

Influence Of Corporate Governance On Financial Performance Of Companies

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Abstract: The main objective of this study is to determine the effect of the proportion of independent commissioners, audit committees, directors' remuneration, institutional ownership, public ownership and foreign ownership on the company's financial performance. The number of research samples is 248 observations. The analytical method used is the Partial Least Square (PLS) method. The results showed that the variables of the proportion of independent commissioners, directors' remuneration and foreign ownership had a positive effect on financial performance, while the audit committee, institutional ownership and public ownership had no effect on the company's financial performance.

Keywords: Corporate Governance; Financial Performance.

Abstrak: Tujuan utama dari penelitian ini adalah untuk mengetahui pengaruh proporsi komisaris independen, komite audit, remunerasi direksi, kepemilikan institusional, kepemilikan publik dan kepemilikan asing terhadap kinerja keuangan perusahaan. Jumlah sampel penelitian adalah 248 observasi. Metode analisis yang digunakan adalah metode Partial Least Square (PLS). Hasil penelitian menunjukkan bahwa variabel proporsi komisaris independen, remunerasi direksi dan kepemilikan asing berpengaruh positif terhadap kinerja keuangan, sedangkan komite audit, kepemilikan institusional dan kepemilikan publik tidak berpengaruh terhadap kinerja keuangan perusahaan.

Kata Kunci: Tata Kelola Perusahaan; Kinerja Keuangan.

INTRODUCTION

Financial performance is reflected in the company's capability to increase company value. The key to the success of a company is to generate profits which indicate that the company's performance is good (Puni and Anlesinya, 2020). The media that can be used to determine the company's financial performance is the company's annual report. Valuation of financial statements is intended to collect information about a company's balance sheet and changes in its financial position, which is useful for some people who use financial statements as an important element in making decisions.

According to the results of liputan6.com Jakarta in 2020, the Indonesia Stock Exchange eliminated six companies. Among them are PT Evergreen Invesco Tbk (GREN), PT Borneo Lumbung Energy and Metal Tbk (BORN), PT Danayasa Arthatama Tbk

(SCBD), PT Cakra Mineral Tbk (CKRA), PT Leo Investments Tbk (IITG), and PT Arpeni Pratama Ocean Line Tbk (APOL). Then in 2021 based on the results of coverage from CNBC Indonesia which summarizes the results of the disclosure of information back to several public companies (issuers), namely PT Rimo International Lestari Tbk (RIMO), PT Bakrie Telecom Tbk (BTEL), PT Plaza Indonesia Realty Tbk (PLIN), PT Northcliff Citranusa Indonesia Tbk (SKYB), PT Trikonsel Oke Tbk (TRIO), AirAsia Indonesia (CMPP), PT Hanson International Tbk (MYRX), PT Sugih Energy Tbk (SUGI), PT Nipress Tbk (NIPS), PT Magna Investama Mandiri Tbk (MGNA), which is believed to have the potential to be delisted from the stock exchange along with the length of the suspension period (CNBC Indonesia, 2021).

The IDX indicates that there are still some publicly traded companies that have not complied with the provisions regarding shares held by minority investors with ownership of at least 7.500 percent or 50 million shares of the total paid-up equity shares, in accordance with provision V.1 of the amendment rule number IA. Some of the criteria considered for delisting apart from failure to meet the requirements for public ownership (free float), the main thing that also caused delisting was the company's poor financial condition.

Notes from the Financial Services Authority, which stated that PT Hanson International was found to have manipulated the presentation of the 2016 financial statements, OJK had imposed sanctions on both the company and its executives. In addition, the Jakarta District Court judges determined that two former directors of PT Tiga Pilar Sejahtera Food Tbk, namely Joko Mogoginta and Budhi Istanto, were both sentenced to four years in prison and a fine of Rp. 2 billion. Joko Mogoginta and Budhi Istanto were proven to have made a mistake because they had manipulated the 2017 financial statements with the intention of increasing the sale of company shares (Kontan, 2021).

Based on the results of research conducted by Corporate Governance Watch or CG Watch conducted by the ASEAN Corporate Governance Association (ACGA) in 2018, That Indonesia is in the last part of implementing good corporate governance in 12 countries, namely Australia, Hong Kong, Singapore, Malaysia, Taiwan, Thailand, India, Japan, Korea, China, and the Philippines. Corporate Governance Watch is a biennial study conducted by ACGA in Hong Kong in collaboration with Credit Lyonnais Securities Asia (CLSA) on the quality of macro governance in 12 markets in the Asia-Pacific Region. The most recent study was carried out in 2018 (Media Korporasi Indonesia, 2019).

This phenomenon shows that the company is expected to keep trying to maintain stability to improve the company's financial performance. Publicity for good financial conditions cannot be carried out without the support of good performance from all aspects of the company. Better financial performance is often cited as one of the main benefits of implementing the elements of good corporate governance in the company (Puni and Anlesinya, 2020).

The manufacturing sector was chosen because it is a relatively large industry compared to other companies so that the number of statements on good corporate governance and the ownership structure of a company can be compared with other companies. The manufacturing industry is the supporter of the national economy amidst the uncertainty of the world economy because the manufacturing industry contributes greatly to the progress of Indonesia's trade (Kemenperin, 2021).

Based on previous research that tested the proportion of independent commissioners with the company's financial performance (Puni and Anlesinya, 2020), and (Suhadak et al., 2020) which prove that independent commissioners have a positive influence on financial performance, Meanwhile, research conducted by (Diyanty and Yusniar, 2019) states that independent commissioners have a negative influence on financial performance. Previous research that tested the audit committee on financial performance is (Malau et al., 2018) mentions that the audit committee has a positive influence on the company's financial performance, while research conducted by (Ruslim and Ieneke, 2018) proves that there is a negative influence on the audit committee audits on financial performance.

The results of previous studies that tested the remuneration of directors with company performance were (Agustina and Mulyani, 2017), (Pangestu et al., 2019), (Kirana and Novita, 2021) stated that the remuneration of directors has a positive relationship to the company's financial performance, while the research conducted by (Sitompul and Muslih, 2020) proves that there is a negative relationship between the remuneration of directors and financial performance.

Previous studies that tested institutional ownership on firm performance were (Haryono et al., 2017), (Suhadak et al., 2020), and (Putri et al., 2021) proving a positive influence of institutional ownership on financial performance, while (Ratnasari et al., 2016) proved a negative influence on institutional ownership on financial performance.

The results of previous research on public ownership on company performance are (Suhadak et al., 2018), which states that public ownership has a positive effect on financial performance, but research conducted by (Masitoh and Hidayah, 2018) proves that there is a negative effect of public ownership on financial performance.

The results of previous studies that tested foreign ownership on the company's financial performance were (Bentivogli and Mirenda, 2017), (Kao et al., 2018), and (Rashid, 2020) stated that there was a positive relationship of foreign ownership on the company's financial performance, while the research conducted by (Al-Gamrh et al., 2020) stated that there is a negative relationship of foreign ownership on financial performance.

Based on the results of a review of previous studies, there are still differences in the results of the research from (Saifi, 2019) indicating that independent commissioners have a negative influence on ROE and institutional ownership has a negative effect on ROE. In addition, managerial ownership has no effect on ROE. Another test results that independent commissioners, managerial ownership and institutional ownership have a positive relationship with financial performance through ROE.

The results of the research conducted by (Saifi, 2019) are in contrast to research from (Yoza and Syofyan, 2021) which proves that there is a negative effect of the board of commissioners on ROE, the board of directors and audit committee have a positive effect on ROE, managerial ownership and institutional ownership have a positive effect on ROE.

Referring to the inconsistency found from the results of research on the effect of corporate governance and ownership structure with financial performance that has been carried out by (Saifi, 2019), and (Yoza and Syofyan, 2021) this study re-examines the relationship between GCG and ownership structure with the company's financial performance but with changing and adding the independent variables as well as for the dependent variable financial performance as measured by ROE. The use of the ROE variable in estimating financial performance because ROE is a comparative measure that can calculate the company's overall performance from the capital owned. The difference

between this research and previous research is the change in the remuneration of directors, public and foreign ownership as independent variables and focuses on one indicator of the company's financial performance.

THEORETICAL REVIEW

Agency theory is the basic theory used to understand issues regarding corporate governance. Basically, managers (agents) try to fulfill the interests of shareholders (principals) by increasing the value of the company so that they have bright performance prospects and can survive in an era of intense competition as expected by the principals. But in reality, not a few managers of a company are caught having another direction that can be contrary to the direction of the company, namely to maximize the welfare of investors. This happens because the manager knows more about the state of the business than the owner.

Agency theory explains that between directors and investors there is a fundamentally difficult relationship to create because of conflicts of interest. Contradictions and tug of war desires that arise between management and shareholders can lead to a problem known as Asymmetric Information. Information asymmetry creates opportunities for directors to abuse management of company resources for personal gain, especially if their interests do not align with those of shareholders (Salin et al., 2019).

Corporate governance practices that are carried out efficiently protect investors in getting returns from their investments in a fair, effective manner, and will ensure that company managers work in the public interest (Mahrani and Soewarno, 2018). According to agency theory, improving corporate governance is the right strategy in reducing conflicts between agents and principals (Musallam, 2020).

Agency theory explains that the clash of desires between the agent and the principal can be minimized through the application of suitable controls. According to (Mardianto and Feeny, 2021) members of the board of commissioners with more independent members will be able to control the opportunistic actions of managers and to protect the interests of stakeholders. The higher the proportion of independent commissioners, the more objective the ability to decide on the provisions taken by the board of commissioners (Suhadak *et al.*, 2020; Puni and Anlesinya, 2020). The existence of an independent commissioner can increase the usefulness of the controlling role in the company (Ruslim and Ieneke, 2018). Research conducted by (Puni and Anlesinya, 2020), and (Malau et al., 2018) proves that independent commissioners have a positive influence on financial performance. Based on the explanation above, so that the hypothesis is developed is:

H1: The proportion of independent commissioners has a positive effect on the company's financial performance.

Companies with audit committee members will tighten the supervision of internal auditors in the company to avoid bad behavior from internal auditors (Syadeli and Sa'adah, 2021). The audit committee reflects the corporate governance system because by making decisions, its chairman will consider the opinions of its members. Supervision is also better if the number of audit committee members is sufficient to evaluate all aspects of the company's operations (Krisna and Suhardianto, 2016). According to (Adnyani et al., 2020)

the audit committee can minimize managers' opportunistic behavior towards the management of company profitability by monitoring financial reports and external audit meetings. Agency theory describes a broad knowledge and understanding that more committees are suspected of having good management oversight, thereby minimizing agency costs and increasing the efficiency of company performance.

Companies that have an audit committee can actively contribute to improving the quality of financial reporting in an open and accountable manner, which in turn will increase financial performance. Research conducted by (Husaini and Saiful, 2017) and (Musallam, 2020) states that the audit committee has a positive effect on financial performance. Based on this explanation, the hypothesis is developed as follows:

H2: The audit committee has a positive effect on the company's financial performance.

To be able to reduce agency conflicts, one of them is by providing remuneration to directors according to their performance (Puni and Anlesinya, 2020). Directors who have received remuneration from the company are used as a means of minimizing agency costs that arise due to differences in interests between investors and directors whose management is expected to work on the wishes of investors (Agustina and Mulyani, 2017). According to (Pangestu et al., 2019) the desire to achieve goals is the first impetus in work, remuneration can be used as an indicator that has a significant effect on improving one's performance, and will continue to be sustainable in improving financial performance and to carry out management as one of the main duties of the board of directors. Based on this explanation, the hypothesis is developed as follows:

H3: Directors' remuneration has a positive effect on the company's financial performance.

Agency theory explains that institutional shareholders have a responsibility to monitor the performance of companies run by top managers and develop incentive schemes for managers (Rudianti et al., 2020). Institutional parties have a substantial influence on management in proportion to the number of percentage shares owned by investors (Syadeli and Sa'adah, 2021). Large institutional ownership can minimize opportunistic management actions and can reduce agency costs in order to improve the company's financial performance. Similar research on this variable was carried out by (Haryono et al., 2017), and (Putri et al., 2021) to prove that institutional ownership has a positive influence on the company's financial performance.

The high level of institutional stock can lead to increased control efforts on institutional investors which can prevent opportunistic behavior of managers (Purnama, 2017). Based on the description above, so that the hypothesis is developed is:

H4: Institutional ownership has a positive effect on the company's financial performance.

In achieving the company's fundamental mission to increase company assets, it is necessary to have financing that can be obtained from internal financing and external financing. Sources of external financing can be obtained, among others, by ownership from the public. According to (Sairin, 2018) the composition of public shareholders will also affect the ownership rights of members of the board of directors & audit committee

of the company. So in other words, the increase in public shareholders will also be accompanied by an increase in directors who are elected from outside, which in turn will affect the company's performance results. Public share ownership shows that the public has seen the potential of a profitable company so they are willing to invest in the company (Rudianti et al., 2020). Based on this explanation, the hypothesis is developed as follows:

H5: Public ownership has a positive effect on the company's financial performance.

The agency theory of shares owned by foreign parties is a factor that can minimize agency problems that arise in the company. Foreign investors are generally better able to resolve agency conflicts and apply standards to management regarding management's interests, which will reduce information asymmetry so that management can focus on improving the company's financial performance and shareholder interests (Sari, 2020). According to (Al-Gamrh et al., 2020) that foreign investors are better able to manage a business, through the use of sophisticated technology, experience in business, and innovative ideas for companies. Based on this explanation, the hypothesis was developed namely:

H6: Foreign ownership has a positive effect on the company's financial performance.

METHODS

This study uses manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018 to 2019 period as the object of research. There were a total of 248 manufacturing companies with details of 117 companies in 2018 and 131 manufacturing companies in 2019. Details of the sample can be seen from table 1.

Table 1. Research Sample

Descriptive	2018	2019
Manufacturing companies listed on the IDX in	168	181
Companies experiencing delisting	(5)	(2)
Companies with missing or incomplete annual data	(46)	(48)
Total Company Sample	248	

Table 2 shows the measurement of its variables.

Table 2. Variable Operational Measurement

Variable	Measurement	Formula
	Dependent Variable	
Financial performance	<i>Return on equity</i> (Saifi, 2019), Yoza and	$ROE = \frac{Net\ Income}{Total\ Equity} \times 100\%$

Syofyan, (2021)		Independent Variable
Independent Commissioners	Number of independent commissioners in the company (Malau et al., 2018), (Sitanggang, 2021)	$PKIn = \frac{\text{Independent commissioner}}{\text{All members of commissioners}} \times 100\%$
Audit Committee	Number of audit committees in the company (Ruslim and Santoso, 2018), (Sitanggang, 2021)	$KA = \text{Audit Committee}$
Directors' Remuneration	The total remuneration provided by the company to the directors for a year (Agustina and Mulyani, 2017), (Kirana and Novita, 2021)	$RD = \text{Ln Directors' Remuneration}$
Institutional Ownership	Number of company shares owned by institutional investors. (Dewi and Sanica, 2017), (Haryono et al., 2017)	$KIn = \frac{\text{Number of shares owned by institute}}{\text{Number of shares outstanding}} \times 100\%$
Public Ownership	Number of company shares owned by public investors (Masitoh and Hidayah,	$KPb = \frac{\text{Number of shares owned by the public}}{\text{Number of shares outstanding}} \times 100\%$

	2018), (Sairin, 2018)	
Foreign Ownership	Number of company shares owned by foreign investors. (Sairin, 2018), (Susanto and Joshua, 2018)	$KAs = \frac{\text{Number of shares owned by foreign}}{\text{Number of shares outstanding}} \times 100\%$

This study uses a partial least squares analysis method using the Smart PLS program. The analytical methods used include: descriptive statistics, inner model testing and hypothesis testing.

RESULTS

Table 3 indicates the results of the analysis of descriptive statistics.

Table 3. Description Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	248	-83.840	144.600	7.180	23.730
PKIn	248	28.570	83.330	40.520	9.630
KA	248	2.000	5.000	3.020	0.240
RD	248	15.100	26.220	22.450	2.050
KIn	248	0.010	95.960	44.180	31.440
KPb	248	0.050	75.500	18.780	15.490
KAs	248	0.010	99.640	27.940	29.040
Valid N (listwise)	248				

The minimum ROE value is -83.840 from PT Tirta Mahakam Resources Tbk in 2019. This shows that PT Tirta Mahakam Resources Tbk has suffered losses in managing its assets. While the maximum value of PT Unilever Indonesia Tbk in 2018, this value indicates that PT Unilever Indonesia Tbk is able to earn income from managing its assets. The minimum value for the proportion of independent commissioners is 28.570 and the maximum value for independent commissioners is 83.330. Companies with the proportion of independent commissioners less than 30 percent are PT Semen Indonesia (Persero) Tbk (SMGR) in 2019. The minimum score for the audit committee is 2.000 and the maximum is 5.000. The mean is 3.020 and the standard deviation is 0.240. From the average value obtained in the sample companies, the mean number of audit committees at issuers is 3 audit committees. The minimum value of the remuneration variable for directors is 15.100 and the maximum value is 26.220. The company that gave the 15.10 remuneration was PT Inti Keramik Alam Asri Industri Tbk (IKAI) in 2018 and the highest remuneration was 26.220 from PT Indofood Sukses Makmur in 2018. The minimum value is 0.01 and the maximum is 95.960. The results of the minimum test of institutional ownership are owned by Shoes Bata Tbk (BATA) in 2018 and PT Multistrada Arah Sarana Tbk (MASA) in 2019, while the highest value of institutional share ownership is 95.960 in PT Asia Pacific

Investama Tbk in 2019. The company that has the highest number of public shareholders or the general public in this research sample is Inti Agri Resources Tbk (IHKP) in 2018. While the company that has the fewest shareholders from the public is only Lion Metal Works Tbk (LION) in 2019 in the research sample. The minimum foreign ownership value is 0.01 from the company Saranacentral Bajatama Tbk (BAJA) in 2018 & 2019, PT Trisula Textile Industries Tbk (BELL) in 2019 and a maximum value of 99.640 from PT Multistrada Arah Sarana Tbk 2019.

The results of the R-Square for financial performance proxied through ROE is 0.135 or 13.5 percent. This indicates that the proportion of independent commissioners, audit committee remuneration of directors, institutional ownership, public ownership and foreign ownership that can explain the dependent variable is 13.5 percent, so the rest is explained by other variables of this study.

For testing, each variable is described in table 4 with the criteria for the f square value of 0.020 for the level of the relationship between variables is weak, 0.150 for the level of moderate relationship, and 0.350 for the level of strong relationship (Hair et al., 2019).

Table 4. Result F-Square

	ROE	Effect
PKIn	0.130	Moderate
KA	0.000	Weak
RD	0.011	Weak
KIn	0.003	Weak
KPb	0.001	Weak
KAs	0.011	Weak

Based on table 4 shows that only the independent commissioner variable gave moderate results (0.130) while the other variables gave weak results, because the value was smaller than 0.020.

Table 5 indicates the results of hypothesis testing

Table 5. Hypothesis Test Results

Variable	Original Sample (O)	Sample Mean (M)	T Statistics ((O/STDEV))	P Values	Description
PKIn -> ROE	0.338	0.336	3.645	0.000	Accepted
KA -> ROE	-0.010	-0.005	0.228	0.819	Rejected
RD -> ROE	0.097	0.099	2.223	0.026	Accepted
KIn -> ROE	0.077	0.082	1.100	0.272	Rejected
KPb -> ROE	0.028	0.035	0.399	0.690	Rejected
KAs -> ROE	0.143	0.142	2.129	0.033	Accepted

DISCUSSION

The first hypothesis testing is shown from table 5 that the original sample value for the proportion of independent commissioners (PKIn) shows a number of 0.338, therefore it can be said that this variable has a positive direction on ROE. While the p-values 0.000

less than 0.050 and t-statistics 3.645 more than 1.960 on the PKIn variable so it can be said that the proportion of independent commissioners has a positive impact on return on equity. This means that the sample issuers have a high or low percentage of the proportion of independent commissioners that will positively result in the company's financial performance increasing. Based on table 3 the average value of the proportion of independent commissioners is 40.520 percent of the total commissioners owned. The large number of independent commissioners contributes to good supervision, so that it can encourage management to achieve good financial performance as well. The research is in line with research conducted by (Setiawan and Setiadi, 2020) which explains that the proportion of independent commissioners has a positive effect on the company's financial performance. The existence of the company's independent supervisor is considered to have a significant impact, especially in achieving its duties to monitor company managers. In addition, this study is also similar to the results of research conducted by (Ruslim and Ieneke, 2018), (Puni and Anlesinya, 2020) which proves that the proportion of independent commissioners has a positive influence on company performance. The results of this study contradict research conducted by (Abduh and Rusliati, 2018) which states that the proportion of independent commissioners has no effect on the company's financial performance, from the results of the Asian Development Bank survey which states that strict control of the company's founders and majority shares makes the board of commissioners not independent. The controlling function that should be the responsibility of the members of the board of commissioners becomes ineffective. Even from several independent commissioners, not all independent commissioners have the time to focus their supervision on management performance.

The results of testing the second hypothesis in table 5 show that the value of the original sample of the audit committee (KA) shows a minus number of -0.010. While the p-values are 0.819 more than 0.050 and t-statistics 0.228 more than 1.960 on the audit committee variable (KA) so it can be said that the audit committee has no influence on financial performance. This can be seen from table 3, the mean total audit committee members in this study of 3.070, this figure indicates that the mean total audit committee for companies listed on the IDX is 3. The reason is that the existence of audit committee members in the company has been regulated in OJK Regulation No. 57/POJK.04/2017 makes the company only implement the existing rules regarding the minimum total audit committee in the company, which is three, including one person from an independent commissioner and two other personnel. So that the effectiveness of the audit committee in carrying out is still not optimal because it is only limited to complying with the minimum number of rules. Thus, the effectiveness of the supervision carried out by the audit committee has not been able to have an impact on the achievement of financial performance by management. According to (Puni and Anlesinya, 2020) there is no effect on financial performance because the total number of audit committees does not guarantee the effectiveness of the audit committee's performance in carrying out supervision of company management. The results of this research are similar to the research conducted by (Lestari and Triyani, 2017), and (Joesmana, 2017) if the audit committee has no influence on the company's financial performance. The results of this study contradict the research conducted by (Sitanggang, 2021) which states that the audit committee has an effect on the company's financial performance due to the existence of an audit committee that is responsible for overseeing financial statements, supervising external audits, and

observing internal control systems (including internal audits), reduce the opportunistic nature of the board of directors who carry out earnings management and other opportunistic matters by supervising financial statements and supervising external audits.

The results of testing the third hypothesis in table 5 show the original sample value for the remuneration of directors (RD) shows the number 0.097, so it can be said that the RD variable has a positive influence on return on equity. While the p-values are 0.026 less than 0.050 and t-statistics 2.223 more than 1.960 on the remuneration variable for directors (RD) so that it can be concluded that the remuneration variable for directors has a significant effect on financial performance (ROE). Agency conflict between directors who act in a way that is not in accordance with the wishes of the shareholders creates agency costs that are considered to be minimized by providing remuneration to the directors. Remuneration can also attract and retain people who are considered experienced, professional and competent, so the company will certainly provide remuneration. The results of this research test indicate that if the amount of remuneration received by the directors, there will also be a lot of performance achievements of manufacturing companies. Table 3 shows that the remuneration of directors shows a high number (on average 22.450). When directors receive high remuneration, they are motivated to perform better in achieving the planned financial performance. The results of the study are in line with the research that has been carried out by (Kirana and Novita, 2021) that the remuneration of directors has a positive influence on the company's financial performance interesting enough for the board of directors. This research is similar to the observations carried out by (Pangestu et al., 2019), (Lemma et al., 2020) which can prove that the remuneration of directors has a positive influence on financial performance. The results of this study contradict the research conducted by (Sitompul and Muslih, 2020) that the provision of remuneration does not guarantee that the directors will carry out their functions more efficiently and effectively to improve company performance. Agency problems between owners and managers will not be reduced if they are not supported by the right governance tools.

The results of testing the fourth hypothesis in table 5 show that the original sample value of institutional ownership (KIn) shows the number 0.077 so it can be said that the KIn variable has a positive effect on return on equity. While the results of p-values 0.272 more than 0.050 and t-statistics 1.100 less than 1.960 on the institutional ownership variable (KIn) indicate that the institutional ownership variable has no significant effect on return on equity. Institutional ownership in this study has not had a significant supervisory impact. This is evidenced by the high and low percentage of institutional ownership that does not make a big difference in the achievement of financial performance by management. The presence or absence of institutional ownership will not affect financial performance, because institutional ownership only acts as a controller and does not contribute to the company's financial performance (Joesmana, 2017). The results of this study are similar to the research conducted by (Syadeli and Sa'adah, 2021) which succeeded in proving that institutional ownership has no effect on financial performance. The results of this study are not in line with research conducted by (Haryono et al., 2017), this is because the institutional majority ownership that participates in controlling the company makes management unable to act to prioritize their own interests, resulting in decisions taken will be more in line with the interests of the company and shareholders in achieving financial performance.

The results of testing the fifth hypothesis based on table 5 show the original sample value of public ownership (KPb) shows the number 0.028, therefore it can be said that this variable has a positive direction on ROE. While the significant test results of the public ownership variable (KPb) show p-values 0.690 more than 0.050 and t-statistics 0.399 less than 1.96, these values indicate that the public ownership variable has no significant effect on ROE. The average value on public ownership is 18.780 percent in manufacturing companies indicating that the average value is still below 50 percent. Of the 248 observations, 153 observations of public ownership were below 18.780 percent. This makes public ownership unable to carry out supervision properly because the proportion is still relatively small. This meager public ownership results in limited voting rights and control, so they cannot control the company and cannot influence management to improve the company's financial performance. The amount of control costs incurred by investors is still not balanced with the performance provided by the management which results in financial performance also declining. The results of this study are in line with research conducted by (Arifulsyah, 2016), and (Masitoh and Hidayah, 2018) which have proven that public ownership has no effect on financial performance. The results of this study are not in line with the research conducted by (Eforis, 2017) which succeeded in proving that public ownership has a positive effect on the company's financial performance. The results of (Eforis, 2017) are in accordance with the objectives of privatization as stated in Article 74 of the BUMN Law No. 19 of 2003 which states that the purpose of state-owned companies to sell shares to the public is to increase company efficiency and productivity in order to increase company performance and value.

The results of testing the sixth hypothesis based on table 5 show the original sample value of foreign ownership (KAs) shows the number 0.143, therefore it can be said that the KAs variable has a positive influence on ROE. While the test results are significant on the foreign ownership variable (KAs) with p-values of 0.033 less than 0.050 and t-statistics of 2.129 more than 1.960 which values indicate that the foreign ownership variable has a significant effect on financial performance (ROE). The original sample value from foreign ownership is 0.143, this number is the highest original sample result from the results of all existing ownership variables. Companies that have foreign ownership, the level of supervision carried out becomes more stringent, so that management strives to achieve better performance. This shows that the greater the ownership of foreign investors will improve the company's financial performance in knowing the profits generated from total assets. This is evidenced by the ROA achieved by companies with a low foreign ownership of 3.960 while those with a high percentage of foreign ownership achieve an ROA of 7.420. The foreign ownership structure is also able to provide higher capital to help finance companies to be able to develop their business which leads to an increase in the company's financial performance. The results of this study are similar to the research conducted by (Tjahjadi and Tjakrawala, 2020), in which the result shows that foreign ownership has a positive influence on the company's financial performance. The increase in the company's financial performance occurs due to the presence of foreign investors in monitoring all company activities, especially management activities to ensure that the company works seriously. This research is also similar to the research conducted by (Sari, 2020) which is also able to prove that foreign ownership has a positive effect on the company's financial performance. The structure of foreign ownership is considered to have an effect on the profitability of companies that are able to produce good financial performance because

foreign ownership in companies is considered to have more experience and superior management. The results of this study contradict the research conducted by (Sairin, 2018) The higher the ratio of foreign ownership will tend to reduce the value of the company, and the higher the ratio of foreign ownership, the controlling shareholder will not be able to freely manage the company. This may create a conflict of interest between foreign shareholders and controlling shareholders.

CONCLUSION

The proportion of independent commissioners and directors' remuneration has a positive effect on the company's financial performance, while the audit committee has no effect on the company's financial performance. Foreign ownership has a positive effect on the company's financial performance, while institutional and public ownership has no effect on the company's financial performance.

The limitation of this research is that there are 86 manufacturing companies listed on the IDX in 2018-2019 with ownership structure still 0 percent so that the number of samples is reduced. Based on the existing limitations, the advice given is that first, the next research can be carried out on other company objects or compare the performance of companies listed on stock exchanges abroad, in order to find out differences in company performance between countries. Second, replacing or adding a proxy for the independent variable of corporate governance in the form of enterprise risk governance in order to see its effect on the company's financial performance. The three further studies are expected to use the proxies of institutional and public ownership structures in terms of domestic and foreign ownership.

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