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The Role Of Good Corporate Governance In Improving Company Financial Performance

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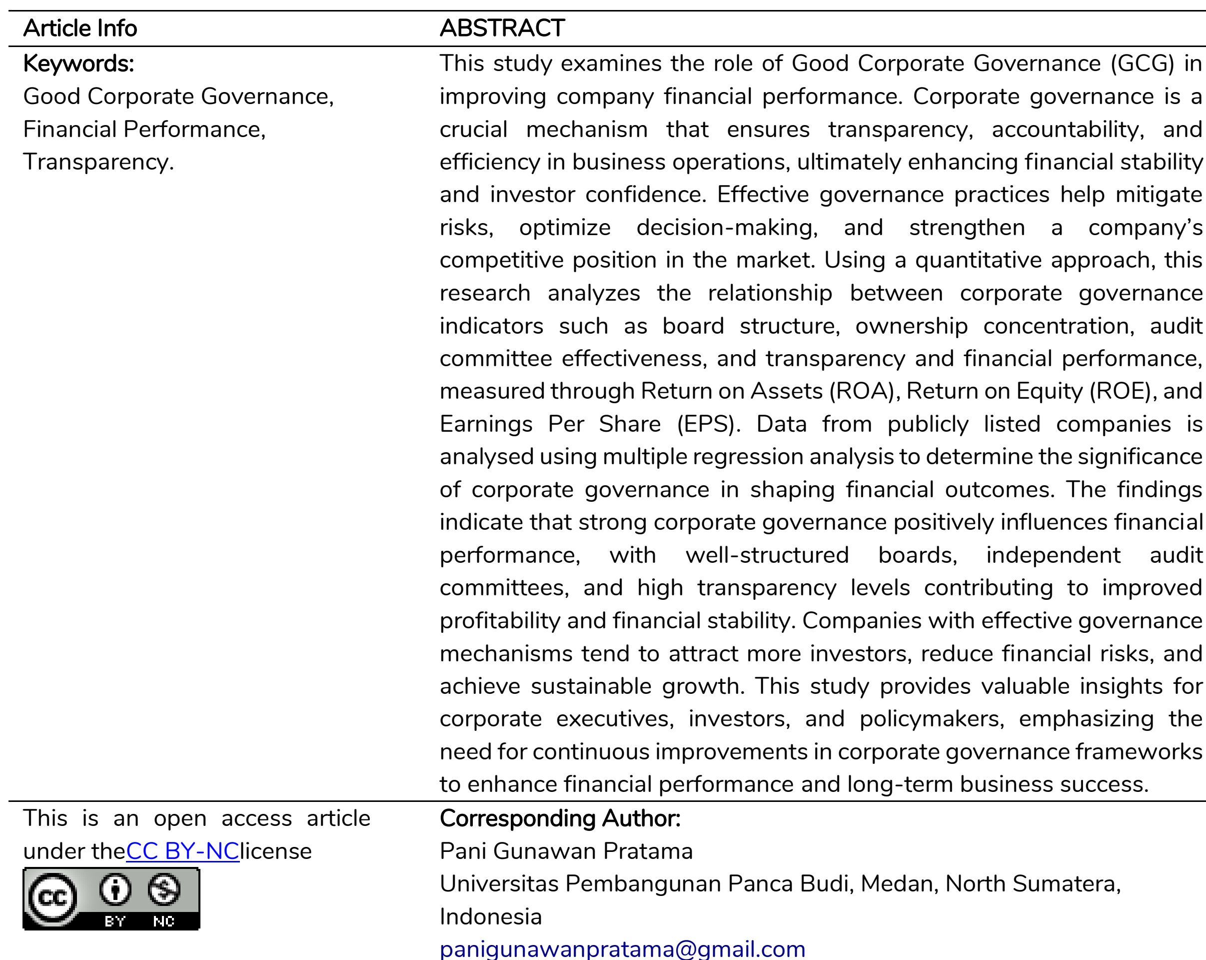

Article Info	ABSTRACT
Keywords: Good Corporate Governance, Financial Performance, Transparency.	This study examines the role of Good Corporate Governance (GCG) in improving company financial performance. Corporate governance is a crucial mechanism that ensures transparency, accountability, and efficiency in business operations, ultimately enhancing financial stability and investor confidence. Effective governance practices help mitigate risks, optimize decision-making, and strengthen a company's competitive position in the market. Using a quantitative approach, this research analyzes the relationship between corporate governance indicators such as board structure, ownership concentration, audit committee effectiveness, and transparency and financial performance, measured through Return on Assets (ROA), Return on Equity (ROE), and Earnings Per Share (EPS). Data from publicly listed companies is analysed using multiple regression analysis to determine the significance of corporate governance in shaping financial outcomes. The findings indicate that strong corporate governance positively influences financial performance, with well-structured boards, independent audit committees, and high transparency levels contributing to improved profitability and financial stability. Companies with effective governance mechanisms tend to attract more investors, reduce financial risks, and achieve sustainable growth. This study provides valuable insights for corporate executives, investors, and policymakers, emphasizing the need for continuous improvements in corporate governance frameworks to enhance financial performance and long-term business success.
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INTRODUCTION

Good Corporate Governance (GCG) plays a fundamental role in ensuring business sustainability, financial stability, and long-term success. Effective corporate governance enhances transparency, accountability, and risk management, which in turn improves a company's financial performance. In today's competitive business environment, companies must implement strong governance frameworks to optimize decision-making processes, build investor trust, and maintain regulatory compliance (Agustia Dian, 2013).

Good Corporate Governance(hereinafter abbreviated as GCG) has become a phenomenon global where every company or corporation is required to develop and

implement it, in order to continue to exist in facing companies and the challenges of globalization in the 21st century. Etymologically, the term "governance" means "government". While Corporate Governance (CG) is interpreted as "corporate governance". Corporate Governance (CG) is defined as the art and at the same time a key management strategy in the business environment or private sector that determines the level of success of a corporation in achieving high profile conditions, financial performance and the best company performance (Anthony, N. et al 2011),.

There are two fundamental issues regarding Corporate Governance (GC). Namely: first, maximizing value and benefits for shareholders which are included in the realm of agency theory (Agency Theory): and second, the role of stakeholders in the corporate management system which is included in the realm of stakeholder theory (Bukhori, Iqbal & Raharja, 2012).

To achieve optimal performance, a work atmosphere and relationships between parties in the organization are needed that are long and harmonious. This relationship can be seen from corporate governance practices. Focusing on how all parties in the company, including stakeholders, ensure that managers and other people from within the company always have clear measuring tools or adapt mechanisms to maintain stakeholder interests (Bukhori, Iqbal et al 2012).

In general, corporate governance is a structure that is implemented so that the company can continue to develop and continue to improve its performance based on. by legislation of ethical values. As explained by the Form of Corporate Governance Indonesia (2016) that the definition of Good Corporate Governance (GCG) according to the Cadbury Committee of the United Kingdom is directing and controlling the company to achieve a balance between power and authority.

This study aims to determine how the influence of good corporate governance proxied by managerial ownership on company value with financial performance as an intervening variable. The population in this study were mining companies listed on the Indonesia Stock Exchange (IDX) during the period 2015-2019.

According to Waseem. MA Saleh TA and Fares. JA (2011). financial performance is an analysis carried out to see to what extent a company has implemented financial implementation rules properly and correctly Panggabean, F. Y., dkk 2023).

Table 1. Financial Reports of Mining Companies Listed

N0	Year	Code	INST	PDKI	KM	ROE
		ARII	1.21	0.16	15.75	1.00
		BSSR	3.68	0.1	0.26	0.20
1	2015	CTTH	0.17	0.33	18.90	0.004
		GOD	0.92	0.3	30.11	0.10
		ELSA	0.60	0.4	41.10	0.02
		ARII	0.83	0.16	15.75	0.07
		BSSR	5.26	0.28	0.25	0.19
2	2016	CTTH	0.68	0.33	18.90	0.04
		GOD	0.59	0.3	23.15	0.009
		ELSA	3.94	0.4	41.10	0.09

N0	Year	Code	INST	PDKI	KM	ROE
		ARII	0.58	0.2	15.75	0.05
		BSSR	4.47	0.28	0.25	0.53
3	2017	CTTH	0.70	0.5	18.90	0.009
		GOD	0.93	0.4	12.73	0.005
		ELSA	4.18	0.4	41.10	0.06

Based on the data above, the highest INST value in 2015 was shown in the company Bara Multi Suksessarana Tbk at 3.68 and the lowest INST value in the company Citatah Tbk at 0.17. The average INST value in 2015 was 1.31. The highest INST value in 2016 was shown in the company Bara Multi Suksessarana Tbk at 5.26 and the lowest INST value in 2016 in the company Darma Henwa Tbk at 0.59. The average INST value in 2016 was 2.26. The average INST value in 2017 was 2.17. The average INST value in 2018 was 2.31. The average INST value in 2019 was 1.78.

The Highest PDKI Value in 2015 was shown in the company Citatah Tbk at 0.33 and the Lowest Value in the company Bara Multi Suiksessarana Tbk at 0.1. The average PDKI value in 2015 was 0.25. The average PDKI value in 2016 was 0.29. The average PDKI value in 2017 was 0.35. The average PDKI value in 2018 was 0.36. The average PDKI value in 2019 was 0.44.

So by knowing the Institutional Ownership, Independent Commissioners, Managerial Ownership, Company Size and Financial Performance, we can know the condition of the company concerned, whether the company is good or bad, so that we can estimate the survival of the company concerned. Financial Performance is an analysis conducted to see to what extent a company has implemented using financial implementation rules properly and correctly. This is very important so that resources are used optimally in facing environmental changes Panggabean, F. Y. (2023, November).

Based on the above, further research is needed to further understand how the Influence of Institutional Ownership (INST), Independent Commissioners (PDKI) and Managerial Ownership (KM) on Financial Performance (ROE) in Mining companies listed on the Indonesia Stock Exchange. The title of this research is: The Influence of Good Corporate Governance On Financial Performance of Mining Companies Listed on the Indonesia Stock Exchange.

Literature Review

Agency Theory

The concept of agency theory according to Anthony and Govindarajan in Siagian (2011:10) is a relationship or contact between the principal and agent. The principal employs the agent to carry out activities in the principal's interests, including delegation of decision-making authority from the principal to the agent. In a company whose capital consists of shares, the shareholders act in accordance with the interests of the principal, and the CEO (Chief Executive Officer) acts as an agent. they. Shareholders employ CEOs to act in the principal's best interests.

The agency relationship perspective is the basis used to understand the relationship between managers (agents) and shareholders (principals). The agency relationship sometimes causes problems between managers and shareholders. The conflict occurs

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because humans are economic creatures who have a basic nature of prioritizing self-interest. Shareholders want a greater and faster return on the investment they have invested while managers want their interests to be accommodated by providing the greatest possible compensation for their performance in running the company. Panggabean, F. Y., & Dewi, R. (2021). states that agency theory uses three assumptions of basic human nature, namely:

a) Humans are generally self-interested.
b) Humans have limited thinking power regarding future perceptions. (bounded rationality).
c) Humans always avoid risks *(risk averse).*

From the assumption of basic human nature, it can be seen that agency conflicts that often occur between managers and shareholders are triggered by these basic characteristics. Managers in managing companies tend to prioritize personal interests rather than interests to increase the value of the company. With opportunistic behaviour from managers, managers act to achieve their own interests, even though as managers they should side with the interests of shareholders because they are the parties who give managers the authority to run the company.

This is very reasonable because in general, the owner's welfare motives are long-term, while management is more short-term so that sometimes they tend to maximize profits for the short term by ignoring long-term profit sustainability. To limit or reduce this possibility, the owner can set appropriate incentives for management, namely by issuing monitoring costs in the form of salaries.

Financial performance

Increasingly tight business competition requires every company to improve performance so as not to lose trust from the public or investors. The way for companies to find out whether or not the company's performance has increased to find out whether or not the company's performance has increased can be done by measuring the development of performance from year to year. In general, performance is divided into two things, namely financial performance and non-financial performance. According to Panggabean, F. Y., & Dewi, R. (2021). Financial performance is an analysis carried out to see the extent to which a company has implemented and used financial implementation rules properly and correctly, such as making a financial report that has met the standards and provisions in SAK (Financial Accounting Standards), GAAP (Generally Accepted Accounting Principle), or others. The company's financial performance is a measurement that describes the company's effectiveness in managing the company's assets for operational activities and making a profit.

Factors that influence a company's financial performance according to Panggabean, F. Y., & Dewi, R. (2021). among others, as follows:

1. Concentrated or non-concentrated ownership
   Ownership that is highly concentrated by institutions will facilitate control and thus improve company performance.
2. Profit Manipulation
   Profit manipulation is an attempt by management to change financial reports with the aim of misleading shareholders who want to know the company's performance.

company or to influence contractual outcomes that rely on its reported accounting numbers.

3. Financial Report Disclosure
   *(Disclosure*As one aspect of Good Corporate Governance, it is hoped that it can be the basis for seeing whether the company's performance is good or not. This is contradictory to opportunistic behaviour.

Financial statements

Financial reports are records of information about financial position, financial performance, and cash flow reports are useful for a large number of users in decision making. According to Farid and Noviawan, RA (2013). financial reports are information that is expected to provide assistance to users in making financial economic decisions. In general, the objective of financial reports is to provide information about the financial position, financial performance and cash flow statements of an entity that is useful for a large number of users in making economic decisions or anyone who is not in a position to request financial reports to meet certain information needs.

Financial reports aim to account for the tasks assigned to them by the company owners. Financial reports are designed to provide information on four main activities, namely planning, finance, investment and operations. According to Kasmir (2013), the objectives of presenting financial reports by an entity can be detailed as follows:To provide information about the types and amounts of assets currently owned by the company.

1) Provides information about the types and amounts of liabilities and capital the company currently has.
2) Provides information about the type and amount of income earned in a certain period.
3) Provides information about the amount of costs and types of costs incurred by the company in a certain period.
4) Provides information about changes that occur to the company's assets, liabilities and capital.

Understanding Good Corporate Governance *Good Corporate Governance* (GCG) is a method of governance healthy companies that have been introduced by the Indonesian government and the International Monetary Find (IMF). This concept is expected to protect shareholders and creditors so that they can get back their investment. Indonesia began implementing the GCG principle since signing the Letter of Intent (LOI) with the IMF, one of the important parts of which is the inclusion of a schedule for improving the management of companies in Indonesia. In line with this, the National Corporate Governance Committee (KNKCG) is of the opinion that companies in Indonesia have a responsibility to implement GCG standards that have been applied to international standards.

Benefits of Implementing Good Corporate Governance

The essence of corporate governance is improving company performance through supervision or monitoring of fund management performance accountability management towards shareholders and other stakeholders, based on the applicable framework of rules and regulations. To improve accountability, auditors, audit committees, and executive

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remuneration are needed. GCG provides a framework that allows for effective supervision so that a checks and balances mechanism is created in the company.

A company and/or country that wants to reap the benefits of the global capital market, and if we want to attract long-term capital, then the implementation of GCG consistently and effectively will support that direction. Even if the company does not depend on foreign resources and capital, the implementation of GCG principles and practices will be able to increase domestic investor confidence in the company.

1) Reducing agency costs, which are costs that must be borne by shareholders as a result of delegating authority to management. These costs can be in the form of losses suffered by the company as a result of due to abuse of authority (wrong-doing), or the monitoring costs incurred to prevent this from happening.
2) Reducing the cost of capital, which is the impact of good company management, causes the interest rate on funds and resources borrowed by the company to become smaller along with the decrease in the company's risk level.
3) Increasing the value of a company's shares can also improve the company's image to the wider public in the long term.
4) Creating support from stakeholders (interested parties) in the company's environment for the existence and various strategies and policies taken by the company, because generally they are guaranteed that they will also receive maximum benefits from all actions and operations of the company in creating prosperity and welfare.

Institutional Ownership

With a high level of institutional ownership, it will give rise to greater monitoring efforts by institutional investors so as to prevent opportunistic behaviour by managers and to minimize the level of misappropriation by management which will reduce the company's value. Institutional ownership is the proportion of share ownership by institutions (Dian Agustia, 2013). Institutional ownership has an important meaning in monitoring management because institutional ownership will encourage more optimal supervision. This monitoring will certainly guarantee prosperity for shareholders, a very large influence in the capital market. A high level of institutional ownership will lead to greater supervision efforts by institutional investors so that it can hinder opportunistic manager behavior (Haruman, 2013). An independent commissioner is a member of the board of commissioners who does not have financial relationships, ownership, share ownership, or family relationships with other members of the board of commissioners. The board of commissioners is defined as a company organ that is tasked and collectively responsible for supervising and providing advice to the board of directors, as well as ensuring that the company implements Good Corporate Governance (GCG). An independent commissioner is a body within a company that usually consists of independent members of the board of commissioners from outside the company who function to assess performance broadly and as a whole (Djuitaningsih & Martatilova, 2012).

However, the board of commissioners may not participate in making operational decisions. The position of each member of the board of commissioners including the main commissioner is equal. The main commissioner's task is to coordinate the activities of the

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board of commissioners. The main functions of the board of commissioners of the Indonesian code for corporate governance (Prasetyo, 2011) are:

a. Provide supervision to the board of directors in carrying it out.
b. In carrying out these two tasks, the members of the commissioners are required to act independently.
c. The board of commissioners is also obliged to provide opinions and suggestions if requested by the board of directors.
d. Each member of the board of commissioners has the right to receive reports relating to their company in a comprehensive and timely manner.

According to Kartikasari Yohannita Dwi, (2016). managerial ownership is a situation where the manager owns the company's shares or in other words the manager is also a shareholder. Meanwhile, according to Hardikasari, Eka and Sugeng Pramudji (2011). said that managerial ownership indicates the presence of a manager who acts as a shareholder. Managerial ownership can be calculated by using the percentage of shares owned by the company's management who actively participate in the company's decision-making (board of commissioners and directors) at the end of the year. This percentage measurement is to determine the extent to which the managerial owns the company's shares.

Too high managerial ownership can also have a negative impact on the company because it can cause problems, which means that if managerial ownership is high, they have a strong position to control the company and external shareholders will have difficulty controlling the actions of managers. This is due to the high voting rights held by managers Hardikasari, Eka and Sugeng Pramudji (2011). So it is feared that it will have a negative impact on the company's financial performance. Accounting theory states that a company's financial performance is largely determined by the motivation of the company's managers. Such as managers who are also shareholders and managers who are not shareholders.

These two things will affect the company's financial performance, because managerial ownership will help determine policies and decision-making on accounting methods applied by the company being managed. The quality of reported earnings can be affected by managerial share ownership. This occurs because pressure from the capital market causes companies with high managerial ownership to choose accounting methods that increase reported profits, which do not actually reflect the economic conditions of the company concerned. This occurs because managers directly feel the benefits of the decisions taken and also bear the losses as a consequence of making the wrong decisions.

According to Hardikasari, Eka and Sugeng Pramudji (2011). found that at the 0-5% level there is a non-linear relationship between managerial ownership and the company's financial performance, a negative relationship at the 5-25% level, a positive relationship between managerial ownership and company value at the 25-50% level and a negative relationship at the > 50% level.

Research Hypothesis

A hypothesis is a question or temporary assumption based on an existing question. in the formulation of research problems. It is said to be a temporary answer because the existing answer is an answer that comes from theory. (Marihot and Manuntun, (2014:64). Questions

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or assumptions are formulated in the form of variables so that they can be tested empirically. This study will test the influence of institutional ownership, independent commissioners, managerial ownership and company size on financial performance, namely:

1. Institutional ownership has a significant impact on financial performance in mining companies listed on the IDX.
2. Independent Commissioners have a significant influence on financial performance in mining companies listed on the IDX.
3. Managerial Ownership has a significant influence on financial performance in mining companies listed on the IDX.
4. Company size has a significant effect on financial performance in mining companies listed on the IDX.
5. INST, PDKI, KM and Return On Equity (ROE) have a significant simultaneous effect on Financial Performance in mining companies listed on the ID

METHODS

This research is a research using a quantitative/associative approach, namely research that aims to determine the degree of relationship and pattern/form of influence between two or more variables, where with this research a theory will be built that functions to explain, predict and control a symptom KNK G. (2010). This study uses a method supported by a panel regression model used as a predictive analysis tool. The data used in this study are secondary data. The variables tested in this study are the influence of the Board of Commissioners, Independent Ownership, Managerial Ownership and Company Size as independent variables on Financial Performance as a dependent variable in Mining companies listed on the IDX. Population the meaning of the total population of subjects research or the total number of one sample which is a very important source of data. The population used in this study is the annual financial report of Mining Sector Companies listed on the IDX in 2015-2019 totaling 47 companies consisting of sub-sector companies in Coal Mining, Oil and Gas, Metal Ore, Rock Quarrying, Clay, Sand, Salt Mining and Quarrying, Mineral Mining, Chemicals and Fertilizers, and Gypsum, Asphalt and Lime Mining.

If the population is large, and the research cannot possibly study everything in the population due to time, energy and funding constraints, then the researcher can use samples taken from the population. So that studied from the sample, the conclusion of the results will be applicable to the population. For that, the sample taken from the population must be truly representative.

A sample is a part of the number and characteristics possessed by a population Non Probability Sampling used in the selected sample is using the Purposive sampling technique. Purposive sampling is a data source retrieval technique based on certain considerations. The sample in this study is the financial report of the Mining Sector company for the period 2015-2019. The criteria for sampling in this study are as follows:

a. Mining companies listed on the Indonesia Stock Exchange in the period 2015-2019
b. Mining Sector Companies that published audited financial statements for the period 2015-2019.

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RESEARCH RESULTS

Brief History of the Indonesian Stock Exchange

The Capital Market in Indonesia has been present since the Dutch colonial era and precisely in 1912 in Batavia. The capital market at that time was established by the Dutch East Indies government for the benefit of the colonial government. Although the capital market has existed since 1912, the development and growth of the capital market did not go as expected, even in some periods the capital market activities experienced a vacuum. This was caused by several factors such as World War I and II, the transfer of power from the colonial government to the government of the Republic of Indonesia and various conditions that caused the stock exchange operations to not run properly.

Since its reopening in 1977, the capital market has been supervised and implemented by Bapepam, an agency within the financial environment. Capital market players besides Bapepam are securities companies that act as intermediaries or companies that need funds (called financiers or investors), accountants, notaries, legal advisors and appraisers, who occupy vital places in the capital market configuration. In 1970, Bapepam's function was changed from being a supervisor to being a supervisor. The Jakarta Stock Exchange used to be called Call Securities. The trading system is like an auction, where each security is successively called by the leader "Call", then the brokers each submit a purchase request or sell offer until a good price is found. price match, then the transaction occurs. At that time it consisted of 13 stockbrokers. The stock exchange at that time was demand-following, because investors and stockbrokers felt the need for a stock exchange in Jakarta. The stock exchange was born because the demand for its services was urgent.

The Dutch who worked in Indonesia at that time had known for more than three hundred years about investment in securities and their income and relationships allowed them to invest their money in various securities. Both securities from companies in Indonesia and abroad around 30 Certificates (now called depository receipts) of American companies, Canadian companies, Dutch companies, French companies and Belgian companies. In 1939 the Stock Exchange had to be closed due to economic turmoil in Europe. And in 1942 coinciding with the second world war, the Jakarta Stock Exchange was also closed and marked the end of capital market activities in Indonesia. The Jakarta Stock Exchange was reopened on August 10, 1977 and was handled by the Capital Market Executive Agency (BAPEPAM), a new institution under the Department of Finance. Trading activities and stock market capitalization also began to increase frequently with the development of the financial market and the private sector, the peak of which was in 1990. In 1991, the stock exchange was privatized to become PT. Jakarta Stock Exchange and one of the dynamic stock exchanges in Asia.

Descriptive Statistics.

Descriptive statistics is a part of statistical science that deals with.the activity of collecting, organizing, summarizing, presenting data with the hope that the data will be more meaningful, easy to understand and easy to read by data users. Descriptive statistics only provide a description or general description of the characteristics of the object being studied without the intention of generalizing the sample to the population. Descriptive statistics

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provide a description or description of data seen from the number of samples, minimum value, maximum value, average value (mean), and standard deviation of each variable.

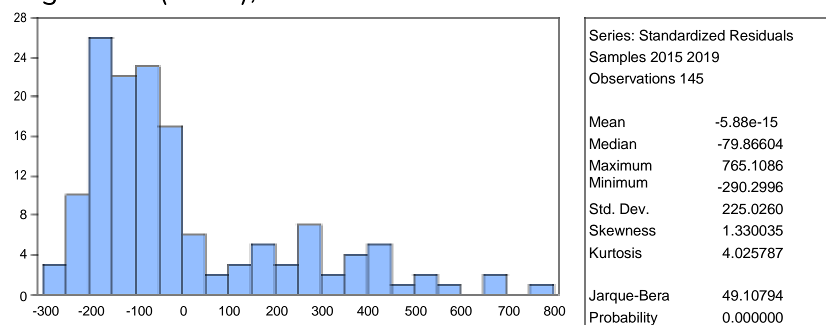

Figure 1. Descriptive Statistics

Based on the results of graphic Figure 4, it can be explained that:

a. The value of the variable (X1) Institutional Ownership measured by INST, the lowest value is in the company Energi Mega Persada Tbk (ENRG) in 2017, which is 1,000,000. While the company with the highest INST value is the company Bukit Asam Tbk (PTBA) in 2016, which is 100,0000.
b. It is known that the value of the variable (X2) Independent Commissioner measured by PDKI, the lowest value is in the company Baramulti Sukessarana Tbk (BSSR) in 2015, which is 25,00000. Meanwhile, the company with the highest PDKI value is the company Baramulti Sukessarana Tbk (BSSR) in 2018, which is 794,0000.
c. The value of the variable (X3) Managerial Ownership measured by the lowest KM value is in the company Cita Mineral Tbk (CITA) in 2018 amounting to 1,000,000, while the highest KM value is in the company Golden Eagle Energi Tbk (SMMT) in 2017 amounting to 100,0000.
d. The value of the variable (Y) Financial Performance measured by the lowest ROE value is in the company Atlas Resources Tbk (ARII) in 2019 amounting to 6,000,000, while the highest ROE value is the company Mitrabara Adiperdana Tbk (MBAP) in 2017 amounting to 977,0000.

Descriptive Statistical Analysis

Descriptive Statistical Analysis is used to find out the descriptive data seen from the maximum value, minimum value, average value (mean) and standard deviation value. In this study, the variables used in the calculation of descriptive statistics are INST, PDKI, KM and ROE. Based on the statistical analysis, the following sample description is obtained:

Table 2. Descriptive Statistics of INST, PDKI, KM and ROE

	ROE	INST	PDKI	KM
Mean	247.8138	19.51724	382.1310	11.28276
Median	148.0000	10,00000	367.0000	7,000,000
Maximum	977.0000	100.0000	794.0000	100.0000
Minimum	6,000,000	1,000,000	25,00000	1,000,000
Std. Dev.	228.0962	20.20351	246.2785	14.46773
Skewness	1.431879	2.088285	0.034621	3.205404
Kurtosis	4.072824	9.044663	1.589068	16.09943

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	ROE	INST	PDKI	KM
Jarque-Bera	56.50202	326.1393	12.05629	1285.023
Probability	0.000000	0.000000	0.002410	0.000000
Sum	35933.00	2830.000	55409.00	1636,000
Sum Sq. Dev.	7492014.	58778.21	8734045.	30141.41
Observations	145	145	145	145

The data in table 2 can be explained as follows:

a. It is known that the minimum ROE variable value is 6,000,000 and the highest is 977,0000. while the average and standard deviation of ROE are 247.8138 and 228.0962. the company with the lowest ROE value is the ARII company in 2019 which is 6,000,000. while the company with the highest ROE value is the MBAP company in 2017 which is 977,0000.
b. It is known that the minimum INST variable value is 1.000000 and the maximum value is 100.0000. while the average and standard deviation of INST are 19.51724 and 20.20351. The company with the lowest INST value is the ENRG company in 2017 which is 1,000,000. While The company with the highest INST value is PTBA in 2016, which is 100,0000.
c. It is known that the minimum value of the PDKI variable is 25,00000 and the maximum value is 794,000. While the average and standard deviation of PDKI are 382.1310 and 246.2785. The company with the lowest PDKI value is the BSSR company in 2015 which is 25,00000. While the company with the highest PDKI value is the BSSR company in 2018 which is 794,0000.
d. It is known that the minimum KM variable value is 1,000,000 and the maximum value is 100,0000. while the average and standard deviation of KM are 11.28276 and 14.46775. the company with the lowest KM value is the CITA company in 2018 which is 1,000,000. while the company with the highest KM value is the SMMT company in 2017 which is 100,0000.

Panel Data Model Estimation

In conducting panel data selection estimation, there are several techniques that can be used to select a model, including the Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM) approaches. This study uses inter-time data (Time series) and inter-company data (Cross Section). From the calculation results using the pooled least square estimation method with common intercept, using Eviews 10 software, the following results were obtained:

Table 3. Common Effect Model (CEM)

Dependent Variable: ROE
Method: Panel Least Squares
Date: 02/16/21 Time: 15:32
Sample: 2015 2019
Periods included: 5

Cross-sections included: 29
Total panel (balanced) observations: 145

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	283.5176	42.26841	6.707553	0.0000
INST	1.042406	0.963761	1.081602	0.2813
PDKI	-0.137475	0.077058	-1.784052	0.0766
KM	-0.311558	1.345238	-0.231601	0.8172

R-squared	0.031710	Mean dependent variable	247.8138
Adjusted R-squared	0.011108	SD dependent var	228.0962
SE of regression	226.8258	Akaike information criterion	13.71344
Sum squared resid	7254442.	Black criterion	13.79556
Log likelihood	-990.2244	Hannan-Quinn critter.	13.74681
F-statistic	1.539180	Durbin-Watson stat	0.843887
Prob(F-statistic)	0.207038		

Source: Results by Eviews 10 Software data (2021)

ROE = 1.04INST + -0.13PDKI + -0.31KM

R-square = 0.0317

Based on table 3 the estimation results with pooled least square with common intercept, give results = 5%, namely in Institutional Ownership with INST value of 0.2813 <0.05, in Independent Commissioners with PDKI value of 0.0766> 0.05 and in Managerial Ownership with value of 0.8172 <0.05. It is concluded that the pooled least square method with common intercept, the variation of independent variables in this study is able to explain 31.7% of The dependent variable is financial performance (ROE) in mining companies listed on the Indonesia Stock Exchange, while the remaining 68.3% is explained by other variables not included in this study.

CONCLUSION

This study examines the role of Good Corporate Governance (GCG) in improving company financial performance by analyzing key governance mechanisms such as board structure, ownership concentration, audit committee effectiveness, and transparency. The findings highlight that strong corporate governance practices significantly enhance financial performance, contributing to better profitability, financial stability, and investor confidence.

The results indicate that: Board composition and independence positively impact financial performance, as diverse and well-structured boards improve decision-making and corporate oversight. Audit committee effectiveness enhances financial stability, ensuring compliance with financial regulations and reducing the risk of financial mismanagement. Ownership structure influences profitability, with well-balanced ownership concentration promoting accountability and long-term financial success. Corporate transparency strengthens investor

confidence, leading to better stock performance and improved financial outcomes. These findings emphasize the importance of implementing strong corporate governance frameworks to enhance financial performance, mitigate risks, and ensure sustainable business growth.

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