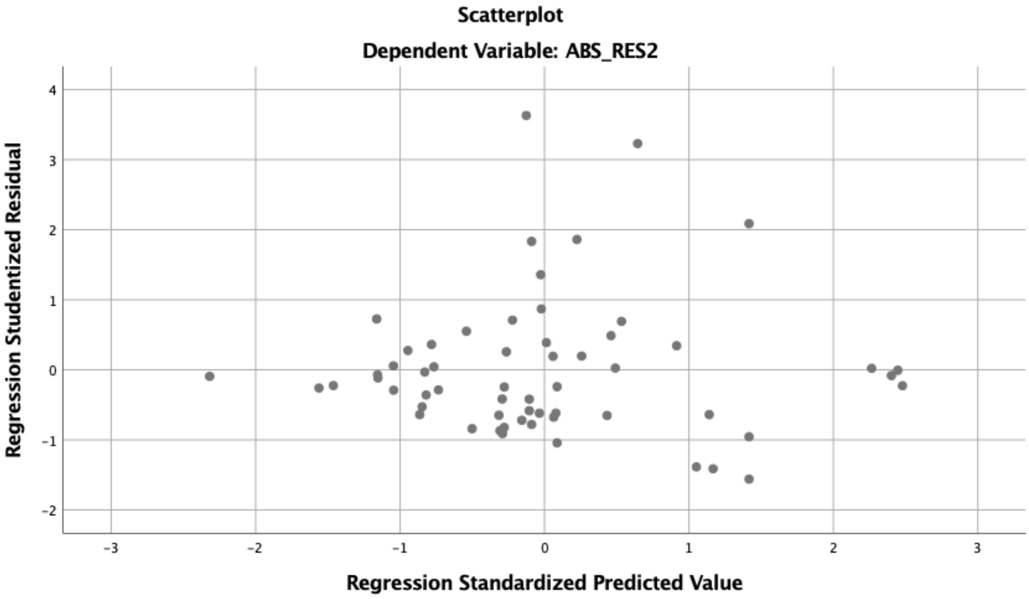
One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			80
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		1.193.344.184
Most Extreme Differences	Absolute		.141
	Positive		.141
	Negative		-.127
Test Statistic			.141
Asymp. Sig. (2-tailed)			.000[c]
Monte Carlo Sig. (2-tailed)	Sig.		.074[d]
	99% Confidence Interval	Lower Bound	.067
		Upper Bound	.081



Appendix 5 MulticollinearityTest

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-19.156	14.776		-1.296	.199
Managerial ownership	27.679	11.749	.325	2.356	.021
Institutional ownership	8.696	9.286	.127	.936	.352
Size of the board of directors	1.430	.971	.166	1.473	.145
Proportion of board of commissioners independence	-8.108	15.461	-.058	-.524	.602
Size of audit committee	4.512	3.245	.166	1.391	.169
a. Dependent Variable: Return on Assets					

Appendix 6 Heteroscedasticity Test



Appendix 7 Autocorrelation Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.435[a]	.189	.135	1233001%	2.073
a. Predictors: (Constant), MO, IO, SC, IC, SAC					
b. Dependent Variable: ROA					

Appendix 8 Multilinear Regression Analysis & T-Test

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-19.156	14.776		-1.296	.199
Managerial ownership	27.679	11.749	.325	2.356	.021
Institutional ownership	8.696	9.286	.127	.936	.352

Size of the board of directors	1.430	.971	.166	1.473	.145
Proportion of board of commissioners independence	-8.108	15.461	-.058	-.524	.602
Size of audit committee	4.512	3.245	.166	1.391	.169
a. Dependent Variable: Return on Assets					

Appendix 9 Coefficient Determination (R2) Analysis

R-squared	.189
Adjusted R-squared	.135

Appendix 10 F-Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2626.806	5	525.361	3.456	.007[b]
	Residual	11250.156	74	152.029		
	Total	13876.962	79			

a. Dependent Variable: Return on Assets

b. Predictors: (Constant), Size of audit committee, Proportion of board of commissioners independence, Institutional ownership, Size of the board of commissioners, Managerial ownership