THE INFLUENCE OF GOOD CORPORATE GOVERNANCE MECHANISMS ON FINANCIAL PERFORMANCE WITH TRANSPARENCY AS A MODERATING VARIABLE IN COMPANIES LISTED ON THE INDONESIAN INDONESIA STOCK EXCHANGE IN 2020 – 2022

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Abstract
Achieving and maintaining stability is crucial for a company's overall productivity, encompassing financial health, workforce dynamics, and the prevailing political and social landscape in its operational environment. This study delves into the pivotal role of corporate governance in fostering stability and thereby improving economic outcomes. The concept of good corporate governance (GCG) is emphasized as a cornerstone for steering companies towards sustainable success. A well-defined governance framework, encompassing mission articulation, rules, and transparent conventions, serves as a guiding mechanism to achieve organizational objectives. To investigate the link between corporate governance and company performance, this research adopts the Purposive Sampling technique. Companies are selected based on stringent criteria, utilizing consecutive annual financial report data throughout the research period. The findings reveal that Variable X1 exhibits no direct impact on Variable Y, and similarly, Variable X1 does not directly influence Variable Z. However, Variable X2 is identified as exerting an indirect influence on Variable Y through its impact on Variable Z. The study underscores the intricate relationship between corporate governance practices and various performance indicators within companies. It sheds light on the nuanced interplay of these variables and provides insights into the strategic considerations that can be leveraged to optimize organizational productivity. Recognizing the significance of a stable operational foundation, the research advocates for a proactive adoption of sound corporate governance principles as a means to foster sustained economic improvement and propel companies towards enduring success.

Keywords: Good Corporate Governance, Financial Performance, Transparency
langsung mempengaruhi Variabel Z. Namun, Variabel X2 diidentifikasi memberikan pengaruh tidak langsung terhadap Variabel Y melalui dampaknya terhadap Variabel Z. Penelitian ini menggarisbawahi hubungan yang rumit antara praktik-praktik tata kelola perusahaan dengan berbagai indikator kinerja di perusahaan. Penelitian ini menjelaskan interaksi yang bermuansa dari variabel-variabel ini dan memberikan wawasan tentang pertimbangan strategis yang dapat dimanfaatkan untuk mengoptimalkan produktivitas organisasi. Menyadari pentingnya fondasi operasional yang stabil, penelitian ini menganjurkan penerapan prinsip-prinsip tata kelola perusahaan yang baik secara proaktif sebagai sarana untuk mendorong peningkatan ekonomi yang berkelanjutan dan mendorong perusahaan menuju kesuksesan yang langgeng.

Kata Kunci: Tata Kelola Perusahaan yang Baik, Kinerja Keuangan, Transparansi

1. INTRODUCTION

The implementation of Good Corporate Governance (GCG) at this time is no longer just an obligation, but has become a necessity for every company and organization. Good Corporate Governance (GCG) is needed to provide good development for the performance of a company which makes the company long-lived and trustworthy (Rana et al., 2015; Sopiah & Syihabudhin, 2008). Timely disclosure and accurate information are the most important parts of Good Corporate Governance (Gaspersz, 2005). The implementation of corporate governance can increase company transparency. Transparency has been widely recognized by academics and market regulators, so many rules and regulations have been introduced over time to ensure companies are transparent (Ramadhani et al., 2020).

Information disclosed in the issuer's annual report can be grouped into two, namely mandatory disclosure and voluntary disclosure (Setiawan, 2020; Shin-Ping & Tsung-Hsien, 2009). Mandatory disclosure is information that must be disclosed by issuers regulated by a country's capital market regulations. Meanwhile, voluntary disclosure is the submission of information provided voluntarily by the company outside of mandatory disclosure (Berman & Evans, 2011; Widarjono, 2007).

A good corporate governance mechanism is important in improving the company's financial performance so that the company can avoid financial problems. Thus, the corporate governance system (Corporate Governance) determines the achievement of company goals, because this corporate governance determines the direction of the company's course, policies, development, and future plans (Alrawashedh et al., 2021).

Company value can be said to be good if the company's governance is good, to get good management, the company must implement good corporate governance. Good corporate governance can increase profits and can reduce the level of risk of future company losses so as to increase future company value. Initially, corporate governance was motivated by financial scandals that occurred in companies in various countries, especially developed countries. As business complexity develops in various countries in the world, corporate governance is also developing in other countries, especially in developing countries such as Indonesia. This has spurred the government to issue regulations regarding the implementation of good corporate governance for companies in Indonesia so that with good governance it will avoid the occurrence of economic crises as has happened before.
This study aims to investigate a number of key questions related to corporate governance and ownership in the context of their influence on financial performance and the level of transparency. The problem formulation includes aspects such as the influence of governance structure and ownership structure on financial performance and transparency, as well as the relationship between transparency as a mediator and the influence of governance structure and ownership structure on financial performance. Thus, the main objective of this study is to understand how these factors are interrelated and contribute to the financial condition and transparency of a company.

2. THEORETICAL FOUNDATION

2.1. Theory Agency
Agency theory is a description of the relationship between authorized parties, namely investors who are also commonly referred to as principals with managers who are authorized agents. The relationship between agents and principals is called an agency relationship (Wijaya & Christiawan, 2014).

2.2. Governance Structure
1. Board of Commissioners
In general, the board of commissioners is a representative of the owner of interests (Shareholder) in a company in the form of a limited liability company which has the function of overseeing the management of the company carried out by management (directors), and is responsible for assessing whether management fulfills their responsibilities in managing and developing the company, as well as organizing the company's internal control (Sukandar, 2014). In essence, the board of commissioners is a supervisory mechanism and a mechanism for providing guidance and direction on company management (Rahmawati, 2017).

2. Board of Directors
Article 1 in Law No. 40 of 2007 concerning limited liability companies, what is meant by the board of directors is a company organ that is authorized and fully responsible for the management of the company for the benefit of the company, in accordance with the aims and objectives of the company, and represents the company, both inside and outside the court, in accordance with the provisions of the articles of association (Effendi, 2016)

3. Audit Committee
The Indonesian Audit Committee Association defines the audit committee as a committee that works professionally and independently formed by the board of commissioners, thus its task is to assist and strengthen the function of the board of commissioners in carrying out the supervisory function of the financial reporting process, risk management, audit implementation, and implementation of corporate governance in companies (Fransisca, 2013)
2.3. Ownership Structure
Ownership structure is part of the internal corporate governance mechanism. Ownership structure is the composition of shareholders in a company based on the number of shares owned divided by the total number of shares available. This proportion in share ownership will determine the amount of majority and minority share ownership. The theory developed by Stulz (1988) on ownership structure and found that the relationship between manager ownership and firm value is non-linear. The ownership structure in Indonesia has different characteristics from companies in other countries. Most companies in Indonesia have a tendency to be concentrated so that founders can also sit on the board of directors or commissioners, besides that agency conflicts can occur between managers and owners as well as between majority and minority shareholders (Wiranata & Nugrahanti, 2013).

2.4. Transparency
Transparency refers to the freedom to obtain information (Mardiasmo, 2002). The National Development Planning Agency (BPPN) and the Ministry of Home Affairs state that transparency is a principle that guarantees access or freedom for everyone to obtain information about government administration, namely information about the policy making process and its implementation, as well as the results achieved.

Transparency has at least three critical aspects: (1) the availability of information; (2) the clarity of roles and responsibilities among institutions that are part of the processes required for transparency; and (3) the systems and capacities behind the production and systematic guarantee of information. These three critical aspects are interconnected, as the availability of information systems alone is not sufficient if there is no explanation of the roles and responsibilities of each institution involved in the various processes that take place, all of which must be guaranteed based on a definite system. Taking into account this explanation, it can be seen that transparency is important to generate public trust.

2.5. Financial Performance
Financial performance is the company's ability to generate profits at a certain level of sales, assets, and capital whose growth is an important indicator for investors in assessing the company's future prospects (Lastanti & Salim, 2019).

Performance appraisal is a form of reflection of obligations and responsibilities to report performance, activities, and resources that have been used, achieved, and carried out (Sukandar, 2014). To assess whether the goals that have been set have been achieved is not something that is easy to do. This is because it involves many aspects of management.

2.6. Research Model
The research model in this study is described as follows:
2.7. Research Hypothesis
H1: Governance structure affects financial performance.
H2: Ownership structure affects financial performance.
H3: Governance structure affects transparency.
H4: Ownership structure affects transparency.
H6: The effect between transparency as mediation and governance structure on financial performance.
H7: The effect between transparency as moderating with ownership structure on financial performance.

3. RESEARCH METHOD
3.1. Object of Research
The objects in this study are governance (X1), with indicators of the board of commissioners (SP1), board of directors (SP2), and audit committee (SP3). Ownership structure (X2) with indicators of institutional ownership (SK1), managerial ownership (SK2) and family ownership (SK3). Transparency (M) with indicators of voluntary disclosure (M1) and mandatory disclosure (M2) and financial performance (Y) with indicators of return on assets / ROA (Y1) and return on equity / ROE (Y2).

3.2. Research Subjects
The subjects can be summarized as the companies selected through the sampling technique in this study. The research subject is something or a certain unit where the research object is located (Anshori & Iswati, 2009). The subjects of this research are companies listed on the Indonesia Stock Exchange 2020-2022.

3.3. Data Type and Source
This type of research is quantitative research, which is research that is not concerned with the depth of data, quantitative research does not emphasize too much on the depth of data, which is important to be able to record as much power as possible from a wide population (Masyhuri & Zainuddin, 2008). The data source is the subject from which the data processed (2023).
research data is obtained (Sujarweni, 2018). The data sources used in this study were obtained from annual reports obtained from the official website of the Indonesia Stock Exchange www.idx.co.id.

3.4. Data Analysis Tools
This analysis research was conducted using PLS. PLS is an alternative to data processing from a coverlance-based SEM approach to variant-based (Syukriyah, 2020). Structural model testing in PLS is carried out with the help of SmartPLS software version 3.0 for windows. Structural equation modeling (SEM) is a method used to cover the weaknesses found in the regression method. Partial Least Square is a powerful analysis method in which this method is not based on many assumptions.

3.5. Measurement Model Evaluation
There are three types of tests carried out to evaluate the measurement model (Ghozali, 2018). These types of tests are: 1. Individual Item Reliability Test, 2. Internal Consistency Test, 3. Discriminant Validity Test.

3.6. Validation and reliability Test
The validity test is carried out to determine the ability of the research instrument to measure what should be measured. Meanwhile, the reliability test is used to measure the consistency of measuring instruments in measuring a concept. To test validity and reliability, it can be used by designing a measurement model or outlier model (Syukruyah, 2020).

3.7. Structural Model Evaluation
Evaluation of the Structural Model using R square. Changes in the R square value can be used to assess the effect of certain independent latent variables on dependent latent variables based on the research model. In general, the R square values are 0.75, 0.50, and 0.25 which are interpreted as substantial, moderate, and weak (Hair, 2006).

3.8. Direct Effect Analysis
Abdillah and Hartono (2015) explain that the significance measure can use a comparison of the t-table and t-statistic values. The hypothesis is accepted if the t-statistic is higher than the t table value or it can also be by comparing the p-value with the α value used. The hypothesis can be accepted if the t-statistic value> t table or p-value <0.05.

3.9. Analysis of indirect effects (Mediation)
Imam Ghozali argues that the determination of intervening variables depends on the theoretical form, for example in the A→B→C model where it is clear that the A→C relationship does not directly have to go through B, then if A to B is significant and B to C is also significant, then B is intervening and the A to B relationship does not directly pass through B (Ghozali, 2018). To find out whether there is perfect or partial mediation, it is done by seeing whether the coefficient c1 is statistically significant. Perfect/complete mediation occurs when the independent variable does not affect the dependent when the mediator is controlled (Baron and Kenny, 1986). If the coefficient c1 is statistically
significant and there is also significant mediation, it is called partial mediation (MacKinnon, Fairchild and Fritz, 2007).

4. RESULT AND DISCUSSION
4.1. Outer Loading Factory
A loading factor value of 0.70 or more is considered to have a strong enough validation to explain the latent construct (Hair, 2006). The initial outer loading value on the variables can be seen in table 4.1 below as follows:

<table>
<thead>
<tr>
<th>Outer Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.Komisaris &lt;- x1</td>
</tr>
<tr>
<td>D.direksi &lt;- x1</td>
</tr>
<tr>
<td>Kepm.Institusional &lt;- x2</td>
</tr>
<tr>
<td>Kepm.Keluarga &lt;- x2</td>
</tr>
<tr>
<td>Kepm.Manajerial &lt;- x2</td>
</tr>
<tr>
<td>Komite Audit &lt;- x1</td>
</tr>
<tr>
<td>Pengungkapan Sukarela &lt;- z</td>
</tr>
<tr>
<td>Pengungkapan Wajib &lt;- z</td>
</tr>
<tr>
<td>ROA &lt;- y</td>
</tr>
<tr>
<td>ROE &lt;- y</td>
</tr>
</tbody>
</table>

Source: Data processed by researchers, 2023

Shown in Figure 2. below:

Source: Data processed (2023)

Figure 2. Governance Structure And Ownership Structure

The indicators eliminated in this model are the Board of Commissioners and the Audit Committee. After eliminating invalid variable indicators in the model, then the model
is calculated again so as to produce a new outer loading value and can be seen in the following table:

**Table 2. Outer Loading**

<table>
<thead>
<tr>
<th>Outer loadings</th>
<th>Outer loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.direksi &lt;- x1</td>
<td>1.000</td>
</tr>
<tr>
<td>Kepm.Institusional &lt;- x2</td>
<td>0.797</td>
</tr>
<tr>
<td>Kepm.Keluarga &lt;- x2</td>
<td>0.892</td>
</tr>
<tr>
<td>Kepm.Manajerial &lt;- x2</td>
<td>0.866</td>
</tr>
<tr>
<td>Pengungkapan Sukarela &lt;- z</td>
<td>0.891</td>
</tr>
<tr>
<td>Pengungkapan Wajib &lt;- z</td>
<td>0.893</td>
</tr>
<tr>
<td>ROA &lt;- y</td>
<td>0.741</td>
</tr>
<tr>
<td>ROE &lt;- y</td>
<td>0.982</td>
</tr>
</tbody>
</table>

Source: Data processed by researchers, 2023

Shown in Figure 3. Below:

Source: Data processed (2023)

**Figure 3. Governance Structure And Ownership Structure**

4.2. Reliability and Validity Test

The reliability instrument in this study was measured by two criteria, namely the composite reliability value and Cronbach's alpha. The use of Cronbach's alpha tends to underestimate variable reliability compared to composite reliability so it is recommended to use composite reliability (Haryono, 2017). A construct can be said to be reliable if the Cronbach's alpha value is greater than 0.70, while according to (Ghozali, 2018) variables are said to be reliable if the composite reliability value is above 0.70.
Table 3. Reliability and Validity Test

<table>
<thead>
<tr>
<th></th>
<th>Cronbach's alpha</th>
<th>Composite reliability (rho a)</th>
<th>Composite reliability (rho c)</th>
<th>Average variance extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Struktur Tata Kelola (X1)</td>
<td>0.845</td>
<td>0.847</td>
<td>0.865</td>
<td>0.902</td>
</tr>
<tr>
<td>Struktur Kepemilikan (X2)</td>
<td>0.819</td>
<td>0.890</td>
<td>0.888</td>
<td>0.727</td>
</tr>
<tr>
<td>Kinerja Keuangan (Y)</td>
<td>0.993</td>
<td>0.993</td>
<td>0.996</td>
<td>0.993</td>
</tr>
<tr>
<td>Transparansi (Z)</td>
<td>0.741</td>
<td>0.872</td>
<td>0.774</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data processed by researchers, 2023

4.3. Discriminant Correlation Test

Discriminant correlation test is conducted to see the correlation between constructs and other constructs. If the square root of average AVE value of each construct is greater than the correlation value between the construct and other constructs in the model, it can be concluded that the construct has a good level of validity.

Table 4. Discriminant Correlation

<table>
<thead>
<tr>
<th></th>
<th>x1</th>
<th>x2</th>
<th>y</th>
<th>z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance Structure (X1)</td>
<td>0.610</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ownership Structure (X2)</td>
<td>0.490</td>
<td>0.853</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Performance (Y)</td>
<td>0.291</td>
<td>0.735</td>
<td>0.709</td>
<td></td>
</tr>
<tr>
<td>Transparency (Z)</td>
<td>0.256</td>
<td>0.543</td>
<td>0.555</td>
<td>0.892</td>
</tr>
</tbody>
</table>

Source: Data processed by researchers, 2023

4.4. Structural Model Testing

Structural model testing is carried out to see the relationship between constructs, the significance value and R square of the research model. The R square value can be used to assess the effect of certain independent variables on the dependent variable. The estimated value of R square is seen in Table 6 below:

Table 5. R-Square Value

<table>
<thead>
<tr>
<th></th>
<th>R-square</th>
<th>R-square adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Performance (Y)</td>
<td>0.647</td>
<td>0.612</td>
</tr>
<tr>
<td>Transparency (Z)</td>
<td>0.605</td>
<td>0.590</td>
</tr>
</tbody>
</table>

Source: Data processed by researchers, 2023
4.5. Direct Effect Analysis

Whether or not a hypothesis is accepted, it is necessary to test the hypothesis using the Bootstrapping function in SmartPLS. The hypothesis is accepted when the significance level is smaller than 0.05 or the t-value exceeds the critical value (Hair, 2006). The t statistics value for the 5% significance level is 1.96. For this research can be seen in Table 7. Below:

| Source: Data processed by researchers, 2023 |

Table 6. Direct Influence

| Source: Data processed by researchers, 2023 |

4.6. Analysis of Indirect Influence (Mediation)

To see whether the relationship between the independent variable and the dependent variable through the mediating variable in this study can be seen in Table 8. Below:

| Source: Data processed by researchers, 2023 |

4.7. Discussion

a. The Effect of Governance Structure on Financial Performance

The results of this study found that Governance Structure has no effect on Financial Performance, so the research hypothesis proposed in this study that Governance Structure has no effect on Financial Performance is rejected. This can be seen from the p value of 0.758 with a t value of 0.308 and a significance value of 0.887, the significance value is greater than 0.05 (0.693 > 0.05). The research coefficient can be interpreted that the lower the structure of the Governance structure, the company’s financial performance has no major effect. This shows that it is in accordance with the research hypothesis. Thus, the first hypothesis, which states that governance structure has no effect on corporate financial performance, is rejected.
b. **Effect of Governance Structure on Transparency**
   The results of this study found that Governance Structure has no effect on transparency, so the research hypothesis proposed in this study that Governance Structure has no effect on transparency is rejected. This can be seen from the P value of 0.929 with a t value of 0.089 and a significance value of 0.929. The significance value is greater than 0.05 (0.757 > 0.05). This shows that it is in accordance with the research hypothesis. Thus, the second hypothesis, which states that governance structure has no effect on corporate financial performance, is rejected.

c. **Effect of Ownership Structure on Financial Performance**
   The results of this study found that Ownership Structure affects Financial Performance, so the research hypothesis proposed in this study that Ownership Structure affects Financial Performance is accepted. This can be seen from the P value of 0.000 with a t value of 5.054 and a significance value of 0.000. The significance value is smaller than 0.05 (0.000 < 0.05). The positive research coefficient means that the higher the ownership structure, the higher the company's financial performance. The ownership structure coefficient shows a positive direction which is in accordance with the research hypothesis which shows a positive direction. Thus, the third hypothesis which states that institutional ownership has a positive effect on the company's financial performance is accepted.

d. **Effect of Ownership Structure on Transparency**
   The results of this study found that the ownership structure affects the value of transparency, so that the research hypothesis proposed in this study that the ownership structure affects the value of transparency is accepted. This can be seen from the P value of 0.000 with a t value of 4.977 and a significance value of 0.000. The significance value is smaller than 0.05 (0.000 < 0.05). This data shows that the ownership structure affects the transparency of the hypothesis accepted. Ownership of members of the board of directors and board of commissioners of the company's shares is not limited, the data shows a managerial ownership value of 53%, which means that there are members of the board of commissioners and board of directors who own shares of the company where they work. Due to the high percentage of share ownership, management who are also shareholders of the company are able to influence company policies including policies in conducting information transparency.

e. **Effect of Transparency on Financial Performance**
   The results of this study found that transparency affects financial performance, so the research hypothesis proposed in this study that transparency affects financial performance is accepted. This can be seen from the P value of 0.012 with a t value of 2.711 and a significance value of 0.007. The significance value is smaller than 0.05 (0.012 < 0.05). This shows that transparency has a significant effect on financial performance.

f. **The Effect of Governance Structure on Financial Performance with Transparency as a Mediating Variable**
The results of this study found that Governance Structure has no effect on financial performance with transparency as a mediating variable, so the research hypothesis proposed in this study is rejected. This can be seen from the P value of 0.932 with a t value of 1.118 and a significance value of 0.932. The significance value is greater than 0.05 (0.932>0.05). This shows that governance structure has no effect on financial performance with transparency as a mediating variable.

g. The Effect of Ownership Structure on Financial Performance with Transparency as a Mediating Variable

The results of this study found that Ownership Structure affects financial performance with transparency as a mediating variable, so the research hypothesis proposed in this study is accepted. This can be seen from the P value of 0.035 with a t value of 2.001 and a significance value of 0.035. The significance value is smaller than 0.05 (0.035<0.05). This shows that ownership structure has a significant effect on financial performance with transparency as a mediating variable.

5. CONCLUSION AND SUGGESTION

5.1. Conclusions

This study aims to determine the results of the test of the effect caused by the existence of the Good Corporate Governance Mechanism on Financial Performance with Transparency as a Mediating variable in companies listed on the Indonesia Stock Exchange (BEI) in 2020-2022. Based on the results of statistical testing that has been carried out, the results of hypothesis testing are obtained so as to get the conclusion of the hypothesis results as follows:

1. Based on the variable test, governance structure has no effect on the financial performance of companies listed on the Indonesia stock exchange in 2020-2022. This explains that the lower the governance structure, the company's financial performance does not have a big effect on the company.

2. Based on the variable test, the governance structure has no effect on the transparency of companies listed on the Indonesia Stock Exchange in 2020-2022.

3. Based on the variable test, ownership structure affects the financial performance of companies listed on the Indonesia stock exchange in 2020-2022. This explains that the higher the ownership structure, the higher the company's financial performance.

4. Based on the variable test, ownership structure affects the transparency of companies listed on the Indonesia stock exchange in 2020-2022. This explains that a high percentage of share ownership, management who is also a shareholder of the company is able to influence company policies including policies in making information transparency.

5. Based on the variable test transparency affects the financial performance of companies listed on the Indonesia stock exchange in 2020-2022. This explains that a high level of information and adequate disclosure will reduce asymmetry between management and stakeholders.

6. Based on variable tests, governance structure indirectly has no effect on financial performance with transparency as a mediating variable for companies listed on the Indonesia stock exchange in 2020-2022.
7. Based on the variable test, ownership structure indirectly affects financial performance with transparency as a mediating variable for companies listed on the Indonesia stock exchange in 2020-2022. This shows that the governance structure between the company's ownership structure is not sustainable.

5.2. Suggestion
The limitations of the research that have been conveyed, the researchers provide suggestions that are to develop future research. The suggestions given are as follows:
1. For the Company, this research is expected to increase the company's awareness of the importance of carrying out corporate responsibility for Good Corporate Governance and Transparency which will affect the company's financial performance.
2. For academics, this research is expected to be a reference material for further research in the same field and as a contribution to the development of accounting science.
3. For further researchers, they can add types of variables or use different types of variables with this research variable that have a relationship with financial performance in order to get maximum results. Further researchers can expand their research, one of which is by increasing the latest observation period so that the information obtained is more abundant and the influence of each hypothesis can be seen. Suppose the variable Firm Value.

DAFTAR PUSTAKA


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