

Good Corporate Governance and Financial Performance: Moderating Effects of Company Size

Della Gracia Yudistya Putri & Supramono*

Faculty of Economics and Business, Universitas Kristen Satya Wacana, Salatiga, Indonesia

Abstract

This study aims to determine the effect of components of good corporate governance, namely the size of a board of directors, independent board of commissioners, and audit committee size, on company performance as proxied by ROA with company size as moderating variable. A total of 65 samples were used. The data processing method used in this research is panel data regression analysis and Moderated Regression Analysis (MRA) using Eviews 10 software. The result showed the size of the board of directors and the independent board of commissioners do not affect ROA, and only the audit committee affects ROA. The result also showed company size does not moderate the relationship between the size of the board of directors and the size of the independent commissioners on ROA; company size can weaken the relationship between the size of the audit committee and ROA.

Keywords: Good Corporate Governance; Company Size; Return on Asset (ROA)

1. Introduction

Business competition in the current era of globalization encourages companies to be more competitive in having good corporate governance as a fundamental need to maintain the company's survival. Public trust and welfare are essential to keep the company so that information is open to the public. One of the efforts to provide information is by publishing financial statements by management. Publication of financial statements contains the company's financial performance as a form of transparency and accountability to stakeholders. It can be used as investor consideration in making investment decisions in the company.

Good Corporate Governance as the foundation of the soundness of a company and an essential aspect in building the company's fundamentals. The company implements GCG because there is a separation in the ownership of the company based on the Agency Theory (Deswaera et al., 2021). The company's performance can survive well if it is based on GCG practices based on the right principles. According to Organization for Economic Co-operation and Development (OECD), explain that excellent good corporate governance implementation in companies must apply the principles of transparency, accountability, responsibility, independence, and fairness. Companies that carry out GCG principles well can improve company financial performance, increase competitiveness, and reduce risks due to fraudulent actions in management for personal gain. In addition, increasing GCG in the business world for the benefit of stakeholders will provide industry resilience in various situations

State-Owned Enterprises (SOEs) Law No. 19 of 2003 are business entities whose capital is partially or wholly owned by the state through direct participation from separated state assets. In other words, the majority of state-owned companies' shares are owned by the government. Therefore, SOEs, as a source of state revenue, is expected to make a significant contribution to the Indonesian national economy and realize people's welfare by increasing performance achievement. SOEs contributed to the State Revenue and Expenditure Budget (APBN) of 422 trillion rupiah in 2019 (Husaini, 2019). However, this contribution is still not optimal in terms of the performance of the company's financial statements. This can be seen from the graph in Figure 1, which shows that the profits of SOEs companies did not increase from year to year and even decreased from 2018 to 2019. The unstable net profit of SOEs from year to year was due to several SOEs companies experiencing losses.

* Corresponding author.

E-mail address: supramono@uksw.edu

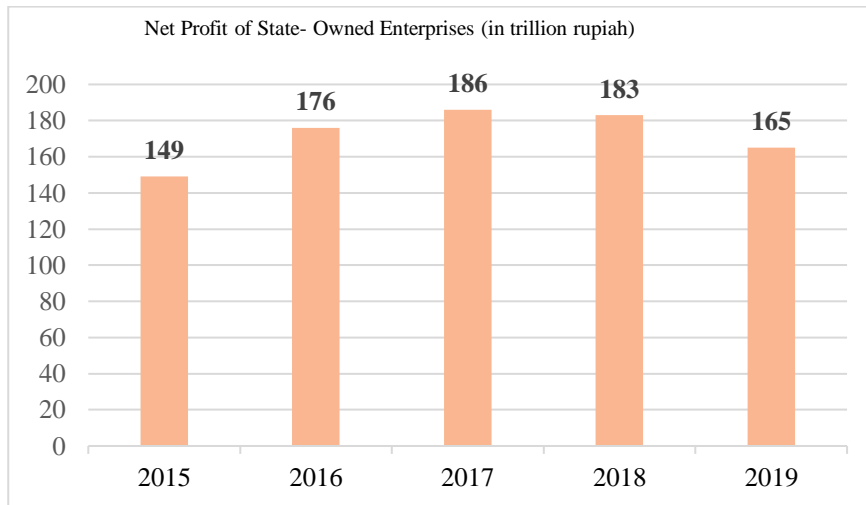


Figure 1. Net profit of state-owned enterprises in 2015-2019

Source: www.BUMN.go.id (2020, processed data)

One example of a loss to a state-owned company was experienced by PT Garuda Indonesia Tbk, which was revealed in 2019 regarding the engineering of financial statements. The company recorded a net profit in 2018 after consecutive losses. However, the net profit was recognized as income from receivables or bills for PT Garuda Indonesia. The board of directors and board of commissioners who co-sign the financial statements and are responsible for the financial statements violate Article 16 of the 2016 POJK. They are collectively imposed with a sanction of Rp. 100 million (Saragih, 2019). Weak supervision due to ineffective corporate governance results in information asymmetry where information between managers and company owners or investors is not balanced. As a result, the company becomes less competitive and performance declines.

The company's performance can be seen through several indicators: return on assets (ROA) and return on equity (ROE). Several studies have examined the effect of GCG with proxies from the board of directors, independent commissioners, and audit committees on the company's financial performance. The research was conducted by Widyastuti (2017), Syamsudin et al. (2020), Sarafina & Saifi (2017), Ramadhanti (2020), and Novitasari et al. (2020). Research by Widyastuti (2017), the independent board of directors and commissioners have no significant effect on financial performance, while the audit committee has a significant impact on financial performance. In another study by Syamsudin et al. (2020) the size of the board of directors and audit committee on financial performance proved to have a significant effect. Meanwhile, Sarafina & Saifi (2017), independent commissioners' size and audit committee significantly affect financial performance. Research by Ramadhanti (2020) independent board of directors and commissioner significantly affects financial performance. Meanwhile, the audit committee has no significant effect on financial performance. Research by Novitasari et al. (2020) found that the audit committee has no significant effect on financial performance. Researchers consider inconsistent research results to conduct further research on the company's financial performance on the board of directors, independent commissioners, and audit committees.

In this study, company size will be added as a moderating variable because it is suspected as one of the factors that cause the results of previous studies to be inconsistent. The size of the company can be seen from the size of the assets owned by the company, companies with large assets usually get more attention from the public and have a good image in the eyes of the public, so the public trusts the company's products. In addition, Surjadi & Rudolf (2016) stated that the larger the size of the company, the easier it will be to have more sources of funding, human resources, and facilities. Research conducted by Nodeh et al. (2016) proves that the size of the company has a significant effect on the company's financial performance. So that companies that have an excellent GCG system implementation balanced with a larger size are expected to produce a better performance as well.

This study aims to determine the effect of good corporate governance on financial performance and the role of company size as a moderating variable in the effect of good corporate governance on financial performance. This study focuses on SOEs companies in Indonesia, SOEs companies that implement good corporate governance are expected to have good financial performance.

2. Theoretical Review

2.1. Financial Performance

Financial performance is a benchmark in assessing the success of a company. Financial performance is a representative of the company's financial condition regarding the level of success of the company based on the company's activities and asset management effectively during a specific period (Latifah, 2020). Good company management can be seen in an increase in the company's financial performance. In addition, the company's ability to earn profits is its main focus, which can be seen from the financial statements, namely through its financial ratios. The profitability ratio assesses the company's performance and effectiveness in managing company assets to generate profits, namely return on assets (ROA) (Darmansyah, 2018).

2.2. Good Corporate Governance

Regulation of the Minister of State for State-Owned Enterprises No: PER — 01 /MBU/2011 defines GCG as the principles that underlie the company's management processes and mechanisms based on laws and regulations and business ethics. The corporate governance structure can be divided into two parts, namely the internal control structure and the external control structure. The external control structure consists of interested parties from outside the company such as the capital market, money market, regulators, and other professionals (legal, auditors, and so on). Meanwhile, the internal control structure consists of a board of directors, an independent board of commissioners, and an audit committee. Based on the Ministerial Decree (BUMN, 2002) concerning the Implementation of GCG Practices in SOEs, it has been emphasized that the implementation of GCG must be used as the basis for company operations and SOEs companies in Indonesia must implement GCG principles consistently. Exemplary GCG implementation following the guidelines can improve the company's financial performance.

2.3. Company size

The size of the company is divided into three categories, namely large companies (large firms), medium companies (medium size), and small companies (small size). The size of a company can be seen based on total assets, size, share value, and so on (Surjadi & Rudolf, 2016). Companies with high total assets need good supervision and management, especially in conveying company information to the public.

2.4. Size of the Board of Directors and Financial Performance

The size of the board of directors is one of the vital GCG mechanisms in determining the company's performance (Rahardja & Skandar, 2014). The board of directors is responsible for reducing agency conflicts and can determine the direction of the company's resource strategy policies for the short and long term. Good management can improve the company's financial performance. Research by Syamsudin et al. (2020), Ramadhanti (2020), and Oktaviana & Worokinasih (2020) concluded that the size of the board of directors has a significant effect on financial performance. The study by Oktaviani (2018) and Sinaga & Prasetiono (2014) found that the size of the board of directors has a significant positive effect on the company's financial performance. A large number of the board of directors can make decisions in determining the company's strategy to increase the company's effectiveness in using assets to generate profits. Thus, the first hypothesis can be formulated as follows:

Hypothesis 1 (H₁): The size of the board of directors has a positive effect on the financial performance of state-owned companies in Indonesia

2.5. Independent Board Of Commissioner and Financial Performance

The independent commissioner has the main function of supervising the direction of the management, and the running of the company according to GCG principles, and is responsible for ensuring management in the company's financial reporting so that the public knows the achievement of the company's performance. In this case, the independent commissioner plays the role of representing minority shareholders. It is by stakeholder theory, where the company provides benefits to *stakeholders*. The public can trust the company by disclosing information to the public regarding the company's financial statements that are transparent and accountable. The level of independence of the board of commissioners positively affects the company's performance (Veklenko, 2016). Research by Dewi et al. (2018), Putra (2016), Ramadhanti (2020), and Rostami et al. (2016) revealed that independent commissioners have a significant positive effect on financial performance. Thus, the second hypothesis can be formulated as follows:

Hypothesis 2 (H₂): The size of the independent commissioner has a positive effect on the financial performance of state-owned companies in Indonesia

2.6. Audit Committee Size and Financial Performance

The establishment of the audit committee by the company's board of commissioners is to empower the function of the commissioners in supervising the company's performance. The supervision carried out by the audit committee is expected to minimize fraudulent actions by management carried out in their interests so that the company's financial performance can improve. Research by Syamsudin et al. (2020) and Widyastuti (2017) states the audit committee significantly influences financial performance. Research by Sarafina & Saifi (2017) suggests that partially the audit committee has a significant effect on financial performance. The results of this study are also supported by research by Ashari & Krismiaji (2020) Sujatmiko (2013), and Hartati (2020) reveal that the audit committee has a significant positive effect on financial performance. Thus, the third hypothesis can be formulated as follows:

Hypothesis 3 (H₃): The size of the audit committee has a positive effect on the financial performance of state-owned companies in Indonesia

2.7. Company size as a Moderator the Influence of Board of Directors on Corporate Financial Performance

The proportion of the board of directors can affect the effectiveness of supervision on the company's performance. The bigger the company, the more the board of directors has a role in supervising the company's performance, so good coordination between the board of directors will affect the speed of decision-making and improve company performance. The results of the same study stated by Oktaviani (2018) stated that the size of the company has a positive effect on company performance. Judging the size of the company can show the company's level of experience and ability to manage the investment risk of shareholders in increasing their prosperity. Research by Maudi et al. (2020) proves that company size can moderate the relationship between GCG and financial performance. Another study by Surjadi & Rudolf (2016) found that company size significantly moderated the positive effect of the size of independent commissioners on firm value. Thus, the fourth hypothesis can be formulated as follows:

Hypothesis 4 (H₄): The size of the company moderates the size of the board of directors on the financial performance of state-owned companies in Indonesia

2.8. Company size as a Moderator the Influence of Independent Commissioner on Corporate Financial Performance

Large companies also have a large number of independent commissioners because of the large company's responsibility to stakeholders, so the number of independent commissioners can affect financial performance (Pratiwi, 2018). Another study by Putra (2016), Surjadi & Rudolf (2016), and Oktarina (2020) stated that company size moderated the positive and significant effect of independent commissioners on firm value. The more independent commissioners, the better the financial performance, especially in large Size companies, because the supervision of the company's management in its operations is getting tighter and better so that the company's financial performance can increase. Thus, the fifth hypothesis can be formulated as follows:

Hypothesis 5 (H₅): Company size moderates the size of independent commissioners on the financial performance of state-owned companies in Indonesia

2.9. Company size as a Moderator the Influence of Audit Committee Size on Corporate Financial Performance

The audit committee can reduce the information asymmetry between management and investors. The size of the company can increase the number of audit committees so that the existence of an audit committee can improve supervision, minimize the occurrence of fraud in reporting fraud, and improve financial performance (Novisheila & Wahyudin, 2019). The research conducted by Maudi et al. (2020) states that company size moderates GCG on profitability. Another study by Surjadi & Rudolf (2016) approves that the size of the company can moderate the positive effect of the size of the audit committee on the value of the company. The size of the company strengthens the size of the audit committee and has an impact on increasing financial performance. Suryati (2020) in her research, she concluded that company size moderated the influence of GCG on earnings quality, meaning that large companies with good corporate governance will guarantee the quality of company profits because companies will be more careful in preparing financial reports that will release to the public and stakeholders. This is supported by the research by Novisheila & Wahyudin (2019), and Oktarina (2020) conclude that company size can moderate the audit committee on financial performance. Thus, the sixth hypothesis can be formulated as follows:

Hypothesis 6 (H₆): Company size moderates the size of the audit committee on the financial performance of state-owned companies in Indonesia.

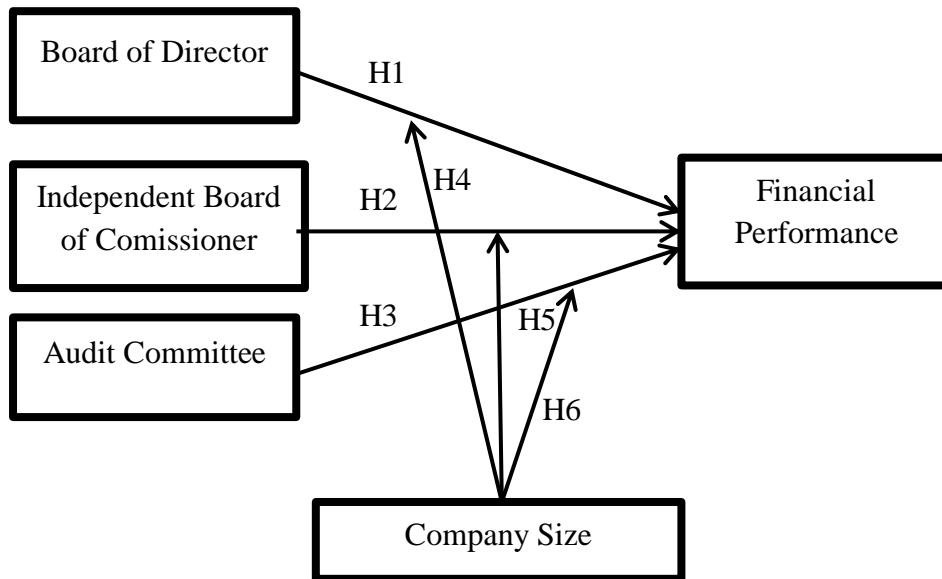


Figure 2. Research model

3. Methods

The population used in this study were all public SOEs companies listed on the Indonesia Stock Exchange in 2015-2019. The population in this study amounted to 13 companies. Sample selection using purposive sampling method, namely sampling based on specific criteria or considerations. The criteria are as follows:

- (1) State-owned companies were listed as public companies on the Indonesia Stock Exchange during 2015-2019.
- (2) State-owned companies that published financial reports and annual reports in a row in 2015-2019.
- (3) State-owned companies with complete financial statement data and annual reports according to the needs of researchers related to the variables used, namely the proportion of the board of directors, independent commissioners, and audit committees during 2015-2019.

Purposive sampling was employed. The purpose of this sampling is to achieve a significant level of research that is under the hypothesis and represents the research objectives.

3.1. Panel Data Regression

This study combines cross-section and time series data, so it uses panel data to model the effect of the independent variable on the dependent variable of the object of research during the observation period. The following is the regression equation for unmoderated panel data used in this study:

$$ROA_{it} = \beta_0 + \beta_1 BOD_{it} + \beta_2 IC_{it} + \beta_3 AC_{it} + \epsilon_{it} \dots \dots \dots (1)$$

3.2. Moderated Regression Analysis (MRA)

The regression Analysis (MRA) test is a multiple linear regression equation in which there is an element of interaction between the variables, namely the multiplication of two or more independent variables. Research moderation regression model:

$$ROA_{it} = \alpha + \beta_1 BOD_{it} + \beta_2 IC_{it} + \beta_3 CA_{it} + \beta_4 Size_{it} + \beta_5 (BOD_{it} \times Size_{it}) + \beta_6 (IC_{it} \times Size_{it}) + \beta_7 (AC_{it} \times Size_{it}) + \epsilon \dots \dots \dots (2)$$

4. Results and Discussion

4.1. Descriptive Statistics

Descriptive statistical tests on 13 SOEs companies were carried out to provide a statistical description of the data that presents the minimum value, maximum value, average value (mean), and standard deviation of each SOEs company variable on the Indonesia Stock Exchange in 2015-2019.

Table 1. Descriptive statistics

Variable	Mean	Maximum	Minimum	Standard Deviation
ROA	0.027	0.119	-0.057	0.031
Board of Director	6,769	12,000	3,000	2,269
Independent Commissioner	0.390	0.625	0.200	0.099
Audit Committee	3,908	6,000	3,000	0.843
Size	31,376	34,887	27,954	1,741

Source: Processed Data with Eviews 10 (2022)

Based on the results of statistical tests, 65 samples showed the average value of the *Return On Asset* (ROA) variable had an average of 0.027 or 2.7% with a maximum value is 0.119 or 11.9% and a minimum value is -0.057 or -5.7%. The standard deviation of the ROA is 0.031 or 3.1%, which means the difference between the sample values and the average is 3.1%. The Size of the Board of Directors has an average of 6.769, which is rounded size to 7 because the BOD variable is the number of people. The highest number of members of the board of directors is 12 people, and the least number of members of the board of directors is three people. That means that state-owned companies have met the minimum requirements of the OJK, three members. The standard deviation value of BOD is 0.124. The Size of the Independent Commissioner (IC) has an average of 0.390 with a maximum value of 0.625, a minimum value is 0.200, and a standard deviation of 0.099. That shows that on average state-owned companies have met the minimum percentage of independent commissioners set in POJK (Financial Services Authority Regulation) Number 57/POJK.04/2017 Article 19 of 2017 is 30% (0.30) of the entire board commissioner. The Size of the Audit Committee (AC) has an average of 3.908 with a maximum score of 6. While the minimum value for AC is three, and the standard deviation is 0.843. This shows that state-owned companies have complied with POJK Number 55/POJK.04/2015 concerning the Establishment and Guidelines for the Work Implementation of the Audit Committee article 4, which states that the audit committee consists of at least three members who come from independent commissioners and parties from outside the issuer or public company. The company size variable is measured by calculating the natural logarithm of the company's total assets. Company size has an average of 31.376 with a maximum value of 34,887, a minimum of 27,954, and a standard deviation of 1,741. That means that companies with an average logarithm of total assets below 31,376 are companies with a smaller scale than companies with an average logarithm of total assets of more than 31.376.

4.2. Hypothesis Test Equation 1 (Unmoderated)

Table 2. Hypothesis test results random effect model 1 (Unmoderated)

Variable	Coefficient	Std. Error	t-Statistic	Probability	Conclusion
C	-0.019	0.027	-0.739	0.463	
BOD	-0.003	0.002	-1.179	0.243	H1 rejected
IC	0.049	0.040	1,245	0.218	H2 rejected
AC	0.012	0.006	2,081	0.042	H3 accepted
adj. R-Squared	0.047				
Prob. (F-Statistics)	0.118				

Source: Processed Data with Eviews 10 (2022)

The estimation results from the table show that the model has an adjusted R-Squared value of 0.047 or 4.7 percent, and other factors outside the model explain the rest. The probability that the F-statistic model has a significant effect of 0.118 is greater than the alpha value (0.05). Based on the results of data processing the moderated equation is obtained as follows:

$$\text{ROA}_{it} = -0.019_{it} - 0.003\text{BOD}_{it} + 0.049\text{IC}_{it} + 0.012\text{AC}_{it}$$

Based on the results of equation I (Unmoderated), the constant value is -0.019. That means if the independent variables, namely BOD, IC, and AC, are considered constant, then the ROA value is -0.019. The BOD variable has a coefficient of 0.003 and a probability value of 0.243 > (0.05), which means that the BOD variable has no significant effect on ROA. Likewise, the IC variable, with a coefficient of -0.049 and a probability of 0.218 > (0.05), means that the IC variable also does not have a significant effect on ROA. Based on these results, it is concluded that this study is contrary to the first and second hypotheses. Meanwhile, the AC variable has a coefficient of 0.012 with a probability value of 0.042, which is smaller than 0.05, so AC positively affects ROA. In this case, the third hypothesis is accepted.

4.3. Classical Assumption Test Equation II (Moderated)

The classical assumption test is carried out after determining the regression model to see the regression results' problems and the research model's data. Classical assumption test that is done is the normality test, multicollinearity test, and heteroscedasticity test.

4.3.1. Normality test

At the beginning of the Jarque-Bera test using 95 total data from 19 samples of state-owned companies, the result is that the data is not normally distributed because the probability value of Jarque-Bera is 0.000 or <0.05. Therefore, the researcher detects outliers by converting the data values into Standardized scores or Z-scores. In this outlier test, the score is declared an outlier if the value is greater than 2.5 or less than -2.5. The result is that six companies have extreme data, so the research sample becomes 13 companies. This number is multiplied by five years of observation, so the total observation data is 65. The data is tested for normality again and produces a Jarque-Bera probability value is 0.475 > 0.05. The data is normally distributed as shown in figure 3:

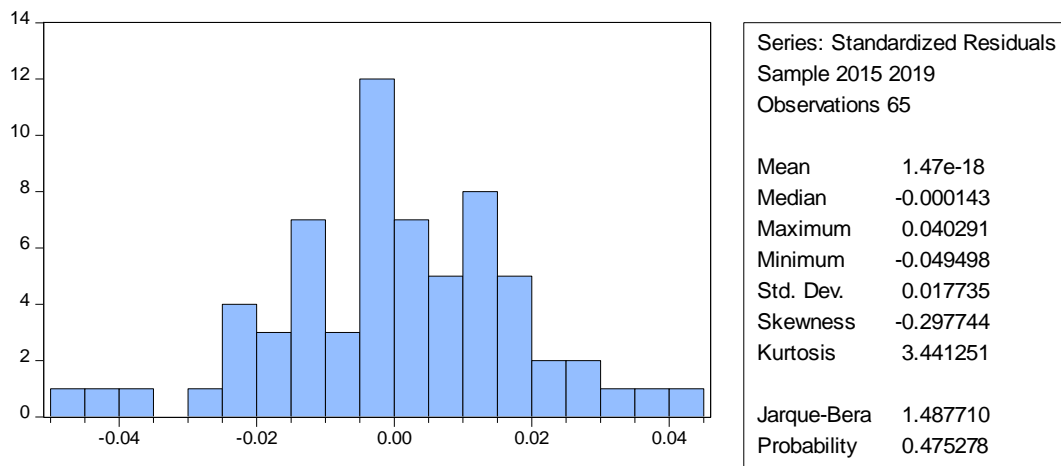


Figure 3. Normality test results
Source: Processed Data with Eviews 10

4.3.2. Multicollinearity Test

The multicollinearity test is conducted to determine the correlation between independent variables. In this multicollinearity test using the independent variable pairwise correlation method. If the correlation value is less than 0.9, there is no multicollinearity problem. The correlation value between BOD and BOD plus SIZE as a moderating variable produces a value of 0.995. The correlation between IC and IC plus SIZE as a moderating variable resulted in a value of 0.979. The value of the correlation between AC and AC plus SIZE as a moderating variable is 0.975. So it can be concluded that there is a multicollinearity problem because the correlation value is more than 0.9.

4.3.3. Heteroscedasticity Test

A heteroscedasticity test was conducted to determine whether the regression model experienced variance inequality from the residuals. If there is no independent variable that significantly affects the dependent variable (absolute residual squared), then there is no heteroscedasticity. The regression model can be declared good if there is no heteroscedasticity problem. The probability value is greater than alpha 0.05 so the conclusion all variables do not have heteroscedasticity problem.

4.4. Equation II Hypothesis Test (Moderated)

Table 3. Hypothesis Test Results Fixed Effect Model (Moderated)

Variable	Coefficient	Std. Error	t-Statistic	Probability	Conclusion
C	-0.111	0.868	-0.128	0.898	
BOD	-0.123	0.078	-1,579	0.121	H1 rejected
IC	1,281	0.819	1.563	0.125	H2 rejected
AC	0.293	0.142	2.054	0.046	H3 accepted
SIZE	0.004	0.028	0.130	0.897	
X1Z	0.004	0.002	1,557	0.127	H4 rejected
X2Z	-0.042	0.027	-1,548	0.129	H5 rejected
X3Z	-0.009	0.004	-2.047	0.047	H6 rejected
adj. R-squared	0.548				
Prob (F-statistic)	0.000				

Source: Processed Data with Eviews 10 (2022)

The estimation results from the table show that the model has an R-Squared value of 0.548 or 54.8%, and other factors outside the model explain the rest. The F-statistic probability of this model has a significant effect of 0.000 which is smaller than the alpha value (0.05). These results indicate that all variables, namely BOD, IC, AC, and Size, simultaneously affect the ROA variable. Based on the results of data processing using the selected model, namely the fixed effect model, the moderated equation is obtained as follows:

$$ROA_{it} = -0.111_{it} - 0.123BOD_{it} + 1.281IC_{it} + 0.293AC_{it} + 0.004SIZE_{it} + 0.004(BOD_{it} \times SIZE_{it})_{it} - 0.042(IC_{it} \times SIZE_{it})_{it} - 0.009(AC_{it} \times SIZE_{it})_{it} +$$

Based on the results of the moderating equation, the constant value is -0.111. That means that if the independent variables are BOD, IC, and AC, the moderating variable is company size, and the interaction between the size of the board of directors, the size of the independent commissioner, and the audit committee on the size of the company is considered constant, then ROA value is -0.111. The proof of H1 stating that the board of directors has a positive effect on ROA is rejected, with the coefficient of the board of directors being -0.123 and the probability value of 0.121 > (0.05) indicating that the BOD variable does not affect ROA. The variable size of the independent commissioner with a coefficient of 1.281 and a probability of 0.125 > (0.05) means that the IC variable does not affect ROA. The coefficient value of the audit committee size variable is 0.293 with a probability value of 0.046, and the t value is 2.054. It can be interpreted that the AC variable positively affects ROA. The company size variable has a coefficient of 0.004 with a probability value of 0.869, so the size variable does not affect ROA. The interaction between the board of directors and company size shows a coefficient of 0.004 with a probability value of 0.127 > (0.05), meaning that the company size variable cannot strengthen the moderating effect of the size of the board of directors on ROA so that in this study the fourth hypothesis is rejected. The interaction between the Size of the independent commissioner and the Size of the company shows a coefficient of -0.041 with a probability value of 0.129 > (0.05), meaning that the company size variable cannot strengthen the moderating effect of the independent commissioner on ROA so that in this study the fifth hypothesis is rejected. The interaction between audit committee Size and company size shows a coefficient of -0.009 with a probability value of 0.047 > (0.05), meaning that the company size variable weakens the moderating effect of audit committee Size on ROA, so in this study, the sixth hypothesis was rejected.

4.5. Influence of Board of Directors Size on Company Performance

The test results show that the board of directors variable has a significance of 0.121 > 0.05, it can be concluded that the board of directors does not affect company profitability. So, the high and low quantity of the board of directors do not guarantee effectiveness in carrying out its responsibilities to manage the company to affect the company's financial performance as proxied by *Return on Assets* (ROA). The board of directors has not entirely been able to play a role as the person in charge of implementing and monitoring GCG in the company, so it has not been able to coordinate and

make the right decisions in carrying out good control functions to increase company profitability. The results of this research conducted by Widyastuti (2017), Yadnyapawita & Dewi (2020), Anjani & Yadnya (2017, Purnomo et al. (2021), Novitasari et al. (2020), and Rimardhani et al. (2018) which states that the board of directors does not affect company performance. Contrary to the results of this study Syamsudin et al. (2020), Ramadhanti (2020), Oktaviani (2018), and Oktaviana & Worokinasih (2020) prove that the size of the board of directors has a positive effect on the company financial performance.

4.6. The Influence of Independent Board of Commissioner Size on Company Performance

The results showed that the size of the independent commissioner did not affect the company's profitability. The existence of independent commissioners in the company is a formality to comply with regulations but is not intended to enforce the principles of GCG in the company. This can also be because the average company sampled has a proportion of 39% independent commissioners. This indicates that the presence of independent commissioners is smaller than that of non-independent commissioners the majority shareholder elects so independent commissioners do not have a dominant influence in decision-making. When the board of commissioners does not act independently in monitoring the authority of the board of directors, the independent commissioner does not affect the company's performance. Independent commissioners cannot coordinate, communicate, and make decisions in carrying out better control functions to improve company performance. The results of the analysis of this study supported the results of the study of Syamsudin et al. (2020), Setiawan (2016), and Widyastuti (2017), which states that the size of the independent commissioner does not affect financial performance. However, the results of this study contradict the stakeholder theory, namely that companies that implement good GCG will be able to increase their profitability.

4.7. Effect of Audit Committee Size on Company Performance

The study's results prove that the size of the audit committee positively affects company profitability. An effective audit committee can carry out its duties to assist the board of commissioners and carry out supervision properly so that agency conflicts that occur due to the management's desire to improve their welfare can be minimized, and the company's performance is increased. The audit committee has a very important and strategic role in maintaining the credibility of preparing financial statements. They ensure that the company has carried out its business ethically, following applicable laws, and creating an adequate company supervision system so that actions with conflicts of interest do not occur. A large number of audit committees will increase the audit committee's effectiveness and benefit the company in terms of supervision so that the company's performance increases. The results of this research conducted by Ashari & Krismiaji (2020), Sujatmiko (2013), and Hartati (2020) state that the audit committee has a significant positive effect on financial performance.

4.8. The Role of Company Size in Moderating the Effect of Board of Directors Size on Company Performance

The results showed that company size could not strengthen the relationship between the board of directors and the company's financial performance. A large company representing the average net sales is expected to have a large and qualified workforce, including the board of directors. However, it has not been able to demonstrate good corporate governance that can improve company performance. This could be because the board of directors in carrying out their responsibilities did not provide the best performance. After all, they still chose personal interests over improving the company's financial performance. In this study, the size of the company does not moderate the relationship between the effect of the size of the board of directors on profitability, meaning that even a large company size may not necessarily increase the number of boards of directors in the company. The results of this research analysis are in line with research conducted by Oktarina (2020) and Syamsudin et al. (2020).

4.9. The Role of Company Size in Moderating the Effect of Independent Board Of Commissioners on Company Performance

The results showed that company size could not moderate the influence of independent commissioners on firm profitability. The greater the total assets, the larger size of the company. However, large companies do not necessarily have an excellent ability to manage corporate governance, so they cannot increase company profits. That is possible when the independent commissioners responsible for implementing GCG principles through the supervision of SOE's business management policies and providing advice to the board of directors do not play an effective role. Independent commissioners should ensure that GCG is implemented effectively and sustainably. In addition, larger firms may have the same proportion of independent commissioners as smaller firms. The proportion of independent commissioners has been set in POJK (Financial Services Authority Regulation) Number 57/POJK.04/2017 article 19 of 2017 is 30% (0.30)

of the entire board of commissioners. This causes the size of companies, both large and small, to generally only follow the existing standard rules. The results of this research analysis are in line with research conducted by Syamsudin et al. (2020)

4.10. *The Role of Company Size in Moderating the Effect of Audit Committee Size on Company Performance*

The results show that company size weakens the relationship between audit committee size and profitability. An audit committee with a large number of people is not effective which in turn does not affect financial performance. The audit committee, which lacks expertise in finance and has not been able to carry out its responsibilities in preparing financial statements and the principles of internal control, is ineffective. The small number of the audit committee may be effective to affect financial performance because they more focus to discuss important financial issues faced by a company. The analysis results of this study support the research conducted by Kasa (2020).

5. Conclusion

Referring to the result of this research, the conclusions of this study show that the components of good corporate governance in the form of the Size of the board of directors and the Size of the independent commissioners do not affect the financial performance of state-owned companies listed on the Indonesia Stock Exchange for the 2015-2019 period. This shows that the increasing number of independent boards of directors and commissioners is not followed by an increase in the company's financial performance as proxied by ROA. Furthermore, only the audit committee has been shown to affect company performance positively. In other studies, company size is not proven to act as a moderating variable on the effect of all components of the good corporate on banking financial performance. The theoretical implication in this study is that not all components of GCG can affect the company's financial performance, only the existence of an audit committee. Therefore, GCG is needed, which is expected to be an instrument for fulfilling all these stakeholders. However, in this study, not all components of GCG can affect the company's financial performance, only the existence of an audit committee. Meanwhile, the applied implications are aimed at investors. In carrying out investment activities in the capital market, the financial performance should be considered by considering the number of audit committees owned by the company.

As with other studies, this study is inseparable from limitations. The very low adjusted r-square value (4.7%) for the effect of GCG on financial performance and company size is not proven as a moderating variable. Therefore, it is expected not only to rely on one independent variable but to add several other independent variables in the future. In addition, it also uses other company sizes, such as market value, as an alternative to total assets.

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