



The Effect of Good Corporate Governance Mechanism on Company Financial Performance with Company Size As a Moderating Variable

Tya Thirani Lea Gogalim

Universitas Hayam Wuruk Perbanas

Diyah Pujiati *

Universitas Hayam Wuruk Perbanas

Agus Samekto

Universitas Hayam Wuruk Perbanas

*Corresponding Author email:
diyah@perbanas.ac.id

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Keywords:

company financial performance, independent commissioner, institutional ownership, audit committee, and company size

Abstract

This research aims to examine the influence of good corporate governance mechanism consisting of independent commissioners, institutional ownership, and audit committees on company financial performance which is moderated by company size. This research used 86 companies with a population of manufacturing industry companies in the property and real estate sectors listed on the Indonesia Stock Exchange (IDX) for the 2019-2022 period, with a total sample of 344 financial report data. The data analysis technique used is the multiple linear regression analysis method. The research results show that independent commissioners and audit committees have no effect on financial performance and cannot be moderated by company size. On the other hand, institutional ownership influences the company's financial performance and can be moderated by company size

A. INTRODUCTION

Indonesia's economic development continues to experience ups and downs due to recent events. The Indonesian Minister of Finance said that global economic instability risks a recession in 2023 (Izzah, Elly, & Vidiyastutik, 2023). Indonesia's economic growth rate slowed to 4.94% year-on-year at the end of the third quarter of 2023. However, the government through the Coordinating Ministry for Economic Affairs remains optimistic that the economic growth rate will return to around 5% by the end of 2023 (cnbcindonesia.com, 2023).

The GCG mechanism is an important part of aligning the interests of shareholders and management. A good GCG mechanism can minimize agency conflicts, thereby reducing

agency costs and improving the company's financial performance. good corporate governance also helps create a conducive environment for the creation of highly efficient growth in corporate offices (Kasa & Baptista, 2020). In this study, the GCG mechanisms to be studied consist of independent commissioners, institutional ownership, and audit committees. Return on Equity (ROE) is a financial ratio that measures the level of profitability of a company by comparing the company's net income with shareholder equity in the company. The higher the ROE, the more efficiently the company can use the available capital to obtain maximum profit, so that investors are interested in investing their capital in the company because of the high ROE, conversely if the ROE decreases, the interest of an investor also decreases.

Phenomenon in manufacturing industry companies in the property and real estate sub-sector. Property is considered one of the safe investment instruments amidst the global economic challenges in 2023, because the property and real estate sectors tend to be stable even during the Covid-19 pandemic and generate quite promising investment returns. In 2023, there were around 86 property issuers in Indonesia that had been listed on the Indonesia Stock Exchange (IDX), 35 companies on the main board (issuers that are large and have a good track record), 50 companies on the development board (companies that have not yet met the requirements to enter the main board), and 1 company on the acceleration board (small and medium-sized companies or startups)), namely PT Era Graharealty Tbk. (IPAC) (Yuliastuti, 2023). The first factor that can affect financial performance is an independent commissioner. A member of the board of commissioners who does not have a financial relationship, management, or share ownership and/or family relationship with other members of the board of directors, directors and/or controlling shareholders or other relationships that can affect his/her ability to act independently. When the company's financial performance increases, the proportion of independent board of commissioners will increase, where the company's supervisory function will be carried out properly so that the company's financial performance will also increase. Based on the results of research by Indriati (2018), it states that an independent board of commissioners has a positive effect

on the company's financial performance. This is inconsistent with the results of Saifi's (2019) study which states that the proportion of independent commissioners has a negative and significant effect on the company's financial performance.

The second factor is institutional ownership. A percentage of shares in a company owned by institutions. Some decisions, such as appointing directors or determining the company's capital, require the approval of parties who own shares in the company, resulting in greater institutional ownership and greater corporate influence. Whether capital increases or decreases, this decision affects the company's financial performance Saifi (2019). Based on the results of research from Situmorang & Simanjuntak (2019) it states that asset structure affects capital structure. This is inconsistent with the results of research by Situmorang & Simanjuntak (2019) which states that institutional ownership has a negative and significant effect on the company's financial performance.

The third factor is the audit committee. A unit attached to the Board of Directors, led by an independent member and tasked with supporting the implementation of the duties and functions of the Board (Decree of the Chairman of BAPEPAM, Number: KEP-643 / BL / 2012). The larger the audit committee, the better the supervision carried out, so that the company's financial performance also increases. Based on the results of research by Riantiarta et al. (2020) stated that the audit committee simultaneously and partially has a significant positive effect on the company's financial performance. This is not in line with the results of research by Rahardjoa & Wuryani (2021) which stated that there was no influence of the audit committee on the company's financial performance.

The company size variable as a moderator can strengthen the influence of good corporate governance mechanisms on company performance. Company size is an important factor in a company's financial performance. Companies with large sizes will affect the company's profitability. This is because large companies have several competitive advantages, such as market power, which allows them to set higher prices for their products, and economies of scale, which affect cost reductions. Based on the research results of Riantiarta, et al. (2020) stated that company size affects the company's financial

performance. This is not in line with the research results of Rahmatin & Kristanti (2020) which stated that there was no influence of company size on the company's financial performance.

Based on the description and problems explained previously, there are differences in the results of previous studies, so it is necessary to conduct further research by adding company size as a moderating variable. This study is intended to test the effect of good corporate governance mechanisms consisting of independent commissioners, institutional ownership, and audit committees on the company's financial performance. In addition, it also tests the effect of good corporate governance mechanisms on company performance with company size as a moderating variable.

B. LITERATURE REVIEW

Agency Theory

Agency theory was first proposed by Jensen and Meckling in 1976. Jensen stated that an agency relationship occurs when one or more people (clients) employ another person (agent) to provide services and delegate decision-making authority. Agency theory is based on the contractual relationship between members of a company, with the principal and agent as actors. If there is a conflict of interest within the framework of the employment contract, a dispute arises which is called an agency dispute (Saifi, 2019).

Agency theory can create a conflict of interest between shareholders and managers. To reduce problems or conflicts that occur between owners and management, a mechanism for monitoring company management is needed. The mechanism that can be used is GCG (Good Corporate Governance) (Indriati, 2018). Therefore, GCG can be a system that can provide guidance and principles to align the differences in interests of managers and shareholders.

Financial Performance

According to Azzahra & Wibowo (2019) financial performance is a description of the financial condition of a company that is analyzed using financial analysis tools so that it can be known about the good or bad financial condition of a company that reflects work performance in a certain period. Measuring the performance of a company is carried out to

improve and regulate its business activities in order to be able to compete with other companies. In addition, performance measurement is also needed to determine the right strategy to achieve company goals. In other words, measuring the performance of a company is the basis for effective management (Indriati, 2018).

Good Corporate Governance

According to the Forum for Corporate Governance in Indonesia in Hery (2010) Good Corporate Governance is a set of regulations that govern the relationship between shareholders, company managers, creditors, government, employees and also other internal and external stakeholders related to their rights and obligations or in other words is a system that controls the company. The main objective of GCG is to create good, transparent and responsible governance for the benefit of all stakeholders. According to Pudjonggo & Yulianti (2022), an independent commissioner is an individual who sits on the board of directors of a company and has no significant relationship with the company, which can affect his independence in making decisions and providing objective supervision. Independent commissioners serve as a balance in internal decision-making, and because they have no ties to directors or shareholders, they can provide neutral advice to the company.

Subagyo, Masrurroh, & Bastian (2018) stated that institutional ownership is a structure that plays an important role in driving company performance and can drive the level of company supervision. This is because ownership of a share can be a source of power to support the performance of the company's management. The more an institution participates in a company, the greater its influence. Indriati (2018) stated that the audit committee is a committee formed by and responsible to the committee to assist in carrying out the duties and functions of the committee. The audit committee has an important and strategic role in maintaining the credibility of the financial reporting process, maintaining the establishment of an appropriate company supervision system, and implementing good corporate governance.

Company Size

According to Azzahra & Wibowo (2019) company size can be expressed by total assets, sales, and market capitalization. The larger the total balance sheet, sales, and market capitalization, the larger the company. For example, the larger the assets, the more invested capital, the higher the sales, the higher the cash turnover ratio, and the larger the market capitalization, the larger the company. Company size in the context of GCG (Good Corporate Governance) refers to the extent to which good corporate governance principles are applied in the company, regardless of the size or scale of the company.

The Influence of Independent Commissioners on Company Financial Performance

Independent commissioners are members of the board of commissioners who have no relationship with the company. The larger the composition of independent commissioners in a company, the more objective the level of independence in controlling management is expected. Agency theory states that the greater the number of independent commissioners, the better the ability to monitor and control management actions and opportunistic behavior of directors (Laksono & Kusumaningtias, 2021). It can be said that the more independent board members a company has, the tighter their supervision of management will be, and managers will be more careful in making decisions regarding company policies. Tight monitoring allows management to make wise decisions that improve company performance and add value to the company (Laksono & Kusumaningtias, 2021). The results of research by Pudjonggo & Yuliati (2022), Riantiarta A et al (2020), Saribu & Doloksaribu (2020), and Indriati (2018) state that independent commissioners have a positive effect on the company's financial performance.

H1: independent commissioners have an effect on the company's financial performance

The Effect of Institutional Ownership on Company Financial Performance

Institutional ownership is the ownership of company shares owned by institutions or organizations. In agency theory, organizational ownership is one way used to minimize agency conflicts. The increase in maximum supervision of management performance due to encouragement from institutional investor leaders, makes institutional ownership affect company performance. The positive effect of institutional ownership on the company's

financial performance is stated in the research of Novitasari et al. (2020) because if the structure of company ownership owned by institutions will encourage more optimal supervision of management, it will improve financial performance. In Saifi's research (2019) it states that institutional ownership has a negative and significant effect on financial performance (ROE), where institutional share ownership in property and real estate companies that are concentrated (concentration of ownership) allows for affiliate relationships between owners, supervisors, and directors of the company

H2: institutional ownership affects the company's financial performance

The Effect of the Audit Committee on the Company's Financial Performance

The Audit Committee is a professional and independent committee that has a mission to assist the Board in carrying out its supervisory function over financial reporting and the implementation of GCG. Because the role of the audit committee is to support the board of directors, supervision by more audit committee members will be more effective, thereby minimizing the administrative burden related to data manipulation related to financial and accounting procedures. It is expected that this can be suppressed. So that the company's financial performance improves. In agency theory, the formation of an audit committee is a way to resolve agency conflict due to the main role of the audit committee in monitoring, optimizing the company's financial performance in implementing good corporate governance and providing an effective role in the results of the financial reporting procedure (Rahardjoa & Wuryani, 2021). The results of research by Riantiarta, et al. (2020), Novitasari et al (2020), Saribu & Doloksaribu (2020), and Indriati (2018) say that there is a positive influence of the audit committee on the company's financial performance, because the larger the audit committee, the better the supervision carried out, so that the company's financial performance also increases. H3: the audit committee has an effect on the company's financial performance

Company Size Moderates the Effect of Independent Commissioners on Company Financial Performance

One of the main debates in corporate governance is independent commissioners and their ability to control top management and overcome agency problems. Independent Commissioners have the primary responsibility to encourage the implementation of good corporate governance principles (Baharuddin, 2022). Based on agency theory, the presence of independent commissioners is a mechanism that is expected to be able to supervise and control conflicts of interest between controlling shareholders and minority shareholders so that there is efficiency in company management. Agency theory explains that company size is used as a reference by shareholders before deciding which party can be contracted to perform a service that can provide benefits to shareholders (Rahardjoa & Wuryani, 2021). In the research of Rahardjoa & Wuryani (2021), it was found that there was conformity with agency theory which discusses the relationship between shareholders and managers/management teams (agents) who have been given approval by shareholders to work for the needs of shareholders. Thus, the relationship between independent commissioners and company size can be seen from management transparency, strategic decision making, and accountability to shareholders. Indriati's research (2018) stated that with a high proportion of independent commissioners, the company's financial performance will increase and the more monitors there are, the better because it can reduce conflict and ultimately reduce agency costs.

H4: company size can moderate the influence of independent commissioners on the company's financial performance

Company Size Moderates the Effect of Institutional Ownership on the Company's Financial Performance

Company size can show the development of the company that compared to small companies, larger companies will attract the attention of investors, lenders, and information users because of their larger total assets (Ayuningtya & Mawardi, 2022). The results of Rahardjoa & Wuryani's research (2021) stated that companies with large total assets have more flexibility to obtain the funds needed to develop the company which can have an impact on the company's financial performance. Thus, institutional investors often have quite large

funds, so investors are more likely to invest in companies that have significant market capitalization.

H5: Company size can moderate the effect of institutional ownership on the company's financial performance

Company Size Moderates the Effect of Audit Committee on Company Financial Performance

The implementation of GCG principles requires companies to have an audit committee and independent commissioners who are responsible for overseeing and controlling how the company realizes fairness, transparency, accountability, and responsibility. The proportion of audit committee independence is beneficial because it reduces manager pressure on the audit committee to prepare financial reports (Melania & Dewi, 2019). Larger companies tend to have more complex and structured audit committees. Company size, such as market capitalization or revenue, can affect the structure and composition of the audit committee. This statement is in line with research by Riantiarta, et al. (2020) which states that the greater the proportion of independent commissioners and audit committees, the better the supervision carried out, so that the company's financial performance will increase.

H6: Company size can moderate the effect of the audit committee on the company's financial performance.

C. METHOD

Population, Sample, and Sampling Technique

The population used is the manufacturing industry companies in the property and real estate sector listed on the Indonesia Stock Exchange (IDX) in 2019-2022. Sampling uses the census method where companies in the property and real estate sector publish financial and annual reports for the period 2019-2022.

Data and Data Collection Methods

This study obtains data with secondary data through the Indonesia Stock Exchange (IDX) website through the site www.idx.co.id. The data used are financial reports in 2019 - 2022. The data collection method for this study uses the documentation method, namely by collecting documents and studying the documents with the necessary data.

Research Variables

The variables used in this study are the dependent variable (financial performance) and independent variables (independent commissioners, institutional ownership, and audit committees) with moderation (company size).

Operational Definition and Measurement of Financial Performance Variables

According to Laksono & Kusumaningtias (2021), return on equity is a financial analysis tool used to measure profitability. This ratio measures profitability from a shareholder perspective. Financial performance can be measured using the following formula:

$$ROA = \frac{\text{Net income after tax}}{\text{Total Equity}} \times 100\%$$

Independent Commissioner

Baharuddin (2022) said that independent commissioners can be defined as being responsible for encouraging the implementation of good corporate governance principles. Independent commissioners (IC) can be measured using the following formula:

$$IC = \frac{\text{Total Independent Commissioner}}{\text{Number of Company Commissioners}}$$

Institutional Ownership

Novitasari, et.al. (2020) said that institutional ownership is the number of shareholders owned by institutions from the number of shares managed by the company. Institutional ownership (IOwn) can be measured by the following formula:

$$IOwn = \frac{\text{The number of shares owned by the institution}}{\text{Number of shares outstanding}}$$

Audit Committee

Aulia (2023) said that the audit committee is formed by the board of commissioners and functions to assist the board of commissioners in overseeing the company's performance.

The audit committee (AC) can be measured using the following formula:

AC = Number of Audit Committees

Company Size

Faizah (2022) said that the company size in this study was measured by calculating the natural logarithm of the company's total assets. Company size (CS) can be measured using the following formula:

$$CS = \text{Ln (Total Aset)}$$

D. RESULTS and DISCUSSION

Descriptive Statistical Test

Table 1
 Descriptive Analysis

Variables	N	Min	Max	Mean	Std. Deviation
Independent Commissioner (IC)	344	0.18	1.00	0.221	0.045
Institutional Ownership (IOwn)	344	0.00	0.92	0.391	0.151
Audit Committee (AC)	344	2.00	4.00	2.186	0.345
Financial Performance (ROA)	344	-76.18	1.02	-0.113	5.450
Company Size (CS)	344	Rp7.4 M	Rp38.045 M	Rp3.312 M	Rp5.669 M

Source: data processing results

In the descriptive statistical results of all variables, it is known that independent commissioners have a mean value of 22.1% with a standard deviation value of 4.5%. The standard deviation value is smaller than the mean value, which means that the independent commissioner data is homogeneous. Institutional ownership has a mean value of 39.1% with a standard deviation value of 15.1%, the distribution of data is also homogeneous. The sample companies have a minimum of 2 and a maximum of 4 audit committees. Finally, the financial performance variable measured by ROE has a mean value of -0.113 with a standard deviation value of 5.45. The minus value indicates that most sample companies have negative equity values.

Classical Assumption Test

The classical assumption test consists of normality, multicollinearity, autocorrelation, and heteroscedasticity tests. Based on table 2, it can be seen that the residual data is normally distributed where the sig. one sample KS value shows a figure of $0.145 > 0.05$. For the multicollinearity test, all independent variables show a VIF value < 10 so that there is no indication of high multicollinearity. The results of the run test show a sig value of $0.732 > 0.05$ so that the model is free from the assumption of autocorrelation. Likewise, in the heteroscedasticity test using the glejser test, all independent variables have a sig value > 0.05 so that there is no indication of heteroscedasticity.

Table 2
Classical Assumption Test

Independent Variables	VIF	Sig_Heteroskedastisitas
Independent commissioners	1.009	0.858
Institutional ownership	1.005	0.337
Audit committee	1.030	0.763
Company size	1.021	0.354
One-Sample Kolmogorov-Smirnov Test		0.145
Run Test		0.732

Source: data processing results

Hypothesis Testing Results

Table 3
Hypothesis Testing Results

Independent Variables	Beta	Sig
Constant	1.143	
Independent commissioner	11.983	0.392
Institutional ownership	-58.633	0.000
Audit committee	-0.239	0.510
Company size	0.200	0.827
Independent commissioner_Company size	-0.493	0.386
Institutional ownership_Company size	2.065	0.000
Audit committee_Company size	0.062	0.534
F_Account		0.045
Adjusted R Square = 0.017		

Source: data processing results

Table 3 shows the results of the regression model test showing that the sig F_count value is $0.045 < 0.05$ so that the regression model is declared fit/feasible, so that hypothesis testing can be continued. The Adjusted R Square value is 0.017, this can be said that the variation of the independent variable can affect the dependent variable by 1.7% and the remaining 98.3% is influenced by other variables outside the independent variables used in this study.

The Influence of Independent Commissioners on the Company's Financial Performance

Independent commissioners have a significance level value of $0.392 > 0.05$, it can be said that H1 is rejected, which means that independent commissioners do not have a significant effect on financial performance. Independent commissioners have no relationship or do not affect financial performance, namely the strong control of the company owner and the majority shareholder makes the independent board of commissioners less independent when carrying out their role in the company. Another factor that determines the independent board of commissioners cannot increase effective supervision because the main commissioner in the independent board of commissioners is more dominant in regulating the supervision of company management which is likely still less independent. Thus, independent commissioners do not affect financial performance.

The results of this study are not in accordance with the agency theory which states that a greater number of independent commissioners can increase the chances of higher company financial performance. The role of independent commissioners in a company is to oversee the company's activities by its management, especially in the process of preparing financial statements. The independent board of commissioners is expected to ensure that the financial statements prepared are of high quality and free from fraud, and to assist in making the right decisions to improve financial performance. The results of this study support the research of Rahardjoa & Wuryani (2021), Laksono & Kusumaningtias (2021), Rahmatin & Kristanti (2020), Isdarini et al (2019), Situmorang & Simanjuntak (2019), Zhou et al (2018) which states that independent boards of commissioners do not affect financial performance. However, the results of this study do not correspond to the research results of

Pudjonggo & Yuliati (2022), Riantiarta, et al (2020), Saribu & Doloksaribu (2020), Saifi (2019), and Indriati (2018) which state that independent commissioners have an impact on financial performance.

The Effect of Institutional Ownership on Company Financial Performance

Institutional ownership has a significance value of $0.000 < 0.05$ so that H2 is accepted, which means that institutional ownership has a negative effect on financial performance. Institutional ownership has an effect on financial performance, namely the existence of institutional ownership will reduce financial performance. This happens because high institutional ownership can also create pressure for companies to achieve financial performance targets that can meet investor expectations in each quarterly report. This pressure may encourage management to make riskier or less sustainable decisions in an effort to meet market expectations, which can ultimately damage long-term financial performance. Thus, institutional ownership has a negative effect on financial performance.

The results of this study are not in accordance with the agency theory which states that institutional ownership is able to monitor management, so that there is no fraud that will affect the company's profits and have an impact on the company's financial performance. This is because institutional ownership will reduce fraud in financial reporting and is expected to increase the effectiveness of supervision and strive for financial performance. The existence of good supervision will minimize fraudulent actions carried out by management in financial reporting. So that financial performance will improve and cause investors to believe in investing in the company, so that the stock price will be higher and financial performance will increase. The results of this study support Saifi's research (2019) which states that institutional ownership has a negative effect on financial performance. However, the results of this study do not match the results of research by Novitasari, et al (2020), Riantiarta, et al (2020), Melania & Dewi (2019), which state that institutional ownership has a positive effect on financial performance, and the results of research by Pudjonggo & Yuliati (2022), Deswara et al. (2021), Rahardjoa & Wuryani (2021), Situmorang

& Simanjuntak (2019), and Indriati (2018) which state that institutional ownership does not affect financial performance.

The Influence of the Audit Committee on the Company's Financial Performance

Based on the results of the analysis, it shows that the audit committee does not have a significant effect on financial performance (H3 is rejected). This shows that even though there are many audit committees, there is no guarantee that supervision of the company's financial performance will be optimal. The quality of the audit committee's duties can be considered good when there is an increase in the financial report. Thus, the audit committee does not affect financial performance.

The results of this study are not in accordance with the agency theory which states that the audit committee is responsible for control and supervision that ensures company management that supports increased financial performance. The existence of an audit committee assists the board of commissioners in overseeing the supervisory function, but the duties of the audit committee are limited by the board of commissioners, so that it does not have direct authority to supervise the company. Therefore, the existence of an audit committee in a company may only be a compliance with the minimum requirements to have an audit committee with a minimum of three. The policy regarding the Audit Committee is stipulated in OJK Regulation Number 55/POJK.04/2015. The membership of the Audit Committee in Indonesia has been regulated that the audit committee members consist of at least 3 people. The results of this study support the research of Rahardjoa & Wuryani (2021), Laksono & Kusumaningtias (2021), Rahmatin & Kristanti (2020), Isdarini et al (2019), Situmorang & Simanjuntak (2019), Melania & Dewi (2019), and Zhou et al (2018) which stated that the existence of an audit committee has no effect on financial performance. However, the results of this study do not support the results of the research of Riantiarta, et al (2020), Novitasari et al (2020), Saribu & Doloksaribu (2020), and Indriati (2018) which stated that the audit committee has an effect on financial performance.

The Effect of Company Size Moderates Independent Commissioners on Company Financial Performance

Based on the results of the analysis, company size cannot moderate the effect of independent commissioners on financial performance (H4 is rejected). Company size cannot moderate the effect of independent commissioners on financial performance, namely that the larger the company size, the tighter the supervision carried out by independent commissioners. This is because the size of the company cannot guarantee that internal control over the company's financial performance carried out by independent commissioners is improving as a result of the change in the number of independent commissioners because the larger the company size, the greater the number of boards of commissioners owned by the company. However, the large number of independent commissioners as a result of the growth in company size is usually intended as one of the requirements for the number of independent commissioners that must be owned by the company. So it is not certain that the more independent commissioners there are, the more effective the internal control over the company's financial performance will be. Thus, company size cannot moderate independent commissioners on financial performance.

The results of this study are inconsistent with agency theory which states that company size can affect organizational complexity, level of supervision, and financial performance of the company through the role of independent commissioners, especially when company size affects organizational complexity and the level of supervision required. And agency theory assumes that the presence of independent commissioners can help reduce conflicts of interest between management and shareholders, thereby improving the company's financial performance. Larger companies may have their own challenges in managing conflicts of interest and may require more control mechanisms to ensure accountability and good performance. The results of this study are supported by research by Kasa & Baptista (2020) which states that company size cannot moderate independent commissioners on financial performance.

The Effect of Company Size Moderates Institutional Ownership on Company Financial Performance

The test results state that company size can moderate the effect of institutional ownership on financial performance (H5 is accepted). Company size can moderate the effect of institutional ownership on financial performance, namely company size can show the development of the company that compared to small companies, larger companies will attract the attention of investors, lenders, and information users because of their larger total assets. Thus, company size can moderate institutional ownership on financial performance.

The results of this study are in accordance with agency theory which states that the relationship between shareholders and management, where shareholders expect management to act according to their interests. Investment decisions tend to be influenced by preferences for large companies, considered more reliable and offering greater profit potential. The effect of institutional commissioners on financial performance can be moderated by company size because of the different complexities in managing large companies compared to small companies. In this context, the role of institutional commissioners may be more important in larger companies, where the risk of agency conflicts tends to be higher. The results of this study support the results of Rahardjoa & Wuryani's (2021) study which states that company size can moderate institutional ownership on financial performance.

The Effect of Company Size Moderating the Audit Committee on Company Financial Performance

The results of the hypothesis test show that company size cannot moderate the audit committee on financial performance (H6 is rejected). Company size cannot moderate the audit committee on financial performance, namely if the company size is larger, it will not necessarily increase and have a positive impact on the relationship between the audit committee and financial performance. The large company size is also unable to strengthen the role of the audit committee so that financial performance decreases because the effectiveness of the audit committee is more influenced by the structure, policies, and procedures established, as well as the ability of its members to supervise, analyze, and assess

financial information, not solely depending on the size of the company. Thus, company size cannot moderate the audit committee on financial performance.

The results of this study are not in accordance with the agency theory which reviews the role of the audit committee in reducing bond costs, residual losses, and monitoring costs in the company and assisting the board of commissioners and independent board of commissioners in carrying out their supervisory functions. This situation can occur because of formal regulations that require companies to have an audit committee, but in the end, the existence of the audit committee does not have an impact on improving the company's financial performance. Where agency theory states that the larger the company, the greater the potential for agency conflict, and the more important the role of the audit committee in resolving the conflict. Therefore, in large companies, the existence of an effective audit committee can be more crucial in improving financial performance by reducing detrimental agency behavior. The results of this study support the results of the study by Rahmatin & Kristanti (2020) which states that company size can moderate the audit committee on financial performance.

E. CONCLUSION

This study aims to examine the effect of good corporate governance mechanisms consisting of independent commissioners, institutional ownership, and audit committees on financial performance with company size as a moderating variable. The results of the study indicate that independent commissioners do not affect the company's financial performance. The existence of strong control from the company's owners and majority shareholders makes the independent board of commissioners less independent when carrying out their roles in the company. Institutional ownership affects the company's financial performance. The existence of institutional ownership will reduce financial performance. This happens because high institutional ownership can also create pressure for the company to achieve financial performance targets that can meet investor expectations in each quarterly report. The audit committee does not affect the company's financial performance. Although there are many audit committees, there is no guarantee that supervision of the company's financial

performance will be optimal. The quality of the audit committee's duties can be considered good when there is an increase in the financial report. Company size cannot moderate independent commissioners on the company's financial performance. The larger the company size, the tighter the supervision carried out by independent commissioners. This is because the size of the company cannot guarantee that internal control over the company's financial performance carried out by independent commissioners is improving as a result of the change in the number of independent commissioners because the larger the size of the company, the greater the number of boards of commissioners owned by the company. Company size can moderate institutional ownership of the company's financial performance. Company size can indicate the development of the company that compared to small companies, larger companies will attract the attention of investors, lenders, and information users because of their larger total assets. Company size cannot moderate the audit committee on the company's financial performance. If the company size is larger, it will not necessarily increase and have a positive impact on the relationship between the audit committee and financial performance. The large size of the company is also unable to strengthen the role of the audit committee so that financial performance decreases because the effectiveness of the audit committee is more influenced by the structure, policies, and procedures established, as well as the ability of its members to supervise, analyze, and assess financial information, not solely depending on the size of the company. This study has a very small determination coefficient value of 1.7%, which means that there are still many other factors that influence financial performance. This shows that the GCG mechanism is very common in companies in Indonesia, so it needs further development. However, this needs to be proven again with further research that tests the entire public company sector in Indonesia, not just one sector. In addition, financial performance measurements can use other measurements such as ROA and EPS

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