

IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE IN IMPROVING COMPANY PERFORMANCE

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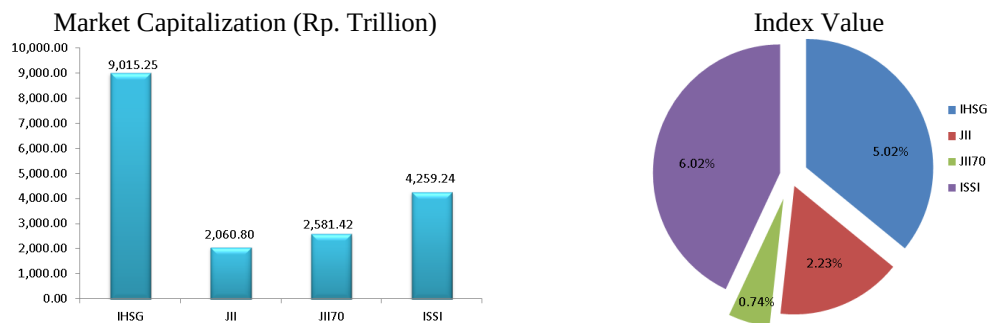
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Abstract: Implementation Of Good Corporate Governance In Improving Company Performance. Objective: To examine the influence directly and through moderation by the independent board of commissioners between institutional and managerial ownership on company performance. **Originality:** Adding an independent board of commissioners as a moderator based on agency theory, which, from previous studies, is an independent variable. **Method:** The research uses a quantitative empirical approach, with a population of 70 companies listed in JII70 for 2021-2023; based on purposive sampling, 129 data were studied. The analysis technique uses moderated regression analysis. **Results:** Institutional and managerial ownership directly impact company performance to achieve ROA, which aligns with agency theory. The new finding from this test is that an independent board of commissioners strengthens this influence. **Future Research Agenda:** Adding a conceptual framework with an independent board of commissioners as moderation and criteria for sample companies that have an independent board of commissioners in balance with the total board in the company.



INTRODUCTION

Investors in investment activities through the Capital Market certainly have their considerations and views on the various shares that will be selected. The issuance of Law no. 19 of 2008 concerning State Sharia Securities on May 7, 2008, certainly provides new offers to potential share investors following Islamic law so that they are seen as having a safer level of risk because Sharia shares are built with pillars following Sharia rules. Furthermore, supervision and law enforcement are carried out to fulfil the elements of fairness, efficiency, effectiveness and transparency by the capital market authority (Togatorop & Bahari, 2022). Based on these pillars, potential investors will then examine the fundamentals in more depth, namely the performance of the index value and market capitalization. That is rational because the stock index can be used as a benchmark for stock price volatility. In contrast, market capitalization is used to see the value of the company's shares or the quality of the company (Puteri, 2023). The stock index on the Sharia Capital Market consists of JII70, IHSG, ISSI, and JII, with the market capitalization performance and index value of each appearing in Figure 1.



Source: processed data (2024).

Figure 1. Market Capitalization and Sharia Stock Index

Based on Figure 1, data from the Directorate of Sharia Capital Markets (2022) shows that JII70 is an attractive index to study in this research. This is due to an inconsistency in which JII70 has a better company share value or company quality (indicated by a market capitalization of IDR 2,581.42 trillion) compared to JII shares (IDR 2,060.8 trillion) but much lower than IHSG. On the other hand, JII70 also has the lowest index value, so the ability to overcome risks is still weak. Problems like this occur because the company has performance which is unstable in various conditions that arise in the market; thus, it is closely related to effectiveness in the implementation of Good Corporate Governance (GCG) carried out by management (Togatorop & Bahari, 2022).

Bearing in mind, as stated in stakeholder theory, that a company's operations are not only for the interests of the principal but also for all related parties, it must be able to meet expectations by producing better financial performance (Astutik et al., 2022). GCG is thus seen as an essential part, so in the last few decades, it has become the focus of much attention in the company (Abdullah & Tursoy, 2023). Furthermore, agency theory reveals that consistency in the implementation of GCG means that companies have a high level of compliance, ultimately realizing better performance (Nisrina et al., 2022; Ferriswara et al., 2022; Abdullah & Tursoy, 2023). The problem with GCG practices in the last 20 years, according to survey results from the Corporate Governance Association in 2023, is that Indonesia, when compared with Malaysia, Japan, Taiwan, Australia, Hong Kong, Philippines, Korea, Thailand, Singapore, China and India are ranked in the bottom 12 (Allen & Ro, 2023). This data thus shows that the implementation of GCG in Indonesia still needs to be improved so that company performance is not threatened (Ardelia & Lubis, 2023).

Agency theory provides that ownership structure can be a good tool for implementing GCG about company performance (Alabdullah et al., 2022). For example, institutional ownership is one way of making loans to other institutions, resulting in more effective supervision because it has a unique institution to evaluate the performance of agents (Erica & Lukman, 2023). Ultimately, it positively and significantly impacts company performance (Puteri, 2023; Swastya et al., 2023). Managerial ownership, as stated in agency theory, is the proportion of share ownership by management, so it has a role directly related to decision-making and a positive and significant impact on performance. company (Yusmulianto et al., 2023; Trisianto et al., 2023). On the other hand, many empirical test results also conflict with agency theory. As revealed by Trisianto et al. (2023) and Hamdi & Munandar (2023), managerial ownership does not influence company performance. Furthermore, by Swastya et al. (2023), Arjang & Rahman et al. (2023), and Nisrina et al. (2022), institutional ownership also does not appear to influence company performance.

The debate from the research results above is very rational because agency relationships do not always result in decisions aimed at fulfilling the principal's expectations; often, opportunistic actions occur from agents to prioritize personal interests (Handayani et al., 2022). Efforts to eliminate this conflict of interest, as stated in agency theory, require the role of an independent board of commissioners (Nisrina et al., 2022). Company organs that can act neutrally to supervise agents and advise directors so that decisions are made in line with company goals (Almashhadani & Almashhadani, 2022). The hope is that by strengthening the role of the independent board of commissioners, the company's performance will consistently improve.

Based on the studies above, several main problems can be identified: (1). The index value and share capitalization of JII70 are still low, thus indicating low company performance. (2). GCG implementation in Indonesia is still low compared to other Asian countries. (3). There has been much debate over the results of empirical studies regarding the impact of GCG on company performance. (4). While reviewing several articles, I noticed that the independent board of commissioners has not become an attraction for many researchers to carry out testing as moderation, so it has become the latest model in research. The aim is to strengthen the influence of institutional and managerial ownership on company performance. Empirical benefits to enrich the variety of scientific findings by using an independent board of commissioners as a moderator.

LITERATURE REVIEW

Agency Theory

Jensen & Meckling (1976) first introduced agency theory, which motivates rational agents to carry out company operations in line with the wishes of the principals. This theory is based on the idea that a company has a separation between ownership and management by the manager. This condition causes information asymmetry, where information is received by the principals not following what the agents have or know (Khongmalai & Distanont, 2017). This is because the agent's actions are generally intended to fulfil his interests above the principal's expectations (Handayani et al., 2022), resulting in acts of fraud (Lukviarman, 2016). agency theory is also closely related to GCG, which states that a concentrated ownership structure allows majority shareholders to exercise control over corporate governance, but not operationally. This concentration of ownership will build opinions on different agencies. In conditions like this, conflict can occur between the two categories of owners. Namely, minority shareholders have fewer shares, whereas majority shareholders have a much more significant proportion of shares (Shubita, 2023).

Company performance

Performance seen from a financial perspective is closely related to the company's goal of maximizing profitability on all assets used in operations (Almashhadani & Almashhadani, 2022). The argument is that profitability reflects the net results of the company's overall operational activities, so it is often used as a benchmark for making predictions about the company's prospects in the future (Astutik & Galuh, 2023). Therefore, company performance can be used as an indicator of the company's existing conditions regarding the level of success regarding operational actions carried out by management to achieve company goals (Ahmed et al., 2020). Achievements of this performance This can be seen from the company's ability to manage overall assets to achieve clean finances or can also be expressed as Return On Assets (ROA). A high ratio thus reflects that the company's governance can run efficiently (Abdullah & Tursoy, 2023; Erica & Lukman, 2023).

Good Corporate Governance (GCG)

The control and direction process for companies can be implemented through GCG; exemplary implementation is believed to increase transparency and accountability of financial

reports (Handayani & Evana, 2022). The implementation of GCG is also recognized as reducing conflicts of interest from stakeholders (Ferriswara et al., 2022) to minimize wastage—agency costs (Hamdi & Munandar, 2023). One of them is that GCG contributes strongly to minimizing acts of abuse of authority by agents in company management, ultimately increasing company performance. (Ferriswara et al., 2022). According to agency theory, the implementation of GCG can at least be done through an ownership structure strategy and strengthened by the role of an independent board of commissioners (Khairunnisa et al., 2022).

Considering the role of the independent board of commissioners as an external party, it has the duty and responsibility to supervise, direct and provide guidance to company agents as a whole (Ferriswara et al., 2022). This has the impact that internal conflicts of interest can be avoided, and ultimately, company performance can be improved (Ardelia & Lubis, 2023). Agency theory also revealed that if the proportion of institutional share ownership is high, it will result in better supervision; ultimately, agents cannot act arbitrarily in corporate governance (Almashhadani & Almashhadani, 2022). Ultimately, by making the company operate efficiently, the company's performance will increase (Alabdullah, 2022). Furthermore, Managerial ownership structures are also revealed in agency theory as one strategy to improve GCG. This is because this ownership means that the agent, as the company manager, acts as well as the owner of part of the shares so that he is carried out optimally in his duties. Ultimately, it will increase the company's performance (Almashhadani & Almashhadani, 2022).

Theoretical Framework

As stated in agency theory, ownership structure is one strategy that can be used to optimize GCG and achieve goals. The proportion of institutional ownership structure can be used to reduce the influence of agents' interests, thus having a positive impact on the company's control system (Puteri, 2023). Pratiwi & Chariri (2021) also revealed that institutional ownership affects improving company performance. Furthermore, managerial ownership is the shares controlled by members of the management, as well as overall outstanding shares. High share ownership means the company operates well, ultimately increasing company performance (Yusmulianto et al., 2023; Tristanto et al., 2023).

According to agency theory, the independent board of commissioners also has a vital role in GCG (Ardelia & Lubis, 2023), this is because it can improve company performance (Suaidah et al., 2023; Hamdi & Munandar, 2023; Nurjanah, 2022; Ferriswara et al., 2022). Based on this, it is used as a form of development in this research, which is predicted to strengthen the role of institutional and managerial ownership in improving company performance. Furthermore, it can be briefly stated in a theoretical framework in Figure 2.

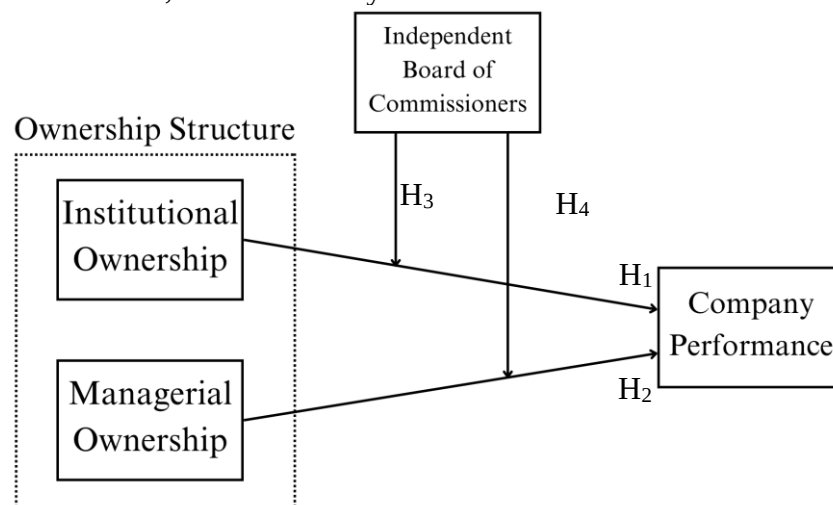


Figure 2. Theoretical Framework

Next, in line with Figure 2, the following hypothesis is formulated:

- H₁ : institutional ownership has a positive effect on company performance.
 H₂ : managerial ownership has a positive effect on company performance.
 H₃ : independent board of commissioners moderates the influence of institutional ownership on company performance.
 H₄ : independent board of commissioners moderates the influence of managerial ownership on company performance.

RESEARCH METHODS

Research design

Considering that the scope of the research is extensive, and the core of the problem is also transparent, the research design was determined using a quantitative empirical approach. The aim is to test the hypotheses that have been previously established (Arnab, 2017).

Population, Sampling Techniques, and Samples

The population is all subjects/objects that allow for more in-depth research (Arnab, 2017), which in this research is determined by companies included in JII70 on the IDX, so there are 70 companies. Furthermore, the study was carried out by sampling to obtain equivalent characteristics. The method used is purposive sampling in the period 2021-2023, as shown in the table 1.

Table 1. Determination of Sample Number

Company Criteria	Amount
Population	70
Experienced suspension from JII70 during the research period	(9)
Incomplete data	(32)
Has negative ROA performance	(29)
Fulfills Criteria (Company)	43
Research Period (Year)	3
Number of Samples (Data)	129

Source: Secondary data processed (2024)

Data Types and Data Sources

This type of secondary data is collected via the website www.idx.co.id in the form of financial reports from 43 companies for 2021-2023; then, the input and calculation processes are carried out according to the operationalization of the variables studied.

Definition of Concepts and Operationalization of Variables

The variables of this research are classified as independent, namely GCG based from agency theory, using the institutional ownership (X₁) and managerial ownership (X₂) approaches, then the moderating (Z) independent board of commissioners and dependent (Y) company performance variables, by revealing the concept and operationalization on table 2.

Table 2 Definition of Concepts and Operational Variables

Variable	Operational definition	Operationalization
Institutional Ownership (X ₁)	It is the number of shares owned by institutions out of the total shares outstanding (Nisrina et al., 2022).	$IO = \frac{\sum Institutional\ Shares}{\sum Outstanding\ Stock}$
Managerial Ownership (X ₂)	Is several shares owned by management of total shares outstanding (Nisrina et al., 2022).	$MO = \frac{\sum Managerial\ Shares}{\sum Outstanding\ Stock}$
Independent Board of	The part of the company has the task of carrying out supervision	$IBC = \frac{\sum Independent\ Board\ of\ Commissioners}{\sum Board\ of\ Commissioners}$

Variable	Operational definition	Operationalization
Commissioners (Z)	and providing advice to the board of directors (Nisrina et al., 2022).	
Company performance (Y)	The company can achieve net profits from all assets owned (Nisrina et al., 2022).	$ROA = \frac{Net\ Income}{Total\ Assets}$

Analysis Techniques

There are two analytical approaches: (1). Descriptive statistical analysis is intended to provide an overview of data from all variables. (2). Inferential analysis was conducted using the Moderated Regression Analysis (MRA) test. The stages taken include various classical assumption tests, model tests (goodness of fit and adjusted R2) and hypothesis tests, following the following model equation:

$$Y = \alpha_1 + \beta_1 X_1 + \beta_2 X_2 \quad (1)$$

$$Y = \alpha_2 + \beta_3 X_1 + \beta_4 X_2 + \beta_5 Z + \beta_6 X_1 * Z + \beta_7 X_2 * Z \quad (2)$$

RESULT AND DISCUSSION

Descriptive Analysis of Research Variables

Based on the data collected in Table 3, the 43 companies that meet the sample criteria and dg 2021-2023 show that the minimum ownership of JII70 shares controlled by institutions is 36%, the highest is 81% of all outstanding shares. Thus, there is a difference of 45 %. The average institutional ownership is 61%, with a standard division of 10%, meaning that institutions, both companies and the government, dominate JII70 shares. This is different from managerial ownership; the highest is only 30%, and there is a difference of 15% from the lowest, where, on average, management only owns 9%, with a possible deviation of 13%.

Based on the perspective of the board of commissioners ratio, JII shares have an adequate proportion of independent board of commissioners (the highest is 80%), the lowest ratio is 14%, so the ratio is 66%. The average number of independent commissioners is 44% of the existing ranks, with a standard deviation of only 15%. Followed by the performance in achieving ROA on JII70 shares, it appears that the highest is 82%, the lowest is 20% (range 62%), with a relatively high average of 47% and a possible deviation of only 16%.

Table 3. Descriptive Statistics of Research Variables

Variable	Range	Min	Max	Mean	Std. Dev
Institutional ownership (X ₁)	0.45	0.36	0.81	0.61	0.10
Managerial ownership (X ₂)	0.15	0.15	0.30	0.09	0.13
Independent board of commissioners (Z)	0.66	0.14	0.80	0.44	0.15
Company performance (Y)	0.62	0.20	0.82	0.47	0.16
Valid N (listwise)	129				

Source: Secondary data processed (2024)

Normality and Classic assumption test

The results of the classical assumption test appear in Table 4, both in testing models I and II, all in the cut-off area, so it can be concluded that the overall data is usually distributed, there is no heteroscedasticity, without any multicollinearity interference, and is free from autocorrelation.

Table 4. Normality and Classic Assumption Test

Test	Model	Variable	Cut Off	Results
Normality	I	RES1	Zskewness > 2.0	0.413
	II	RES2		0.427
Autocorrelation	I	X ₁ , X ₂ → Y	du < dw < 4-du	1,894
	II	X ₁ , X ₂ , Z, MI, MII → Y		2,421

Test	Model	Variable	Cut Off	Results
Heteroscedasticity	I	X ₁ ➔ AbsRES1	Sig. > 0.05	0.106
		X ₂ ➔ AbsRES1		0.781
		X ₁ ➔ AbsRE2		0.255
		X ₂ ➔ AbsRE2		0.073
	II	Z ➔ AbsRE2		0.099
		MI ➔ AbsRE2		0.143
		MII ➔ AbsRE2		0.071
Multicollinearity	I	X ₁ ➔ AbsRES1	VIF < 10.	1,148
		X ₂ ➔ AbsRES1		1,384
		X ₁ ➔ AbsRE2		1,134
		X ₂ ➔ AbsRE2		1,272
	II	Z ➔ AbsRE2		1,134
		MI ➔ AbsRE2		1,202
		MII ➔ AbsRE2		1,011
		du1 _{n=129, k=3} ; 4-du		= 1.744; 2,256.
du2 _{n=129, k=6} ; 4-du		= 1.794; 2,206.		

Source: Secondary data processed (202 4).

Moderated Regression Analysis (MRA) Test Results

Data from this research has been processed, and results are obtained as shown in Table 5.

Table 5: Moderated Regression Analysis (MRA) Test Results

Model	Variable	α	β	Results
I	Institutional Ownership → Company performance	0.267	0.384	1,892 (0.000)
	Managerial Ownership → Company performance		0.265	1,787 (0.000)
	<i>Adjusted R²</i> : 0.235			
	<i>F Test</i> : 2,867 (0.000)			
II	Institutional Ownership → Company performance	0.368	0.236	1,683 (0.001)
	Managerial Ownership → Company performance		0.431	2,731 (0.000)
	Independent Board of Commissioners → Company Performance		0.367	2,114 (0.000)
	Institutional ownership * Independent Board of Commissioners → Company Performance		0.426	2,324 (0.000)
	Managerial ownership * Independent Board of Commissioners → Company Performance		0.348	1,894 (0.000)
	<i>Adjusted R²</i> : 0.372			
	<i>F Test</i> : 3,142 (0.000)			
t table n=129, k=3/k=6 = 1.657				
F table n=129, k=3 = 2.67; k=6 = 2.68.				

Source: Secondary data processed (2024)

Model Equation Analysis

Based on Table 5, the model equation can be stated as follows:

$$Y = 0.267 + 0.384X_1 + 0.265X_2 \quad (3)$$

$$Y = 0.368 + 0.236X_1 + 0.431X_2 + 0.367Z + 0.426X_1Z + 0.348X_2Z \quad (4)$$

Equation I shows that JII70 company performance is 26.7% without depending on the proportion of institutional and managerial ownership, but it is assumed that other factors do not change. On the other hand, when there is a change in different aspects (equation II), namely the existence of an independent board of commissioners, the performance of the JII70 company in achieving ROA becomes 36.8%. The coefficient of each variable is also visible, and the

influence slope is shown. These results imply that if the institutional ownership ratio increases, then the ROA performance of JII70 companies will also increase, even though it is 38.4%. On the other hand, when it was strengthened by supervision from an independent board of commissioners, performance increased to 42.6%. Likewise, managerial ownership influences ROA achievement (26.5%), and it gets stronger when the role of the independent board of commissioners is increased, then JII70 company performance becomes 38.8%.

Model Test

Table 5 proves that institutional and managerial ownership has a significant ability to explain company performance, and is 23.5% (shown by the F test and adjusted R² in Equation I), it becomes more robust with the presence of an independent board of commissioners at 37.2% (Equation II). This means that with supervision carried out by an independent board of commissioners, the company's performance in achieving net profits from all assets used is increasingly showing improvement, although it is still dominated by other factors (62.8%)

Hypothesis Test

Furthermore, Table 5 in Equation I shows that institutional ownership has $t \text{ count} > t \text{ table}$ ($1.892 > 1.657$) with a significance of 0.000. This means that these results show that institutional ownership has a direct positive and significant effect on JII70 company performance. Furthermore, managerial ownership also positively and significantly affects company performance in achieving ROA ($1.787 > 1.657$, significance 0.000). Equation II shows the indirect influence test through moderation by the independent board of commissioners. It appears that if the company includes the role of an independent board of commissioners, it will further strengthen the influence of institutional ownership on company performance, which $t \text{ count} > t \text{ table}$ ($2.324 > 1.657$) with a significance of 0.000. Furthermore, although managerial ownership directly affects company performance, it will be stronger if the proportion of independent board of commissioners is increased, as evidenced by $t \text{ count} > t \text{ table}$ ($1.894 > 1.657$) and a significance of 0.000. This means that in this MRA test, it is proven that an independent board of commissioners can strengthen (moderate) the influence of institutional and managerial ownership in improving company performance.

Discussion

The Influence of Institutional Ownership on Company Performance

Agency theory states that efforts to improve GCG implementation are carried out by increasing the proportion of institutional ownership so that the company's performance achievements increase is proven acceptable. In this context, the average institutional share ownership is 61%, and the highest is 81% (as in Table 3). The results of this empirical testing align with the conclusions of Puteri (2023) and Swastya et al. (2023). This positive empirical disclosure is based on what is stated in agency theory, which states that institutional ownership is a means of minimizing agency conflict. (Khongmalai & Distanont, 2017). The argument is that with a large proportion, they can exercise control over agents, which is carried out through an effective monitoring process. A high level of ownership means that monitoring efforts will automatically be more excellent, reducing the possibility of fraudulent actions from agents (Khairunnisa et al., 2022).

Institutional investors have a better ability than non-institutional investors to utilize various profitability information in the current period to forecast future achievements (Almashhadani & Almashhadani, 2022). These investors also have considerable power to influence the company through various criticisms and suggestions (Ferriswara et al., 2022). Another positive thing is that this means being able to change corporate governance (GCG), which previously ran according to personal wishes, to be in line with supervision (Hamdi & Munandar, 2023). In the end, adequate supervision by institutional investors motivates agents

to carry out their duties and responsibilities even better, which is then reflected in increased company performance, one of which can be seen from ROA achievements (Swastya et al., 2023). This good performance fosters motivation and maintains the credibility of the timeliness of financial reports that comply with government regulations (Khairunnisa et al., 2022).

The Influence of Managerial Ownership on Company Performance

It is stated in agency theory that managerial ownership structure is used as a strategy to improve GCG so that performance in achieving profits increases, which in this context is also proven to be acceptable, with the highest proportion of ownership in JII70 shares at 30% (Table 3). These results support Yusmulianto et al. (2023) and Tristanto et al. (2023) tests. Managerial ownership provides information regarding the proportion of shares owned by management (such as managers, commissioners and directors). Agency theory reveals that the proportion of managerial ownership is used to improve GCG so that company performance becomes optimal (Lukviarman, 2016). The argument is that agency costs can be minimized if a company has a large proportion of managerial ownership because there may be a union between shareholders and managers (Jensen & Meckling, 1976).

This ownership means the management plays a dual role, acting as an agent and an active investor in decision-making (Almashhadani & Almashhadani, 2022). Decisions and activities in companies that have a managerial ownership program are, of course, different from those that do not have managerial ownership. Managerial ownership motivates one to always be careful in decision-making because it will directly impact the success or failure of the decision (Ahmed et al., 2020). It can also align the possibility of interest differences between external shareholders and management to increase performance (Yusmulianto et al., 2023).

The Influence of Institutional Ownership on Company Performance Through the Independent Board of Commissioners

In this test, the independent board of commissioners was proven to be able to strengthen the influence of institutional ownership on JII70 company performance. Companies that have an institutional ownership program will have better performance. This matters because, with an independent board of commissioners, the company will receive more substantial supervision from institutional investors (Ahmed et al., 2020). Institutional investors are thus a form of lending to other institutions. This ultimately makes supervision more effective because, for certain businesses, institutional investors have particular institutions tasked with supervising agents' performance (Ardelia & Lubis, 2023).

On the other hand, agency theory also reveals that to improve GCG, a policy can be implemented to increase the composition of the board of commissioners. The existence of an independent board of commissioners can be used as a balance in decision-making because of the various inputs that have been provided. The high proportion of institutional investors and the addition of an adequate number of independent commissioners will strengthen supervision so that agents do not dare to act arbitrarily. That company's performance will increase (Suaidah et al., 2023). This finding at least becomes a new discourse in the field of research, namely further strengthening agency theory that the independent board of commissioners is a crucial part of the company in improving performance.

The Influence of Managerial Ownership on Company Performance Through the Independent Board of Commissioners

The same evidence shows that managerial ownership affects company performance when the independent board of commissioners plays a vital role. These results align with the agency theory that managerial ownership structure is one of the strategies taken to eliminate agency conflicts, so the implication is that company performance increases (Alabdullah et al., 2022). Since managerial ownership is a form of ownership by the company management, a high proportion indicates the similarity of interests between the principal and the agent. Ultimately, it encourages management to act on behalf of the company by complying with

GCG principles and principles (also representing themselves as shareholders) to improve performance (Ferriswara et al., 2022).

These results prove that performance will increase when the role of the independent board of commissioners runs well (Nurjanah, 2022). This means that apart from working in line with the company's goals, management can also prevent the possibility of financial statement fraud (Ferriswara et al., 2022), ultimately increasing the company's financial performance (Hamdi & Munandar, 2023). This empirical evidence is increasingly becoming a form of innovation, where the proportion of independent boards of commissioners must be a significant consideration for companies. Considering its role, it can strengthen performance achievements, especially in this context, to achieve net profit on all assets used in company operations.

CONCLUSION

Conclusion

Agency theory is also appropriate for companies listed on the Sharia Capital Market, including JII70 shares. It has been proven that high institutional and managerial ownership can directly improve company performance to achieve ROA. It also appears that the company's performance will further improve if it is strengthened by supervision from an independent board of commissioners. The results of this research provide theoretical implications that neutral supervision is needed by any company, including in the Sharia sector, such as in JII70. According to agency theory, this supervision is very appropriate for companies with a proportion of independent boards of commissioners that are balanced with the company's scale. The managerial implication is that in implementing GCG, an independent board of commissioners can reduce conflicts of interest between the agent and the principal so that agency costs are reduced, which has implications for increased profit performance.

Research Limitations and Future Research Agenda

Since agency theory emphasizes opportunistic behaviour on the agent's part, this test has the weakness of not adding an audit committee with a central role in financial reports. The sample criteria also do not separate companies with a balanced board of independent commissioners from the total board in the company.

Future researchers can add a conceptual framework with an audit committee as moderation and add criteria for a sample of companies that have a balanced board of independent commissioners with the total board.

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