

The Influence of Good Corporate Governance on Financial Performance with Company Size as a Moderating Variable

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Abstract. Financial performance represents a firm's capability to efficiently allocate and manage its resources to achieve organizational objectives. The efficacy of corporate oversight structures widely recognized as a critical determinant of financial performance enhancement. This study examines the impact of the board of directors, managerial ownership, and the audit committee on corporate financial performance, incorporating firm size as a moderating variable and capital structure as a control variable. This study centers on manufacturing firms traded on the IDX (Indonesia Stock Exchange) for the period of 2022–2024. Using purposive sampling, 87 firms were selected, resulting in 261 firm year observations. Data collection relied on secondary sources, specifically audited financial records and annual reports. These documents were retrieved from the IDX (Indonesia Stock Exchange) portal as well as the respective corporate websites. The data were analyzed using descriptive statistics and fixed effects panel data regression, employing EViews 10 software. The results demonstrate that the board of directors exerts a positive and statistically significant influence on financial performance, whereas managerial ownership and the audit committee do not show significant effects. Furthermore, firm size is found to attenuate the relationship between the board of directors and financial performance, as well as between the audit committee and financial performance, while it does not moderate the association between managerial ownership and financial performance. This study concludes that financial performance is influenced by certain corporate governance mechanisms, especially the board of directors and audit committee, whose effectiveness depends on the characteristics of the company, with firm specific characteristics particularly firm size playing a pivotal role in shaping governance effectiveness.

Keywords: Audit Committee, Board of Directors, Financial Performance, Firm Size, Good Corporate Governance, Managerial Ownership

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Introduction

Financial performance is a primary indicator which signifies the entity's ability to optimize resource usage in pursuit of its financial goals. Financial performance can be explained as the result of an evaluation of a company's activities over a specific period, indicating the degree to which the company is able to achieve its financial goals in accordance with applicable principles, standards, and financial management regulations (Arsiyanti et al., 2024). Conceptually, the objective of establishing a company is not solely oriented toward short term profit generation, but also toward creating sustainable firm value that can enhance investor welfare and ensure long term business continuity (Ardiani et al., 2024). Thus, financial performance remains an important aspect that is continuously considered by internal managers and non-internal constituents.

In practice, a company's financial performance is generally evaluated through financial statements that provide information on its financial position, performance, and cash flows over a certain period. Financial statement analysis serves as a underpins the strategic formulation process for company executives, while also allowing outside stakeholders including shareholders, lenders, and oversight bodies to evaluate the firm's fiscal stability and long-term viability. Return on Assets (ROA) is one of the financial ratios frequently employed to assess financial performance, as it reflects a firm's capability to efficiently utilize its total assets in generating profits (Mabrurroh & Anwar Saiful, 2022). A higher ROA indicates a better ability to manage assets productively.

However, many companies still demonstrate suboptimal financial performance, particularly in the manufacturing sector, which has a high level of operational complexity. High operational costs, weak internal controls, and inefficient asset utilization are common challenges faced by manufacturing companies. Differences in business scale, cost structure, and the effectiveness of corporate governance mechanisms lead to significant variations in financial performance across companies in this sector, reflecting a gap between expected performance targets and actual performance.

These conditions emphasize that the assessment of corporate performance cannot rely solely on financial aspects, but must also be supported as a result of implementing Good Corporate Governance (GCG). The importance of Good Corporate Governance has become increasingly important as cases of financial

statement manipulation continue to rise involving internal parties, which have undermined public trust. Sound corporate governance is able to establish effective control and monitoring systems, enhance transparency and managerial accountability, and strengthen investor and stakeholder confidence (Titania & Taqwa, 2023).

Agency theory provides the theoretical framework to understand why adopting Good Corporate Governance is essential. According to (Jensen & Meckling, 1976), agency relationships arise from contractual arrangements between company owners (principals) and managers (agents), who are authorized to carry out company management responsibilities on behalf of the shareholders. The division between principals (owners) and agents (managers) often results in agency friction, as agents may not consistently act in accordance with the principals best interests. Agency relationships also create information asymmetry, whereby management possesses greater access to and understanding of company conditions than owners, thereby increasing the potential for opportunistic behavior.

Agency theory explains that conflicts of interest between company owners (principals) and management (agents) can arise due to personal interests, limited rationality, and differing attitudes toward risk among managers (Subiyanto, 2022). This conflict is increasingly relevant in companies involving various stakeholders, such as shareholders, managers, and creditors, whose goals are not always aligned (Wahyuningsih, 2020). In the context of this research, this agency conflict is considered to affect a company's financial performance if oversight mechanisms are not effective. Therefore, corporate governance mechanisms, such as the board of directors and audit committee, play a role in overseeing management behavior, while managerial ownership is expected to align the interests of managers with shareholders, thus impacting the company's financial performance.

Therefore, corporate governance mechanisms are required as control tools to reduce agency conflicts and protect shareholder interests. Good Corporate Governance based on agency theory functions to ensure that management acts fairly, responsibly, and transparently in managing the company, while also providing assurance to investors regarding the returns on their invested capital (Anandamaya & Hermanto, 2021). In practice, GCG mechanisms such as the board of directors, managerial ownership, and the

audit committee play strategic roles in monitoring and directing corporate activities to align with owners' objectives.

The board of directors plays a crucial role in formulating strategic policies and managing company operations; thus, the structure and size of the board are important factors in supporting the achievement of financial performance (Aziz et al., 2021). However, prior empirical studies have reported inconsistent findings. Several studies document a significant impact exerted by the board of directors upon corporate fiscal outcomes (Adenutsi et al., 2025), (Kyere & Ausloos, 2021) The study shows that a larger board of directors allows for a more optimal division of tasks and responsibilities, thereby supporting increased growth and financial performance of the company, while others report no significant effect (Agustini et al., 2023), (Rizki Maulida et al., 2023) The study shows that the size of the board of directors in a banking company does not necessarily guarantee effective company management and improved financial performance. This is because company management by the board of directors will have varying effects and influence differences in company characteristics, with each board member's level of effectiveness in achieving both resource management and financial performance.

Managerial ownership is viewed as a mechanism that aligns managerial interests with those of shareholders, thereby reducing agency conflicts and enhancing financial performance (Subiyanto, 2022). Research findings demonstrate that managerial ownership significantly contributes to variations in financial performance (Rosella & Santyo Nugroho, 2023), (Subiyanto, 2022) managerial ownership influences a company's internal performance because management understands the company's conditions and needs best suited to maintaining sustainable financial performance. The greater the proportion of shares held by management, the greater the incentive for management to improve company performance. whereas other studies report contradictory results (Kyere & Ausloos, 2021), (Agustini et al., 2023) share ownership by management who are actively involved in managing the company does not necessarily guarantee the creation of alignment of interests in strategic decision making.

In addition, The audit committee has a crucial role in safeguarding the quality of financial reporting and enhancing the effectiveness of internal control mechanisms. An independent audit committee is

expected to limit managerial opportunistic behavior and enhance transparency, thereby positively affecting corporate financial performance. Studies by (Kyere & Ausloos, 2021) and (Subiyanto, 2022) suggest that the audit committee significantly influences financial performance, An independent audit committee is able to perform its oversight function more objectively, particularly in overseeing the financial reporting process and the effectiveness of the company's internal controls. This robust oversight can minimize the potential for errors and opportunistic management practices, thereby increasing the reliability of financial information and supporting informed decision-making. Furthermore, the frequency of audit committee meetings also reflects the seriousness of the oversight function. However, these findings contradict those of (Anandamaya & Hermanto, 2021) and (Rizki Maulida et al., 2023) who concluded that the audit committee exerts no statistically significant impact on financial performance, The existence of the audit committee has not been fully able to carry out its supervisory function optimally, especially because the number of audit committee members is relatively minimal and there is overlapping roles with independent commissioners, so that the effectiveness of supervision of the financial reporting process is less than optimal.

Beyond GCG mechanisms, firm size and capital structure also influence financial performance. Company size is associated with broader access to external financing and a higher ability to benefit from economies of scale to achieve greater efficiency (Anandamaya & Hermanto, 2021) and (Rosella & Santyo Nugroho, 2023). An optimal capital structure also contributes to improved financial performance through creditor monitoring mechanisms and the provision of stable long-term funding (Gemilang & Wiyono, 2022) and (Ardiani et al., 2024).

Considering the phenomenon gap and research gap indicated by inconsistencies in previous research findings, This research investigates This study investigates how corporate financial outcomes are driven by the board of directors, managerial ownership, and the audit committee. It specifically examines Firm Size as a moderator and Capital Structure as a control variable, focusing on manufacturing entities traded on the Indonesia Stock Exchange over the 2022–2024 period.

Literature Review

Financial Performance

Financial performance reflects the results of a company's operational processes over a specific period. This performance demonstrates how effectively a company manages its resources to achieve its business goals. In other words, financial performance reflects the capabilities a company has demonstrated through its various business activities, including generating profits, controlling costs, and managing assets and liabilities (Cahyani & Puspitasari, 2023).

A company's financial performance reflects the company's level of success in realizing its stated vision and mission. Information about this performance is crucial for investors, as it can be used as a basis for determining whether an investment is worthwhile. Furthermore, a company's financial condition also shapes the views of other stakeholders, such as creditors, business partners, and regulators, regarding the quality of the company's management. Therefore, financial performance not only serves as an internal evaluation tool but also plays a role in building trust and supporting the company's sustainability (Farida, 2022).

From the explanation above, it can be concluded that financial performance is a comprehensive overview of a company's level of success in managing its operational activities, resources, and financial policies to achieve its stated goals. This performance reflects management's effectiveness and efficiency in executing strategies, utilizing assets, generating profits, and meeting short term and long term obligations.

Good Corporate Governance

The OECD (Organization for Economic Cooperation and Development) describes corporate governance as a set of mechanisms that guide corporate activities, procedures and frameworks used to direct and control company activities based on the values and principles of good corporate governance while still by accommodating the concerns of relevant stakeholders (Lastanti & Augustine, 2022). Corporate governance also emphasizes strong links and coordination between shareholders, the board of directors, and the board of commissioners in achieving company goals. Furthermore, the implementation of good corporate governance is

reflected in the company's compliance with applicable rules and regulations, which ultimately plays a crucial role in maintaining and supporting the company's business sustainability (Titania & Taqwa, 2023).

Good Corporate Governance (GCG) aims to establish a balance between a company's internal and external control systems and the company's conditions and needs during a given period. Through effective GCG implementation, companies are expected to prevent resource misuse and improve the quality of corporate management, thereby encouraging sustainable growth in corporate value (Subiyanto, 2022)..

From the explanations above, it can be concluded that Good Corporate Governance (GCG) can be defined as a company management system aimed at directing and overseeing company activities to ensure they run effectively, transparently, and accountably. The implementation of GCG regulates the relationship between management, shareholders, the board of directors, the board of commissioners, and other stakeholders to minimize conflicts of interest and encourage ethical business practices. Thus, GCG plays a role in increasing efficiency, maintaining stakeholder trust, and supporting the growth and sustainability of company value.

Board of Directors

The board of directors is a company's governing body appointed by shareholders to manage the company and represent its interests. Meanwhile, board size refers to the number of board members a company has. A larger board of directors is considered to improve the company's oversight function. With more optimal oversight, company performance becomes more controlled and effective, thus driving increased profitability, which ultimately impacts share prices and company value (Rizki Maulida et al., 2023).

The Board of Directors reflects the application of the principles of transparency, fairness, accountability, and responsibility in corporate governance. When the Board of Directors is able to carry out its roles and authorities effectively, company management will be more focused and professional. This is expected to encourage improvements in the company's financial performance, thereby increasing shareholder trust and satisfaction with the company's performance. (Febrina & Sri, 2022).

From the explanations above, it can be concluded that within a company, the board of directors functions as the main governing body with overall authority and responsibility in managing and representing the company in accordance with the interests of shareholders and the provisions of laws and regulations. The existence and number of board members (board size) play a crucial role in improving the supervisory function and effectiveness of company management. A board of directors that carries out its duties professionally by upholding the principles of transparency, accountability, fairness, and responsibility is expected to improve the company's financial performance, strengthen shareholder trust, and encourage an increase in company value.

Managerial Ownership

Managerial ownership is a condition where a company's management also owns shares in the company they manage. This ownership is often used as a form of incentive or compensation provided by the company to increase the company's value. With this share ownership, management is encouraged to manage the company's assets more optimally and efficiently. The greater the proportion of share ownership by managers, the stronger the management's motivation to maintain and improve the company's performance and assets, including the value of their own shares (Subiyanto, 2022).

Managerial ownership is a measure used to determine the proportion of a company's shares owned by management or executives, usually expressed as a percentage. This indicator is used to assess the level of involvement and incentives that management has within the company. The higher the share ownership by managers, the greater the incentive for management to act in line with the interests of the company and its shareholders, as the company's performance directly impacts their wealth. (Rosella & Santyo Nugroho, 2023).

From the explanations above, from this explanation, managerial ownership can be understood as a situation where management owns shares in the company they manage, thus aligning the managers' interests with those of shareholders. The size of the shares owned by management serves as an indicator of their level of involvement and incentive in corporate decision making. The greater the managerial ownership, the greater the management's motivation to manage the company effectively,

improve performance, and drive growth in company value, as the company's success also directly impacts the profits they earn.

Audit Committee

The execution of the board of commissioners' duties and responsibilities is assisted through the establishment of committees formed at the board's own initiative to support the implementation of its oversight function. One such committee is the audit committee, which plays a role in conducting internal oversight of the company, including oversight of audits, the financial reporting process, and monitoring the implementation of Good Corporate Governance (GCG) principles within the company (Anandamaya & Hermanto, 2021).

The audit committee plays a key role in overseeing the preparation of financial statements, the implementation of external audits, and the effectiveness of internal control systems, including the internal audit function. Through this oversight, the audit committee can mitigate opportunistic management behavior, particularly earnings management practices, by ensuring the fair presentation of financial statements and the smooth running of the external audit process. The greater the a larger number of audit committee members enables more effective oversight of the company's accounting and financial activities, thereby enhancing financial performance. The ideal audit committee composition is generally considered to be between four and six members in a company (Rizki Maulida et al., 2023).

From the explanations above, it can be concluded that the audit committee is a crucial component in the implementation of Good Corporate Governance (GCG), serving as an extension of the board of commissioners in carrying out its oversight function. The audit committee plays a role in overseeing the process of preparing financial statements, the implementation of internal and external audits, and the effectiveness of the company's internal control system. The existence and adequate number of audit committee members can strengthen management oversight, minimize financial statement manipulation practices, improve transparency and the quality of financial reporting, and ultimately contribute positively to the company's financial performance and integrity in accordance with applicable laws and regulations.

Company Size

Company size indicates the scale of a firm's operations and is commonly proxied by the total assets it possesses. This size can impact its ability to generate profits, as larger companies typically have stronger resources and strengths to face business challenges. Greater asset support allows a company to operate more optimally, thus increasing its chances of profit (Eka et al., 2021).

The size of a company can be determined by its firm size. Company size is generally classified into two groups: large and small. Firm size can be determined using indicators such as total assets and market capitalization. Several factors also influence company size, including total assets, sales volume, and market capitalization. The size of a company's assets reflects the amount of wealth or resources it controls to support its operational activities. (Sutrisno & Riduwan, 2022).

Based on this description, it can be concluded that company size is an important indicator reflecting the size of a company and is closely related to the company's ability to carry out operational activities and generate profits. Larger companies generally have higher total assets, sales volume, and market capitalization, thus being supported by more adequate resources to face business challenges. This condition allows the company to operate more optimally and has a greater opportunity to improve financial performance. Therefore, company size is one factor that must be considered in assessing a company's strengths and potential in achieving its business goals.

Capital Structure

Capital structure is the composition of a company's funding, reflecting the ratio of long-term and short term funding sources used in the firm's operating and investment related activities. Long term funding sources include equity, such as common stock, preferred stock, retained earnings or reserves, and external funding sources in the form of debentures and other long term debt. Meanwhile, short-term funding includes current liabilities such as bank overdrafts, short term loans, and accounts payable to trade creditors. Optimal capital structure management is crucial for a company because it can influence the level of risk, the cost of capital, and the company's ability to improve financial performance

and maintain business continuity (Ardiani et al., 2024).

A capital structure dominated by long-term debt is considered to have a positive impact on a company's financial performance, as this funding source allows the company to obtain stable funds to finance long-term needs and investments. With proper planning, the use of long-term debt can also support smooth operations and increase company profitability (Gemilang & Wiyono, 2022).

From the explanations above, it can be concluded that capital structure is a crucial aspect of corporate financial management because it reflects the balance between long-term and short-term funding. Optimally managed capital structure composition plays a role in determining the level of risk, cost of capital, and the company's ability to improve financial performance and maintain business sustainability. Well-planned use of long-term debt can provide positive benefits for the company, particularly in providing a stable source of funds to support operational activities and long-term investments, thus potentially increasing the company's profitability.

Hypothesis Development

The Influence of the Board of Directors on Financial Performance

According to Agency Theory, the interaction between shareholders as principals and managers as agents may give rise to conflicts of interest, primarily because their objectives are not always aligned and there is an imbalance of information between the two parties. The board of directors serves as a corporate governance mechanism that oversees, controls, and ensures that management decisions align with shareholder interests. A more sizable board of directors is viewed as having the capacity to increasing the effectiveness of this oversight function because it involves more individuals with diverse expertise and experience.

According to (Jao et al., 2022) A large board provides a broader range of expertise and advice for decision-making. A large board also supports a broader perspective on corporate policy decisions. This will influence the outcomes the board can achieve, and it may show differences in the quality of decision-making with a smaller board.

In line with research (Aziz et al., 2021) the size of the board of directors can influence a company's financial performance. The number of board

members plays a role in determining policies and resource utilization strategies, both short-term and long-term. Therefore, the size of the board of directors is a crucial factor in the effectiveness of their duties in directing company policies and strategies. Another study conducted by (Adenutsi et al., 2025) found that the board of directors has a positive effect on financial performance. Based on this description, the first hypothesis of this study can be concluded as follows:

H₁: The board of directors has a positive and significant effect on financial performance.

The Influence of Managerial Ownership on Financial Performance

Based on agency theory, agency conflict arises when there are differences in goals between shareholders and management. This misalignment of interests can influence how a company sets policies to ensure that shareholder rights and interests are protected. One method considered effective in minimizing this conflict is by increasing management's share ownership. The greater the shareholding of managers, the more motivated they are to act for the company's progress, as the profits earned by the company directly impact them as shareholders. In other words, the higher the level of managerial ownership, the stronger the management's motivation to improve overall company performance (Sutrisno & Riduwan, 2022).

Based on research conducted by (Subiyanto, 2022) the findings indicate that the size of the share portion owned by management can influence the company's financial performance. The observed positive relationship indicates that increasing managerial ownership tends to be followed by improved financial performance. This occurs because the greater the percentage of managerial ownership, the stronger the alignment between the interests of managers and shareholders. Thus, managers are more careful and responsible in making decisions, especially those that potentially pose risks to the company, ultimately improving the company's financial performance. Another study conducted by (Rosella & Santyo Nugroho, 2023) states that managerial ownership has a positive effect on financial performance. Based on this description, the second hypothesis in this study can be concluded as follows:

H₂: Managerial ownership has a positive and significant effect on financial performance.

The Influence of the Audit Committee on Financial Performance

In agency theory, the existence of an audit committee is a monitoring mechanism aimed at minimizing conflicts of interest between principals and agents. The audit committee has the main duty of supervising the financial reporting procedures, evaluating the adequacy of internal control systems, and monitoring the company's overall governance practices compliance with applicable regulations. The frequency of audit committee meetings reflects the intensity of oversight conducted by management in carrying out the company's operational and financial activities. The more frequent the audit committee meetings, the greater the opportunity to conduct in-depth evaluations of accounting policies, the quality of financial reports, and potential risks that could harm shareholders. In the context of agency theory, high meeting frequency can reduce information asymmetry between management and company owners, thereby suppressing opportunistic behavior.

Research conducted by (Aziz et al., 2021) The audit committee is responsible for supporting the board of commissioners in carrying out its duties and functions. According to the regulations of the Indonesia Stock Exchange (IDX), the audit committee must consist of a minimum of three members. With this composition, the existence of an independent audit committee can have a positive impact on financial performance, as it is able to carry out its supervisory duties objectively and without bias. Another study conducted by (Subiyanto, 2022) and (Kyeré & Ausloos, 2021) The study states that the audit committee has a positive effect on financial performance. Based on this description, the third hypothesis of this study can be concluded as follows: H₃: The audit committee has a positive and significant effect on financial performance.

The Influence of the Board of Directors on Financial Performance is Moderated by Company Size

Larger companies generally have more complex organizational structures, significant assets, and more diverse operational activities. Under these conditions, having a board of directors with a larger number of members can potentially create coordination, communication, and decision-making problems. The larger the company, the greater the level of bureaucracy and the need for collective agreement in strategic policy-making. This can slow managerial

response and reduce the efficiency of company asset management.

From an agency theory perspective, large companies tend to face higher agency conflicts due to increased information asymmetry between shareholders and management. When large boards of directors exist in large companies, oversight can become less effective due to the suboptimal distribution of responsibilities (free rider problem). This situation has the potential to increase agency costs and reduce the effectiveness of decision-making, thus negatively impacting the company's financial performance.

The empirical findings showing that board size negatively impacts financial performance indicate that increasing the number of board members does not always improve corporate governance effectiveness, particularly in large companies. Therefore, company size is suspected of weakening the relationship between board size and financial performance. Based on this description, the fourth hypothesis of this study can be concluded:

H₄: Company size weakens the influence of the board of directors on financial performance.

The Effect of Managerial Ownership on Financial Performance is Moderated by Company Size

High managerial ownership in large companies has the potential to lead to opportunistic behavior in the form of the entrenchment effect, which is the tendency for managers to maintain their positions and make decisions that benefit themselves but are less than optimal for shareholders. This condition can increase agency costs because management does not fully act in the interests of shareholders, requiring the company to incur additional costs for monitoring, control, and providing incentives. Furthermore, opportunistic or inefficient managerial decisions can lead to suboptimal allocation of company resources. This ultimately reduces the efficiency of company management because assets and funds are not optimally utilized to improve financial performance, thus negatively impacting financial performance. Conversely, in small companies, managerial ownership tends to be more effective in aligning the interests of agents and principals due to a simpler organizational structure and more direct supervision. Based on this description, the fifth hypothesis of this study can be concluded:

H₅: Company size weakens the effect of managerial ownership on financial performance.

The Influence of the Audit Committee on Financial Performance is Moderated by Company Size

The effectiveness of audit committees in improving financial performance is not always consistent and can be influenced by company characteristics, particularly company size. In larger companies, the complexity of the organizational structure, the number of business units, and the high volume of transactions can increase the oversight burden. This situation has the potential to reduce the effectiveness of the audit committee, even if the number of members or the frequency of audit committee meetings increases, because the information that must be monitored becomes more extensive and complex. As a result, the audit committee's role in curbing opportunistic management behavior and increasing the efficiency of company management is weakened, so its impact on financial performance is not as strong as in smaller companies. Based on this description, the sixth hypothesis of this study can be concluded:

H₆: Company size weakens the influence of the audit committee on financial performance.

Research Method

This study employs a quantitative research approach that aims to explain empirical phenomena objectively through numerical data processing and statistical analysis. The research design used is a hypothesis-testing design, which seeks to obtain empirical evidence regarding the relationships among the research variables.

The study population includes all manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2022 to 2024, totaling 268 firms. Sample selection was conducted using non probability sampling through a purposive sampling technique, which involves selecting samples according to particular considerations defined by the researcher.

This study utilizes secondary data derived data extraction was performed by accessing the official Indonesia Stock Exchange website (www.idx.co.id) to collect annual reports of the manufacturing sector for the years 2022 through 2024. The data structure used in this study is balanced panel data, which refers to a condition in which each cross-sectional unit has the same number of time series observations.

Table 1
Research Sample

No	Sample Criteria	Total
1.	Manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the observation period of 2022-2024 consecutively.	268
2.	Manufacturing companies that published annual reports during the observation period of 2022-2024.	(46)
3.	Manufacturing companies that provide complete data related to research variables during the observation period of 2022-2024.	(135)
	Number of companies included in the sample	87
	Number of years of observation	3
	Unit of analysis	261

Source: Data Process, 2026

Referring to the established criteria, among the 268 manufacturing firms publicly traded on the Indonesian bourse (IDX), only 87 companies met all the sampling criteria, resulting in a total of 261 units of analysis. A total of 46 companies were excluded due to the absence of published annual reports during the observation period of 2022–2024, while 135 companies were excluded because they did not provide complete data for the research variables throughout the same period.

This research employs financial performance as the primary dependent variable. Financial performance reflects the level of the effectiveness of an organization's administration operational activities, resources, and financial policies to achieve its organizational objectives. In this study, financial performance is measured using a profitability ratio, namely Return on Assets (ROA), ROA serves as a key indicator of profitability relative to resources. It is determined by comparing the net income (after tax) against the company's overall asset position. The independent variables in this research include the board of directors, managerial ownership, and the audit committee. The board of directors is measured based on the total number of board members, which reflects the company's capacity for strategic decision-making and managerial oversight. Managerial ownership is quantified as the proportion of shares held by management in relation to the total number of outstanding shares, indicating the degree of managerial involvement in ownership and harmonizing the objectives of agents (managers) and principals (shareholders). In this study, the Audit Committee variable is operationalized using the total count of meetings convened within a fiscal year, reflecting the intensity of oversight over the financial reporting process and the effectiveness of internal control. Data on audit committee meetings are

obtained from the company's annual reports. This study employs firm size as the moderating variable. Firm size reflects the scale of the company in relation to its ability to manage resources, access financing, and improve operational efficiency. Firm size is proxied by the natural logarithm of total assets (Ln Total Assets). In addition, this study includes capital structure as a control variable. Capital structure represents the proportion of company financing derived from debt and assets, which affects the firm's risk level and financial performance. The Debt to Assets Ratio (DAR) serves as a proxy for capital structure, representing the proportion of assets funded by debt. It is determined by the ratio of total debt to the company's total asset base.

Table 2
Operational Variable Definition

Financial Performance	
Definition	Financial performance is a comprehensive picture of a company's success in managing its operational activities, resources, and financial policies to achieve its stated objectives.
Indicator and Measurement Scale	$ROA = \frac{Net\ Profit}{Total\ Assets}$ Ratio
Board of Directors	
Definition	The board of directors is the main body in a company that has full authority and responsibility in managing and representing the company in accordance with the interests of shareholders and the provisions of laws and regulations.
Indicator and Measurement Scale	Size of the Board of Directors = \sum members of the board of directors Ratio
Managerial Ownership	
Definition	Managerial ownership is a condition in which management owns shares in the company they manage, so that the interests of managers are aligned with those of shareholders.
Indicator and Measurement Scale	$\frac{Number\ of\ Managerial\ Shares}{Number\ of\ Outstanding\ Shares} \times 100\%$ Ratio
Audit Committee	
Definition	The audit committee is an important part of implementing Good Corporate Governance (GCG), serving as an extension of the board of commissioners in carrying out its supervisory functions.
Indicator and Measurement Scale	KA Frequency of audit committee meetings Ratio
Company Size	
Definition	Company size (firm size) is an indicator that shows the scale of a company, which is generally measured by total assets, sales levels, and market capitalization.

Financial Performance	
Indicator and Measurement Scale	Firm Size = Ln (Total Assets) Ratio
Capital Structure	
Definition	Capital structure is an important aspect of corporate financial management because it reflects the balance between the use of long-term and short-term funding. An optimally managed capital structure plays a role in determining the degree of risk, the cost of capital, and the firm's capacity to enhance financial performance and sustain business operations.
Indicator and Measurement Scale	$DAR = \frac{Total\ Debt}{Total\ Assets}$ Ratio

Source: Data Process, 2026

The econometric framework adopted for this investigation is formulated as:

$$ROA = \alpha + \beta_1 DD_{it} + \beta_2 KM_{it} + \beta_3 KA_{it} + \beta_4 SIZE_{it} + \beta_5 DD * SIZE_{it} + \beta_6 KM * SIZE_{it} + \beta_7 KA * SIZE_{it} + \beta_8 SM_{it} + \epsilon_{it}$$

Note:

- ROA = Financial performance
- α = Constant
- $\beta_1 - \beta_8$ = Regression coefficients
- DD = Board of Directors
- KM = Managerial Ownership
- KA = Audit Committee
- SIZE = Firm size
- SM = Capital Structure
- DD*SIZE = Interaction between the board of directors and firm size
- KM*SIZE = Interaction between managerial ownership and firm size
- KA*SIZE = Interaction between the audit committee and firm size
- ϵ = Error term

Results and Discussion

Descriptive Analysis

Table 3
Descriptive Statistic Analysis

KK			
Mean	0.030794	Minimum	-2.879875
Median	0.040634	Std. Dev.	0.204145
Maximum	0.297243		
DD			
Mean	4.590038	Minimum	2.000000

KK			
Median	4.000000	Std. Dev.	1.695167
Maximum	9.000000		
KM			
Mean	0.111528	Minimum	1.206763
Median	0.013638	Std. Dev.	0.189569
Maximum	0.911117		
KA			
Mean	4.858238	Minimum	1.000000
Median	4.000000	Std. Dev.	1.386410
Maximum	9.000000		
SIZE			
Mean	26.10137	Minimum	19.22825
Median	26.58072	Std. Dev.	2.699999
Maximum	31.02314		
SM			
Mean	0.548379	Minimum	0.032661
Median	0.410252	Std. Dev.	1.088972
Maximum	12.78843		

Source: Data Process, 2026

Descriptive analysis results indicate that financial performance (ROA) of manufacturing sector companies shows considerable variation, with values ranging from -2.879875 to 0.297243. The lowest financial performance value of -2.879875 was recorded by Mandom Indonesia Tbk (TCID) in 2024, while the highest value of 0.297243 was achieved by Industri Jamu dan Farmasi Sido Muncul Tbk (SIDO) in 2024. This wide range suggests disparities in profitability and asset utilization efficiency among manufacturing companies.

The descriptive analysis of the board of directors shows that the number of board members in manufacturing companies ranges from 2 to 9 members. The lowest board size of 2 members was observed in Asiaplast Industries Tbk (APLI), Betonjaya Manunggal Tbk (BTON), and Lionmesh Prima Tbk (LMSH) in 2022, as well as Sentra Food Indonesia Tbk (FOOD) during 2022–2024. In contrast, the highest board size of 9 members was recorded by Gudang Garam Tbk (GGRM) and Kino Indonesia Tbk (KINO) in 2022, and Unilever Indonesia Tbk (UNVR) throughout the 2022–2024 period.

Regarding managerial ownership, the percentage of shares held by management ranges from 0.01206763 to 0.9111117. The lowest level of

managerial ownership, amounting to 0.01206763, was held by Uni-Charm Indonesia Tbk (UCID) in 2022, indicating minimal managerial shareholding. Conversely, the highest managerial ownership of 0.9111117 was observed in Betonjaya Manunggal Tbk (BTON) consistently during 2022–2024, reflecting a strong alignment between management and ownership.

The descriptive statistics for the audit committee reveal that the frequency of audit committee meetings ranges from 1 to 9 meetings per year. The lowest frequency of 1 meeting was recorded by Jayamas Medica Industri Tbk (OMED) in 2022, while the highest frequency of 9 meetings was observed in Garudafood Putra Putri Jaya Tbk (GOOD) in 2022, Garuda Metalindo Tbk (BOLT) during 2022–2024, and Phapros Tbk (PEHA) in 2022. This variation indicates differences in the intensity of monitoring and oversight practices across firms.

Furthermore, the firm size variable, measured using the natural logarithm of total assets, ranges from 19.22825 to 31.02314. The smallest firm size value of 19.22825 was recorded by Alakasa Industrindo Tbk (ALKA) in 2024, while the largest firm size value of 31.02314 was achieved by Mayora Indah Tbk (MYOR) in 2024, reflecting substantial differences in company scale within the manufacturing sector.

Chow Test

The Chow is employed as an analytical method To evaluate the differences between the Fixed Effect Model (FEM) and the Common Effect Model (CEM) in order to determine the most appropriate estimation model. Table 4 displays the outcomes derived from the Chow test analysis. In selecting the panel data regression model, the probability value of the cross-section F test serves as the primary basis for decision-making. Given that the calculated probability falls below the 0.05 threshold, the Fixed Effect Model (FEM) is deemed the most appropriate estimation method is considered appropriate and further analysis is conducted using the Hausman test. Conversely, if the probability value exceeds 0.05, the Common Effect Model (CEM) is employed and the analysis continues with the Lagrange Multiplier test.

Table 4
Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	15.090009	(86,169)	0.0000
Cross-section Chi-square	563.994730	86	0.0000

Source: Data Process, 2026

Based on Table 4, the Prob. Cross-section F value is 0.0000, which is lower than the significance level of $\alpha = 0.05$. Based on the results, the Fixed Effect Model (FEM) is deemed suitable for panel data regression, and the next stage of analysis involves conducting the Hausman test.

Hausman Test

Following the results of the Chow test, the Fixed Effect Model (FEM) was chosen. Consequently, the Hausman test is applied to assess whether the Fixed Effect Model (FEM) or the Random Effect Model (REM) provides a more appropriate estimation for the panel data regression. This test is designed to evaluate the consistency of two different estimators and to identify whether the estimates produced by the Random Effect Model can be considered unbiased.

Table 5
Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	74.261177	5	0.0000

Source: Data Process, 2026

The results of the Hausman test are presented in Table 5. The decision-making process of the Hausman test involves comparing the coefficients of both models and calculating a test statistic that follows a chi-square distribution. If the probability value (p-value) of cross-section random is less than the predetermined significance level (0.05), In cases where the p-value < 0.05 , the Fixed Effect Model (FEM) provides a better estimation. However, if the p-value > 0.05 , the Random Effect Model (REM) is preferred. Referring to Table 5, the cross-section random probability value is 0.0000, which is below the 0.05 significance threshold. Therefore, the results of the panel data regression model selection confirm that the Fixed Effect Model (FEM) is the most appropriate model for this research.

Multicollinearity Test

This study conducts a multicollinearity test to ensure that the independent variables are not highly correlated. The test is carried out by evaluating tolerance values and the Variance Inflation Factor (VIF) and tolerance levels. The regression model is considered non-problematic if VIF scores remain under 10 and tolerance exceeds 0.10. Conversely, values failing these thresholds (VIF > 10 or Tolerance < 0.10) signal multicollinearity concerns. These diagnostic outcomes are detailed in Table 6.

Table 6
Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.010378	152.4935	NA
DD	2.78E-05	9.776564	1.169453
KM	0.002149	1.523467	1.130625
KA	4.08E-05	15.28837	1.147213
SIZE	1.04E-05	105.2696	1.110278
SM	5.80E-05	1.262207	1.006093

Source: Data Process, 2026

Based on the results presented in Table 6, it can be concluded that none of the variables in this study exhibit multicollinearity problems because all centered VIF values are far below the critical threshold (10) or above the tolerance value of 0.1. This indicates that there is no multicollinearity in the regression model. In other words, the variables do not have a high correlation with each other.

Heteroskedasticity Test

This study applies a heteroskedasticity test to examine the presence of unequal residual variances across different observations in the regression model. To diagnose potential issues regarding unequal error variances, this research employs the Glejser test technique. In this study, the Glejser test is applied by conducting a regression of the independent variables on the absolute value of the residuals to detect heteroskedasticity. The criteria for heteroskedasticity are as follows. The absence of heteroskedasticity is confirmed when the significance value is greater than 0.05, while values below 0.05 signal the presence of heteroskedasticity. The results of the heteroskedasticity test using the Glejser test are presented in Table 7.

Table 7
Heteroskedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.297009	0.537812	2.411643	0.0168
DD	-0.028723	0.028138	-1.020769	0.3086
KM	0.328673	0.260506	1.261675	0.2085
KA	-0.034225	0.032028	-1.068598	0.2865
SIZE	-0.011328	0.016312	-0.694467	0.4882
LOG_SM	-0.084657	0.069920	-1.210760	0.2274

Source: Data Process, 2026

Based on the test results shown in Table 7, all independent variables show insignificant results (values > 0.05). These significant values indicate that there is no significant relationship between the independent variables and the variance of the residuals. Therefore, the regression model is free from heteroskedasticity.

Panel Data Regression Analysis

Panel data regression techniques are utilized to examine relationships by combining cross sectional and time series observations. The board of directors, managerial ownership, and the audit committee on financial performance, with firm size acting as a moderating variable. The selection of the Fixed Effect Model (FEM) as the most suitable framework for this panel data analysis is validated by the outcomes of the Chow and Hausman tests. Accordingly, the regression estimates derived from the FEM prior to the introduction of the moderating variable are detailed in Table 8.

Table 8
Panel Data Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.627311	0.463293	-3.512483	0.0006
DD	0.166178	0.069444	2.392984	0.0178
KM	2.748517	2.311134	1.189251	0.2360
KA	0.090779	0.048518	1.871044	0.0631
SIZE	0.072900	0.017383	4.193669	0.0000
SM	-0.201444	0.005663	-35.57443	0.0000

Sources: Data Process, 2026

The initial hypothesis (H₁) proposed in this research suggests that the board of directors exerts a

positive and statistically significant influence on the company's financial performance. Based on Table 8, the probability value of the board direction variable (DD) is 0.0178, which is less than the 0.05 significance level ($0.0178 < 0.05$), indicating a significant effect of board direction on financial performance. Furthermore, the board direction regression coefficient is 0.166178, indicating a positive effect on financial performance. H_1 is accepted because board direction has a positive and significant effect on financial performance, thus aligning with the hypotheses formulated in this study.

The second hypothesis (H_2) formulated in this research proposes that managerial ownership positively and significantly influences the firm's financial performance. Based on Table 8, the probability value for the managerial ownership (KM) variable is 0.2360, which is greater than the 0.05 significance level ($0.2360 > 0.05$), indicating an insignificant effect of managerial ownership on financial performance. Furthermore, the regression coefficient for managerial ownership is 2.748517, indicating a positive effect on financial performance. Therefore, it can be concluded that H_2 is rejected because managerial ownership has a positive but insignificant effect on financial performance, thus inconsistent with the hypothesis stating a positive and significant effect.

The third hypothesis (H_3) in this study states that the audit committee has a positive and significant effect on financial performance. Based on Table 8, the probability value for the audit committee (AC) variable is 0.0631, which is greater than the 0.05 significance level ($0.0631 > 0.05$), indicating that the audit committee's influence on financial performance is insignificant. Furthermore, the audit committee's regression coefficient is 0.090779, indicating a positive effect on financial performance. Therefore, it can be concluded that H_3 is rejected because the audit committee has a positive but insignificant influence on financial performance, thus the results of this study do not support the formulated hypothesis.

Moderated Regression Analysis (MRA)

The following presents the panel data regression to analyze the moderating effect, this study utilizes Moderated Regression Analysis (MRA) to evaluate how the moderating variable influences the relationship between the independent variables and the dependent variable, with the results reported in Table 9.

Table 9
Moderated Regression Analysis (MRA)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.627311	0.463293	-3.512483	0.0006
DD	0.166178	0.069444	2.392984	0.0178
KM	2.748517	2.311134	1.189251	0.2360
KA	0.090779	0.048518	1.871044	0.0631
SIZE	0.072900	0.017383	4.193669	0.0000
DD_SIZE	-0.007249	0.002684	-2.700960	0.0076
KM_SIZE	-0.116706	0.087727	-1.330336	0.1852
KA_SIZE	-0.003514	0.001774	-1.981233	0.0492
SM	-0.201444	0.005663	-35.57443	0.0000

Source: Data Process, 2026

The fourth hypothesis (H_4) proposed in this study states that company size can moderate the influence of the board of directors on financial performance by weakening it. Table 9 shows that the statistical test results for the interaction between the board of directors and company size (DD*SIZE) yield a regression coefficient of -0.007249 with a significance value of $0.0076 < 0.05$, indicating that the interaction variable is significant. Looking at the regression results before the interaction with company size, the coefficient value for the board of directors (DD) was 0.166178, indicating a positive trend towards financial performance. However, after the interaction with company size, the regression coefficient value became negative at -0.007249. This indicates that company size weakens the influence of the board of directors on financial performance. H_4 is accepted because company size can moderate the relationship between the board of directors and financial performance by weakening the board's influence on financial performance.

The fifth hypothesis (H_5) proposed in this study states that company size is able to moderate by weakening the influence of managerial ownership on financial performance. Based on Table 9 it can be interpreted that the results of the statistical test on the interaction variable between managerial ownership and company size (KM*SIZE) obtained a regression coefficient value of -0.116706 with a significance value of 0.1852, which means it is greater than the significance level of 0.05 ($0.1852 > 0.05$) so that the interaction variable is not significant. If we look at the

regression results before the interaction with the company size variable, the coefficient value of the managerial ownership variable (KM) is 0.2360 which indicates a positive direction towards financial performance and the prob value of $0.2360 > 0.05$ indicates that managerial ownership has no significant effect on financial performance and after the interaction with the company size variable, the regression coefficient value becomes negative at -0.116706. This shows that company size is not able to moderate the relationship between managerial ownership and financial performance. In other words, neither directly nor through interaction, managerial ownership shows a significant effect on financial performance. H_5 is rejected because firm size is unable to significantly moderate the relationship between managerial ownership and financial performance.

The sixth hypothesis (H_6) proposed in this study states that company size can moderate the effect of the audit committee on financial performance by weakening it. Table 9 shows that the statistical test results for the interaction between the audit committee and company size (KA*SIZE) yield a regression coefficient of -0.003514 with a significance level of 0.0492, indicating a significant interaction. Looking at the regression results before the interaction with company size, the coefficient for the audit committee (KA) variable was 0.090779, indicating a positive effect on financial performance. However, after the interaction with company size, the regression coefficient became negative at -0.003514. This indicates that company size weakens the effect of the audit committee on financial performance. H_6 is accepted because company size can moderate the relationship between the audit committee and financial performance by weakening the audit committee's influence on financial performance.

Determination Coefficient Test (R^2)

The R-squared (R^2) metric is utilized to quantify the proportion of variance in the dependent variable that is explained by the predictors in the panel data regression model in explaining the dependent variable. The coefficient of determination in this study is used to assess the extent to which the independent variables, including the board of directors, managerial ownership, audit committee, and firm size as a moderating variable, explain the

variation in the dependent variable, explain the dependent variable, financial performance. The Adjusted R-squared value is used as the basis for decision-making, A higher Adjusted R-squared value, particularly one close to 1, reflects the model's effectiveness in explaining changes in financial performance as the dependent variable.

Table 10

Determination Coefficient Test (R^2)			
R-squared	0.955417	Mean dependent var	0.030794
Adjusted R-squared	0.930171	S.D. dependent var	0.204145
S.E. of regression	0.053945	Akaike info criterion	-2.726251
Sum squared resid	0.483078	Schwarz criterion	-1.428821
Log likelihood	450.7758	Hannan-Quinn criter.	-2.204726
F-statistic	37.84476	Durbin-Watson stat	2.406081
Prob(F-statistic)	0.000000		

Source: Data Process, 2026

Based on Table 10, the coefficient of determination (R^2), as indicated by the Adjusted R-squared value, is 0.930171. Thus, it can be concluded that overall In this study, the independent variables collectively explain 93.01% of the variation in the dependent variable, with the remaining 6.99% attributable to other variables beyond the scope of the model.

The Effect of The Board of Directors on Financial Performance

Empirical evidence demonstrates that the board of directors exerts a significant influence on financial performance, as evidenced by a p value of 0.0178, which is below the 5% significance threshold, and a positive regression coefficient of 0.166178. These findings provide empirical support that the board of directors contributes to the enhancement of corporate financial performance. In this study, the board of directors is operationalized based on the number of board members in each firm. An effective board can mitigate agency conflicts through managerial oversight, thereby promoting the efficient and accountable management of corporate resources. Furthermore, the board of directors plays a pivotal role in formulating corporate policies and strategic decisions, both in the short and long term, which directly influence the achievement of financial performance objectives.

The Effect of Managerial Ownership on Financial Performance

The statistical testing results indicate that managerial ownership has no significant influence on financial performance. Consequently, the second hypothesis (H₂) is not supported empirically. This is reflected in a significance value of 0.2360, which exceeds the 0.05 significance threshold with a regression coefficient of 2.748517 showing a positive direction. This study provides empirical evidence that managerial ownership has not been able to align the interests of management with those of non managerial shareholders, so agency conflicts continue to occur within the company, as the relatively small proportion of shares held by managers is insufficient to create strong economic incentives that influence managerial decision-making and effectively suppress agency conflicts. Managerial ownership, which refers to share ownership by managers who are actively involved in company management, does not necessarily guarantee alignment of interests in strategic decision making. Differences in objectives and interests among shareholders cause the size of managerial ownership to be insufficient in reducing agency conflicts, resulting in managerial ownership having no significant effect on corporate financial performance.

The Effect of The Audit Committee on Financial Performance

The statistical analysis indicates that the audit committee does not have a significant effect on financial performance, leading to the rejection of the third hypothesis (H₃). This is evidenced by a significance value of 0.0631, which exceeds the 5% threshold, and a positive regression coefficient of 0.090779, suggesting a positive but statistically insignificant relationship. In this study, the audit committee is operationalized based on the frequency of its meetings. These findings suggest that the audit committee has not fully performed its supervisory role in enhancing financial performance, which may be attributed to its limited authority and scope of responsibilities. While the audit committee is tasked with supporting the board of commissioners by ensuring the fair presentation of financial reports in accordance with generally accepted accounting principles, the effective implementation of internal controls, adherence to both internal and external auditing standards, and proper follow-up on audit

recommendations, ultimate decision-making authority regarding corporate management rests with the board of directors. Consequently, improvements in financial performance are primarily driven by operational policies determined and executed by the board of directors, whereas the audit committee's role remains largely focused on compliance and the formal aspects of corporate governance.

The Effect of The Board of Directors on Financial Performance with Firm Size as a Moderating Variable

The Moderated Regression Analysis (MRA) results indicate that the interaction effect between the board of directors and firm size on financial performance is statistically significant, with a significance value of 0.0076 (below 0.05) and a regression coefficient of -0.007249, indicating a negative direction. Prior to the interaction, the board of directors variable had a significance value of 0.0178 with a regression coefficient of 0.166178, indicating a positive relationship. Both results are statistically significant but show opposite directions before and after the inclusion of the interaction term. These findings indicate that firm size weakens the effect of the board of directors on financial performance. This suggests that larger companies generally have more complex organizational structures, larger asset bases, and more diverse operational activities. Under such conditions, a larger board of directors may lead to coordination, communication, and decision-making challenges. As a result, as firm size increases, the role of the board of directors in influencing financial performance becomes less dominant.

The Effect of Managerial Ownership on Financial Performance with Firm Size as a Moderating Variable

The Moderated Regression Analysis (MRA) demonstrates that Firm Size does not act as a significant moderator for Managerial Ownership. This is evidenced by a probability value of 0.1852, which is statistically insignificant (> 0.05) and a negative regression coefficient of -0.116706. Before incorporating the interaction term, managerial ownership also showed no significant effect, with a significance value of 0.2360 (above 0.05), although the regression coefficient was positive at 2.748517. Both results are statistically insignificant and show

opposite directions before and after the interaction. Therefore, it can be concluded that firm size does not act as a moderating variable in the relationship between managerial ownership and financial performance. This study empirically indicates that, within larger companies, managerial ownership does not strengthen or weaken financial performance outcomes, operational complexity, broader organizational structures, and greater separation of managerial functions reduce the effectiveness of managerial ownership in influencing financial performance. The relatively small proportion of managerial ownership in large firms also limits its impact on strategic decision-making. Furthermore, in large-scale firms, financial decisions are not determined solely by managers who hold shares, but are also influenced by other interests such as controlling shareholders, regulators, and other corporate governance mechanisms. These conditions make managerial ownership insufficiently strong to comprehensively control managerial behavior.

The Effect of Audit Committee on Financial Performance with Firm Size as a Moderating Variable

The Moderated Regression Analysis (MRA) indicates that the interaction between the audit committee and firm size has a statistically significant impact on financial performance, as evidenced by a significance value of 0.0492, which is below the 5% threshold, and a regression coefficient of -0.003514 , reflecting a negative relationship. Before introducing the interaction term, the audit committee variable had a positive coefficient of 0.090779 and a non-significant p value of 0.0631. These findings highlight changes in both direction and significance when firm size is included as a moderating variable, suggesting that larger firm size attenuates the effect of the audit committee on financial performance. The audit committee lacks authority over operational and strategic decision-making, as such policies remain under the purview of the board of directors. Consequently, financial performance is primarily driven by operational policies and strategic initiatives formulated and executed by the board, whereas the audit committee primarily focuses on compliance and formal governance obligations. This moderating effect is more pronounced in larger firms, where the audit committee's oversight responsibilities expand across multiple business units, operational processes, and varied business risks, thereby limiting its

independence and ability to directly influence financial performance.

Conclusion

This research is designed to examine how the board of directors, managerial ownership, and the audit committee affect financial performance, while considering firm size as a moderating factor in manufacturing companies listed on the Indonesia Stock Exchange during the 2022–2024 period. The analysis was conducted using panel data regression with the help of EViews version 10.

The results of the study indicate that the board of directors significantly influences financial performance. This finding indicates that an effective board of directors' role in management, oversight, and strategic policy-making can drive improved corporate financial performance. Conversely, managerial ownership did not significantly influence financial performance, indicating that this study did not find sufficient empirical evidence to establish a relationship between the proportion of shares owned by management and corporate financial performance.

Furthermore, the audit committee was not shown to have a significant impact on financial performance, indicating that its role is still limited to compliance and financial reporting oversight functions. Furthermore, company size was shown to weaken the influence of the board of directors and audit committee on financial performance, indicating that the larger the company, the more complex the organizational structure and coordination processes, which can reduce the effectiveness of governance mechanisms. Meanwhile, company size also failed to strengthen the influence of managerial ownership on financial performance, so managerial ownership cannot be relied upon as a primary mechanism for aligning interests, both in large and small companies. This study has several limitations that should be considered. First, the sample The scope was confined to manufacturing firms listed on the Indonesia Stock Exchange, which means the findings may not be applicable to companies operating in other industry sectors. Second, the relatively short observation period, 2022–2024, does not fully capture the long-term dynamics of the influence of corporate governance mechanisms on financial performance. Third, this study uses only quantitative indicators to measure corporate governance mechanisms, thus failing to consider qualitative aspects such as decision-making quality, individual management

competency, and the effectiveness of interactions between governance organs.

Based on these limitations, future research is recommended to expand the research object to include other industrial sectors to provide broader generalizability. Furthermore, future researchers are expected to extend the study period in order to better identify the long-term effects of corporate governance mechanisms on financial performance. It is also suggested that subsequent studies should combine quantitative and qualitative indicators, for example by including variables such as governance quality, managerial competence, or decision-making effectiveness, so that the results can provide a more comprehensive picture of the role of corporate governance in improving financial performance.

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