(Research/Review) Article

Effect of Good Corporate Governance on Mining Firm Financial Performance: Company Size Moderation, Indonesia 2021–2024

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Abstract: A company's financial performance is a key indicator in assessing management's success in managing company resources and creating shareholder value. This study aims to analyze the influence of Good Corporate Governance mechanisms, as proxied by the size of the board of commissioners, the board of directors, the audit committee, and institutional ownership, on company financial performance, and to examine the role of company size as a moderating variable. The population in this study was mining sector companies listed on the Indonesia Stock Exchange (IDX) for the 2021–2024 period. Based on purposive sampling criteria, a sample of 36 companies was obtained, with a total of 112 observations. The data used were secondary data, and the analytical method employed was panel data regression with a fixed effects model and moderation analysis. The results showed that the size of the board of commissioners had a positive and significant effect on financial performance, while the size of the board of directors, the audit committee, and institutional ownership did not significantly influence financial performance. Furthermore, company size did not moderate the effect of the size of the board of commissioners, the board of directors, the audit committee, and institutional ownership on financial performance.

Keywords: Audit committee; Board of commissioners; Company size; Financial performance; Institutional ownership.

1. Introduction

A company's ability to increase its value is reflected in its financial performance, which is a key indicator in managing its resources to generate profits and added value for stakeholders. A company's performance evaluation not only provides a clear picture of the company's current financial position but also serves as a basis for strategic decision-making for stakeholders.

Financial Performance can be seen by using several analysis tools, one of which is financial report analysis, which is the process of breaking down financial reports into elements in the review of the elements of the financial report to find out the company's strengths and weaknesses through information obtained from financial reports, which can function to improve the company's financial performance. Along with the increasing complexity of the business environment, companies are required to not only pursue profits, but also maintain long-term financial stability. This emphasizes the importance of comprehensive measurement of company performance, for example through company ratios such as Return on Assets (ROA), Return on Equity (ROEL), and Net Profit Margin (NPM) (Adlia 2018).

The good corporate governance system is very important in a company, besides regulating corporate governance, it also functions to reduce fraudulent actions carried out by management in reporting financial reports (WLardhana, 2019). In this case, the GCG mechanism is a tool, an instrument both externally and internally used to achieve GCG practices in an organization, namely the commissioners' important role in controlling and supervising the company's operations carried out by the directors so that good corporate governance runs smoothly in accordance with the company's objectives (Shafirah & Suwli, 2024). The

board of commissioners represents shareholders in carrying out supervisory functions over the implementation of policies and providing direction to the board of directors and carrying out the function of strengthening the company's image in the eyes of shareholders and the public.

In recent years, the mining sector in Indonesia has experienced significant dynamics, particularly amid fluctuating global commodity prices and increasing demands for the implementation of good corporate governance principles. One relevant real-world example can be seen in the data below:

Tabel 1.1 Data keuangan Bursa Efek Indonesia

Nama Perusahaan	Tahun	Total Aset	Total Ekuitas	Laba Bersih	ROE
Alfa Energi Investama Tbk	2021	494.252.757.734	307.404.859.003	-45.893.211.775	-0,149
	2022	364.324.214.971	214.090.733.539	-94.702.105.624	-0,44
	2023	418.812.724.436	213.520.570.275	-516.235.294	-0,002
	2024	347.213.226.151	239.584.273.509	25.501.617.024	0,11
Mahkota Group Tbk	2021	1.820.202.594.748	709.800.280.420	-89.783.282.574	-0,126
	2022	2.561.664.000.157	645.372.796.017	-34.790.602.513	-0,054
	2023	2.680.206.187.969	521.064.635.086	-172.273.898.363	-0,331
	2024	3.073.806.601.807	504.892.040.745	-22.981.164.884	-0,046
Garda Tujuh Buana Tbk	2021	815.968.130.040	588.639.312.898	-3.060.102.402	-0,005
	2022	963.489.876.156	732.218.475.816	117.032.015.808	0,160
	2023	1.028.500.543.504	770.962.129.168	64.409.717.512	0,084
	2024	899.967.201.696	739.281.207.216	-51.881.601.488	0,070
Timah Tbk	2021	14.690.989.000.000	6.308.420.000.000	1.302.843.000.000	0,207
	2022	13.066.976.000.000	7.041.903.000.000	1.041.563.000.000	0,148
	2023	12.853.277.000.000	6.242.349.000.000	-449.672.000.000	0,072
	2024	12.799.576.000.000	7.449.979.000.000	1.186.697.000.000	0,159

The existing felnomelna rejects the established GCG principles, namely the principles of transparency, accountability, responsibility, independence, and learning. Where the company is no longer in the realm of principles that are blatantly many losses that occur due to internal and external factors of the company, and have an impact on the performance of the company where companies that have a large company size will certainly have more equity invested and a large number of assets that are aimed at long-term investment and capital returns that are many times greater than the investment expectations provided by investors

2. Literature Review

The theory of agency, popularized by Jelnseln and Melckling, (1976), explains the relationship between principals (shareholders) and agents (management) that has the potential for conflict of interest. The theory of agency is defined as a theory that explains the relationship between agents and management and the company owners as principals (Purbla et al., 2024). The theory of agency explains the principal and agent as two economic actors who repel each other. If the principal and agent have similar targets, the agent encourages and implements the principal.

In this context, good corporate governance (GCG) serves as a mechanism to reduce corporate conflict through management oversight and control, so that decisions are aligned with the interests of shareholders. Effective GCG implementation is expected to increase corporate transparency, accountability, and integrity, which ultimately have a positive impact on corporate performance.

Signal Theory, as put forward by Spelncel, (1973). States that in conditions of information asymmetry, parties who have more information (in this case, company management) will send signals to parties who have less information (investors, creditors, etc.) about the company's internal conditions. Companies with strong and transparent GCG practices will send positive signals to the market that the company is managed fairly, has a commitment to accountability, and its prospects are stable. This positive signal can increase investor confidence, attract capital, reduce capital costs, and ultimately improve the value and performance of the company's financial resources (Ross, 1977). The implementation of strong GCG signals that the company is managed professionally and with long-term orientation, thereby increasing investor and other stakeholders' confidence. This can ultimately have a positive impact on market perceptions of the company's financial resources performance and can be considered a signal of credibility and management reliability.

The Stakeholder Theory, put forward by Frelelman (1984), states that every company is not only responsible to its shareholders (stakeholders) but to all parties who have an interest in the company's operations. According to Frelelman (1984), companies that are oriented towards stakeholders will be more able to maintain long-term sustainability because they receive support from many parties who have interests. Meanwhile, Donaldson & Prelston (1995) stated that stakeholder theory is related to management and administration (managerial) and recommends structures, attitudes and practices that, if implemented, will form a stakeholder management philosophy, because stakeholder theory extends the responsibility of an organization to all stakeholders, not just investors and owners (Donaldson & Prelston, 1995).

Stakeholder theory also explains about company size where large companies generally have more stakeholders and greater public scrutiny and stronger regulatory pressure compared to small companies. Donaldson & Prelston (1995) explain that the larger the organization, the more complex the stakeholder relationships that are managed in other words, large companies have greater incentives to implement good governance practices that can strengthen good governance which has an impact on the influence of GCG on good corporate performance.

3. Proposed Method

The research conducted is a quantitative research model, because the data required from the object in this research is data expressed in numerical form, which is the result of calculations and measurements of the value of each variable. The descriptive research approach according to Sugiyono, (2017) is research conducted to find out the existence of independent variables, either only one variable or more (variables that stand alone) without comparing the variables themselves and looking for relationships with other variables. The population in this study was 47 companies registered with BLursa ELfelk Indonesia which had annual reports from 2021-2024. In this study, a clear sample was taken from 47 companies that had annual reports from 2021-2024. The sampling technique uses certain considerations or criteria. In this study, 53 mining companies were listed in the Indonesian ELfelk BLursa, of which only 47 had annual reports from 2021 to 2024.

The research instruments used in this study were the annual reports of companies registered with Bursa Efek Indonesia (BEI) for 2021-2024, published through the official Bursa Efek Indonesia website (www.idx.co.id) and the official web website of related companies. The analysis tool used was Eviews 13. In this study, the data analysis technique used is panel data analysis (panel data relation analysis). Panel data is a combination of time-series and cross-selection data, which allows the researcher to capture the dynamics between companies over time while also accounting for individual (company) characteristics. This analysis is considered more efficient than time-series or cross-selection alone because it can reduce multicollinearity problems and increase the degree of model error (Baltagi, 2021; Woldridge, 2021).

4. Results and Discussion

Tabel 2. Descriptive Statistics

	Dewan Komisaris	Dewan Direksi	Komite Audit	Kepemilikan Institusional	Kinerja Keuangan	Ukuran Perusahaan
Mean	4.866071	5.133929	3.071429	0.634277	0.122830	29.26786
Median	4.000000	5.000000	3.000000	0.650000	0.110000	30.00000
Maximum	10.00000	9.000000	4.000000	0.997000	0.323000	33.00000
Minimum	2.000000	2.000000	2.000000	0.009000	0.002000	23.00000
Std. Dev.	2.137168	1.657609	0.372822	0.228526	0.076877	2.442057

Sumber: hasil output software Eviews 2013

Based on table 1, descriptive statistics were carried out using the software elvielwls 13, it can be seen that:
a. The size of the commissioner's department has a minimum value of 2,000, which means it has a minimum value of 2 (two) people who are on the TPMA & ELLSA or Trans Powlelr Marinel Tbk & ELnusa Tbk code in 2021 to 2024. This is because Trans Powlelr Marinel Tbk & ELnusa Tbk have a relatively smaller company size scale that has a leaner governance structure. The maximum value of the commissioner's committee is 10,000,

which means it has a maximum value of 10 (ten) people in the Valel Indonesia Tbk nickel mining code, in 2021-2024 this is because PT Valel Indonesia is a nickel mining company in Indonesia with operations in various regions, so it requires a larger number of commissioner members for supervision. The standard deviation for the commissioner's committee is 2.137168 and the average (mean) size of the commissioner's committee is 4.866071, so it can be concluded that the average size of the commissioner's committee is 5 (five) people in the Tamblang Company registered on the Indonesian Elfelk Exchange, which has a fairly large committee depending on the scale of the business and the complexity of the operation.

b.   The variable of the directorate has a minimum value of 2,000, which means it has a minimum value of 2 (two) people in the TELBLEL code or Dana BLrata Luhur Tblk. This is because Dana BLrata Luhur Tblk is a company with a simpler operational scope that is not too complex, making the need for many directors lower. The maximum value of the size of the selblelsar directive is 9,000, which has a maximum value of selblelsar 9 (Selmblilan) people who are in the LSIP or PP London Sumatelra Indonesia Tblk elmiteln code, this is because LSIP is a mining company with a blselsar scale and a wide operational area and a complex supply chain from upstream to downstream. This complexity demands the presence of many directors who function to handle strategic and operational functions. with an average value (melan) of 5.133929, it can be concluded that the average size of the directive delwlan is 5 (five) people in the company registered in the Indonesian ELfelk BLursa, the standard deviation value of the directive delwlan selblelsar 1.657609 is a relatively large size in line with the needs of the Company.

c.   The audit committee variable has a minimum value of 2,000, which means it has a minimum value of 2 (two) people in the ELLSA eligibility code, namely ELnusa Tbk. This is because ELnusa focuses on oil and gas. Where the internal oversight structure tends to be in the operational line, the oversight requirements are not too complex and are assisted by an independent audit committee, thus creating effective collaboration. The maximum value of the audit committee size is 4,000, which has a minimum value of 4 (Four) people in the PTRO code, namely Peltrosela Tbk, because BLukit Asam Tbk and Peltrosela Tbk are companies with wider and more complex operations such as mining, processing, logistics, and even engine projects, so that many audit committees are needed to manage high-risk areas. And the standard deviation of the audit committee size is 0.372822 and the average (mean) is 3.07129, so it can be concluded that the average audit committee size is 3 (three) people, which is the size of the audit committee that has almost the same value in each listed company on the Indonesian Financial Services Authority (ELF) in this case in accordance with the general provisions of the OJK in the minimum number of Financial Services Authority Regulations (POJK) No. 55 / POJK.04 / 2015 and Corporate Governance practices in general.

d.   The institutional ownership variable has a minimum value of 0.009000, which is a minimum value of 0.09% found in the BLRPT code, namely BLarito Pacific Tbk in 2024. In this case, it is due to increasing the portion of shares held by individuals or affiliated major shareholders, which results in the institutional portion appearing smaller. The maximum value of institutional ownership of 0.997, which has a maximum value of 99.7%, is found in the SMCBL code, namely the Indonesian State-Owned Enterprises Solution in 2023. This is because the Indonesian State-Owned Enterprises Solution is part of the State-Owned Enterprises BL group which structurally has a very high portion of institutional ownership. The standard deviation value of institutional ownership of 0.228526 and the average (mean) of 0.634277, so it can be concluded that the average institutional ownership

e.   The performance variable has a minimum value of 0.002, which is a minimum value of 0.2% return on equity (ROEL) with the MDKA code, namely Melorka Coppeler Gold Tbk in 2023. In this case, the capital turnover or return on equity of Melorka Coppeler Gold Tbk has decreased from the previous year by 37.5% and a maximum value of 0.323000, which is a maximum value of 32.3% return on equity (ROEL) with the ARCI code, namely Archi Indonesia Tbk, in 2021 with a standard deviation value of 0.076877 and an average (melan) selblelsar 0.122830, which is 12.28%, in this case, the performance of the entire company is at a stable level.

f.   The company size variable is a modeled variable with a minimum selblelsar value of 23,000, namely in the PTRO elmiteln code, namely Peltrosela Tblk and a maximum selblelsar value of 33,000 in the UNTR elmiteln code, namely Uniteld Tractors Tblk and a standard deviation of selblelsar 2.442057 and an average (melan) selblelsar 29.26786

or 29 which is measured using the natural logarithm of the total asset, in this case the company size is generally in relatively stable companies.

The following are the results of the panel data regression using the fixed effects model.

Tabel 3. Results of Multiple Regression Test Using Panel Data –Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.310571	1.329333	-3.242658	0.0017
X1	0.452362	0.144370	3.133360	0.0024
X2	-0.191906	0.128979	-1.487888	0.1407
X3	0.214756	0.319848	0.671431	0.5039
X4	0.124930	1.124635	0.111085	0.9118

Sumber: Hasil Output Eviews 13

The regression equation based on Table 2 Fixed Effect Model is:

LOGY = -4.3105711517 + 0.452361742168*X1 - 0.191905671853*X2 + 0.214755873828*X3 + 0.1249299234*X4 + [CX=F]

Based on the regression equation, it can be explained as follows:
a. LOG Y: The logarithm of Y represents the company's performance measured in natural logarithm form.
b. The constant c = -4.310571 indicates that if all independent variables are 0, the estimated LogY value is -4.310571.
c. The commissioner's size coefficient (X1) = 0.452, meaning that based on this research, if the other variables remain constant and the commissioner's size increases by 1%, the company's performance will also increase by 0.452%.
d. The coefficient of commissioner size (X2) = -0.1919, which means that for every 1% increase in X2, the performance variable will decrease by (0.191%).
e. The coefficient of audit committee size (X3) = 0.2147, which is a positive value, which indicates that for every 1% increase in the audit committee variable (X3) will increase the performance of the company by (0.2147%) with the assumption that other variables are independent. However, in the direction of the relationship, the audit committee has a positive influence on performance, even though the influence is relatively smaller compared to X1.
f. Institutional ownership coefficient (X4) = 0.1249, a coefficient that has a positive value of 0.1249, which means that every 1% increase in x will increase institutional ownership performance by 0.1249%, assuming other variables are constant.

Table 4. R-Square

R-squared	0.625490	Mean dependent var	-2.355729
Adjusted R-squared	0.480367	S.D. dependent var	0.861500
S.E. of regression	0.621017	Akaike info criterion	2.120040
Sum squared resid	30.85297	Schwarz criterion	2.896754
Log likelihood	-86.72222	Hannan-Quinn criter.	2.435177
F-statistic	4.310074	Durbin-Watson stat	2.048457
Prob(F-statistic)	0.000000		

Sumber: hasil output software Eviews 2013

Based on the table, it is known that the R-Squarel (R2) value is 0.6254, which means that 0.6254 or 62% of independent variables, namely GCG with indicators of commissioner management, director management, audit committee and institutional ownership, are able to explain or explain the performance of the company listed on the Indonesian Stock Exchange, while the remaining 38% is explained by other variables not included in this research model.

Based on the results of this testing and research, the following conclusions can be drawn:
a. The board of commissioners has a positive influence on the performance of mining companies listed on the Indonesian Stock Exchange (IDX) for the 2021-2024 period.
b. The board of directors has no influence on the performance of mining companies listed on the Indonesian Stock Exchange (IDX) for the 2021-2024 period.

c. The audit committee has no influence on the performance of mining companies listed on the Indonesian Stock Exchange (IDX) for the 2021-2024 period. 2021-2024

d. Institutional Ownership has no effect on the performance of corporate finance in mining companies listed on the Indonesian Stock Exchange (2021-2024).

e. Company Size is unable to moderate the effect of board size and commissioner size on the performance of corporate finance in mining companies listed on the Indonesian Stock Exchange (2021-2024).

f. Company Size is unable to moderate the effect of board size and director size on the performance of corporate finance in mining companies listed on the Indonesian Stock Exchange (2021-2024).

g. The company is unable to moderate the influence of the audit committee on the company's financial performance in mining companies listed on the Indonesian Stock Exchange.

h. Company size is unable to moderate the influence of institutional ownership on the company's financial performance in mining companies listed on the Indonesian Stock Exchange for the 2021-2024 period.

5. Conclusions

This study shows that Good Corporate Governance (GCG) mechanisms, as proxied by board size, have a positive and significant impact on the financial performance of mining companies listed on the Indonesia Stock Exchange for the 2021–2024 period. This emphasizes the importance of the board of commissioners' oversight function in improving the effectiveness of corporate management and achieving financial performance. Meanwhile, board size, audit committee size, and institutional ownership do not significantly impact company financial performance. Furthermore, company size does not moderate the relationship between GCG mechanisms and financial performance, meaning that small companies neither strengthen nor weaken the influence of corporate governance on financial performance. Overall, this study indicates that the role of the board of commissioners as a supervisory mechanism is the GCG factor that contributes most to the financial performance of mining companies, while other GCG mechanisms have not shown a significant impact during the study period.

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