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Article

THE EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE: EVIDENCE FROM INDONESIAN HEALTHCARE COMPANIES

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ABSTRACT

Financial performance reflects a company's condition and its capacity to sustain operations. The decline in performance among several healthcare companies highlights the relevance of good corporate governance (GCG). This study examines the effect of GCG mechanisms—board of directors, board of commissioners, independent commissioners, institutional ownership, and company size—on the financial performance of healthcare companies listed on the Indonesia Stock Exchange. Using a quantitative approach with multiple linear regression analysis, the study finds that all governance mechanisms positively influence financial performance. Larger boards of directors enhance decision-making and oversight, boards of commissioners strengthen strategic control, independent commissioners promote transparency, institutional ownership improves managerial discipline, and larger company size increases operational efficiency. These results provide empirical support for agency theory by showing that governance structures reduce conflicts of interest and improve accountability. The findings also suggest practical implications: companies are encouraged to reinforce governance mechanisms, while regulators should continue promoting strict GCG practices to maintain stability in the healthcare sector.

KEYWORDS

Agency theory, corporate governance, financial performance, healthcare companies.

ABSTRAK

Kinerja keuangan mencerminkan kondisi perusahaan sekaligus kapasitasnya dalam menjaga keberlangsungan operasional. Penurunan kinerja pada beberapa perusahaan kesehatan menegaskan pentingnya tata kelola perusahaan yang baik (good corporate governance/GCG). Penelitian ini mengkaji pengaruh mekanisme GCG—dewan direksi, dewan komisaris, komisaris independen, kepemilikan institusional, dan ukuran perusahaan—terhadap kinerja keuangan perusahaan kesehatan yang terdaftar di Bursa Efek Indonesia. Dengan menggunakan pendekatan kuantitatif melalui analisis regresi linier berganda, hasil penelitian menunjukkan bahwa seluruh mekanisme tata kelola berpengaruh positif terhadap kinerja keuangan. Dewan direksi yang lebih besar meningkatkan pengambilan keputusan dan pengawasan, dewan komisaris memperkuat pengendalian strategis, komisaris independen mendorong transparansi, kepemilikan institusional memperbaiki disiplin manajerial, dan ukuran perusahaan yang lebih besar meningkatkan efisiensi operasional. Temuan ini memberikan dukungan empiris bagi teori agensi dengan menunjukkan bahwa tata kelola mampu mengurangi konflik kepentingan dan meningkatkan akuntabilitas. Secara praktis, hasil penelitian menyarankan agar perusahaan memperkuat mekanisme tata kelola, sementara regulator perlu terus mendorong penerapan GCG yang ketat untuk menjaga stabilitas sektor kesehatan.

KATA KUNCI
Kinerja keuangan, perusahaan kesehatan, tata kelola perusahaan, teori agensi, Indonesia.

INTRODUCTION

In the era of globalization, economic growth relies heavily on the performance of various industries. Financial performance plays a crucial role in assessing a company’s ability to manage its financial resources and achieve organizational objectives. Firms with strong financial performance are more likely to gain stakeholder confidence, particularly from investors. Moreover, financial performance provides an essential indicator of whether a company’s operations are experiencing growth or decline (Onoyi, 2021).

Financial performance is an important indicator for assessing a company's future prospects. This performance reflects the company's financial position during a certain period through financial statement analysis. The financial sector studies how companies operate, grow, and manage their resources efficiently. Therefore, financial knowledge and management skills are necessary to achieve success (Sawitri et al., 2023).

Management in public companies is often considered to have good financial strategies, but this does not rule out the possibility of experiencing financial pressure. Since January 2024, PT Indofarma has been experiencing a serious financial crisis to the point that it is unable to pay its employees' salaries. Losses have continued to rise sharply from IDR 3.6 billion (2020) to IDR 424.4 billion (2022) (Anggraini et al., 2025). reflecting poor financial performance due to weak governance. On the other hand, PT Kimia Farma Apotek is also facing issues with a 28.49% increase in financial expenses while revenue only grew by 7.93%, indicating weak internal controls (Christian et al., 2024).

This has prompted an open investigation to improve corporate governance. Overall, the weak implementation of GCG is reflected in Indonesia's lowest score in Asia according to the 2023 ACGA survey, at just 35.7%, making the strengthening of corporate governance(*Asian Corporate Governance Association*, 2024). .

The implementation of Good Corporate Governance (GCG) aims to provide balanced benefits for all stakeholders, such as shareholders, employees, customers, creditors, the government, and the community. The principles of good corporate governance include transparency, accountability, responsibility, and equality. To make company performance more efficient and effective, the board of commissioners and the board of directors must work together in management supervised by the audit committee and institutional ownership (Suwarti, 2022)

Based on the cases that have occurred, it shows the importance of management's role in managing the company's operations as a whole, because managerial errors can cause losses for the company and the country. Management needs to be active in supervision for the benefit of the principal, because it can reduce information asymmetry and minimize the potential for errors. Opportunistic behavior by management often arises due to weak internal controls, which can trigger an economic crisis because poor management tends to take excessive risks, including corruption or misuse of resources (Azizah, 2024).

Agency theory can be applied to reduce information asymmetry between agents and principals. This theory emphasizes the importance of effective supervision to ensure that tasks are carried out in the interests of investors. Its main objective is to minimize costs resulting from information asymmetry and uncertainty (Made et al., 2022). Therefore, management fraud can be reduced by examining the influence of corporate governance on financial performance (Christian et al., 2024). Factors such as the board of directors, board of commissioners, independent commissioners, institutional ownership, and company size are believed to contribute to financial performance.

The board of directors plays an important role in supervising and making operational decisions. The more board members a company has, the more control there will be over supervision, which will ultimately result in high profitability and improve share prices and financial performance (Wulandari et al., 2024). In agency theory, the board of directors is the main supervisor for reducing conflicts of interest between management and owners. According to research by Aprila et al. (2022) and Prakoso et al. (2023), the board of directors influences financial performance. However, Misfalah (2024) presents a different view, stating that the board of directors does not influence financial performance.

The management of operational companies will be controlled if the board of commissioners plays an important role, one of which is supervising the board of directors in managing company operations in accordance with the principal's objectives. In agency theory, the more effective the board of commissioners is in terms of number and independence, the stronger the supervision of management, conflict resolution, and accountability. Research by Malik (2022) and Prakoso et al. (2023) states that the board of commissioners positively influences financial performance, while Pudjonggo (2022) found that the board of commissioners had no significant effect on financial performance, suggesting that the impact of commissioners may depend on company conditions, industry complexity, and governance implementation.

Independent boards of commissioners can provide neutral advice because they have no relationship with the board of directors or shareholders. Their main task is to supervise and provide objective advice on company policies and practices to ensure they are in line with good governance principles and protect the interests of all parties, while reducing information asymmetry between agents and principals. Research by Malik (2022) and Gemilang (2022) states that independent boards of commissioners have an effect on financial performance, while Aprila et al. (2022) states that they have no effect.

Institutional ownership refers to the involvement of institutions in a company's ownership structure, which can reduce conflicts of interest between management and shareholders. Based on agency theory, institutional investors act as effective monitors due to their significant stake and expertise, thereby reducing agency problems. Their presence encourages management to act more transparently and efficiently, which in turn can improve financial performance. This is supported by research from Malik (2022) and Prakoso et al. (2023), who found that institutional ownership positively affects financial performance, although Andriani (2023) presents a contrary view.

Company size, commonly measured by total assets (Permatasari, 2023), can also influence financial performance. From an agency theory perspective, larger firms are more visible to external stakeholders and tend to have more formal governance structures, which enhance oversight and reduce managerial discretion. This stronger monitoring mechanism can improve decision-making quality and align managerial actions with shareholder interests, thereby enhancing financial outcomes. This is supported by Gemilang (2022) and Rizki (2023), while Jannah (2022) argues otherwise.

However, the inconsistency of previous research findings indicates that there is still a research gap. Many studies on the relationship between good corporate governance and financial performance have been conducted in banking, manufacturing, and other non-healthcare sectors, but empirical studies focusing specifically on the healthcare industry in Indonesia remain limited. This is particularly relevant considering the recent cases of PT Indofarma and PT Kimia Farma, which illustrate how weak corporate governance can significantly undermine financial sustainability in this sector. Thus, this study seeks to fill this gap by examining the role of the board of directors, board of commissioners, independent commissioners, institutional ownership, and firm size in influencing financial performance in healthcare sector companies listed on the Indonesia Stock Exchange during 2021–2023.

In addition, this research is expected to provide clear contributions both theoretically and practically. From a theoretical perspective, it enriches the literature on corporate governance by testing the applicability of agency theory within the healthcare sector context, particularly in the post-pandemic period. From a practical perspective, the findings of this study can serve as recommendations for corporate managers, regulators, and policymakers to strengthen governance structures such as the independence of commissioners and the role of institutional investors in order to improve accountability, transparency, and ultimately financial performance in the healthcare industry.

LITERATURE RIVEW

Agency Theory

Agency Theory was first introduced by Jensen & Meckling (1976). This theory explains contractual relationships in which one or more principals appoint agents to carry out certain tasks on their behalf, including delegating some decision-making authority to the agents. In relation to financial performance, this theory helps principals through a monitoring mechanism to oversee the performance of management (agents) and ensure that agents act in the interests of principals. In agency theory, principals are tasked with providing information to principals about the actual condition of the company (Gemilang, 2022).

According to agency theory in the context of financial performance, the board of directors is responsible for making strategic decisions that are in line with the interests of the owners, while the board of commissioners monitors the implementation of management policies. The independent board of commissioners is responsible for providing an objective view of the company's operations. Institutional ownership enhances oversight by promoting transparency and accountability, while the size of the company reflects the complexity of management and oversight required. In this situation, directors have an advantage over shareholders because they have more private information that they can use for their own benefit (Alexandra et al., 2022).

Financial Performance

Financial performance reflects a company's achievements in the financial sector during a certain period and illustrates the health and strength of the company's financial structure. This performance is closely related to management's ability to manage resources effectively and efficiently (Shofwatun et al., 2021). Financial statement analysis is used to assess financial performance development (Onoyi, 2021). The application of good corporate governance principles is important to protect the interests of all related parties, strengthen internal control, improve the quality of financial information, and maintain the integrity of company decisions. This study measures financial performance using the Return On Asset (ROA) ratio, which shows the effectiveness of a company in managing assets to generate profits. A negative ROA indicates suboptimal asset management (Saputra et al., 2022).

Good Corporate Governance

Good Corporate Governance (GCG) is a mechanism for regulating and controlling companies to ensure transparency, accountability, responsibility, independence, and fairness in business management. Effective implementation of GCG can increase investor confidence, prevent fraud, and create a healthy and sustainable business environment (Khairul et al., 2022). GCG also plays an important role in financial disclosure, which is needed by stakeholders for decision making. Accurate and timely information can strengthen trust and increase opportunities for access to financial and managerial resources. GCG regulates the relationship between management, shareholders, the board of commissioners, and other stakeholders (Arimby, 2023).

Board of Directors

The board of directors is the main leadership responsible for formulating and overseeing company policies to ensure they are in line with the established objectives. They have fiduciary responsibilities, which means acting in the interests of shareholders and maintaining integrity and transparency in decision-making (Misfalah, 2024). The role of the board of directors influences the company's financial performance through supervision, strategic planning, and risk management. A larger board can access relevant external information to support strategic decisions and increase accountability in resource management. According to agency theory, the board is also tasked with conducting internal oversight, managing employees, consolidating risks, and reporting performance to shareholders through the General Meeting of Shareholders (Malik, 2022).

Independent Board of Commissioners

The board of commissioners is elected by shareholders to provide input to the board of directors and oversee the implementation of good corporate governance principles within the company (Pudjonggo, 2022). As a supervisory body, the board of commissioners ensures that the company's operations are carried out in accordance with good governance policies and principles. The existence of an effective board of commissioners plays an important role in ensuring that the directors' decisions are in line with these principles, thereby supporting the achievement of the company's objectives (Adi, 2022). In addition, an adequate size of the board of commissioners can expand the company's access to external resources such as business networks and market information, which has a positive impact on strategic decision-making and financial performance (Made et al., 2022).

Institutional Ownership

Institutional ownership is the proportion of company shares owned by institutions such as banks, investment companies, insurance companies, pension funds, and other financial institutions. Institutional owners generally have a greater interest and ability to supervise management to act professionally and responsibly. As a monitoring mechanism within the ownership structure, institutional ownership can curb opportunistic behavior by managers and reduce potential agency conflicts through effective oversight (Azizah, 2024). High institutional ownership increases control over management, encourages the implementation of good corporate governance, and more strategic decision-making, which ultimately has a positive impact on financial performance. The greater the proportion of shares owned by institutions, the more efficient the use of company assets, especially in risk management, investment, and fund allocation (Malik, 2022).

Company Size

Company size reflects the scale of a business entity, which can be measured by total assets, sales, or number of employees. Larger companies generally have more elements that need to be monitored, but this can also drive improved management performance due to high market expectations. Investors and customers tend to have more confidence in large companies, so small companies face greater challenges in competition (Permatasari, 2023). Company size affects financial performance, as large companies have easier access to capital markets, lower information costs, and more adequate resources to support operations and investments. This provides flexibility in business strategy, increases profitability, and attracts more trust from investors due to higher competitiveness in the market (Harahap, 2025).

Based on the theoretical framework and empirical studies discussed earlier, the following hypotheses are proposed:H1 The board of directors has a positive influence on financial performance.

H1: The board of directors has a positive effect on financial performance.

H2: The board of commissioners has a positive effect on financial performance.

H3: Independent commissioners have a positive effect on financial performance.

H4: Institutional ownership has a positive effect on financial performance.

H5: Company size has a positive effect on financial performance.

METHOD

This study uses a quantitative approach with secondary data obtained from the annual reports of health sector companies listed on the Indonesia Stock Exchange for the period 2021–2023. Data collection techniques were carried out through documentation and literature studies, namely by reviewing previous journals, scientific articles, and relevant literature as a basis for theory and hypothesis formation. The literature review was used to strengthen the conceptual framework and support empirical analysis related to the influence of good corporate governance on financial performance.

The analysis method used was multiple linear regression to test the influence of the board of directors, board of commissioners, independent commissioners, institutional ownership, and company size on financial performance, which was measured using Return on Assets (ROA). Before the regression analysis was conducted, the data was first tested through classical assumption tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests. The T-test was used to test the significance of the model partially, while the Adjusted R Square value was used to see the contribution of independent variables to financial performance (Sukesti et al., 2021).

RESULTS AND DISCUSSION

Descriptive Statistic

Descriptive statistics are used to present data concisely through mean, minimum, maximum, and distribution values. This method describes five independent variables and one dependent variable, helping researchers identify data patterns before conducting further analysis (Dong, 2023).

Table 1 Descriptive Analysis Results

	N	Minimum	Maximum	Mean	Std.Deviaton
X1_DD	48	3	9	4.98	1.744
X2_DK	48	2	8	4.52	1.530
X3_DKI	48	.250	1.000	.45246	.139055
X4_KI	48	.082	.988	.72497	.192573
X5_UP	48	27.322	30.936	28.87310	.982534
Y_ROA	48	.002	.310	.10204	.072181

The descriptive analysis indicates that the board of directors variable (X1) has a minimum of 3 and a maximum of 9, with a mean of 4.98 and a standard deviation of 1.744.

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This suggests that, on average, companies employ approximately five directors, with relatively wide variation. The board of commissioners variable (X2) ranges from 2 to 8 members, with a mean of 4.52 and a standard deviation of 1.530, reflecting considerable differences in the number of commissioners across companies.The proportion of independent commissioners (X3) has a minimum value of 0.250 and a maximum of 1.000, with an average of 0.452 and a standard deviation of 0.139. This figure shows that the proportion of independent commissioners in most companies is still below 50% and the data tends to be homogeneous. For institutional ownership (X4), the values range from 0.082 to 0.988, with an average of 0.725 and a standard deviation of 0.193. This shows that institutional ownership is generally high, although there is considerable variation between companies.

For the company size variable (X5), the data shows a minimum value of 27.322 and a maximum of 30.936, with an average of 28.873 and a standard deviation of 0.983. This indicates that the sample consists mostly of large companies, but there are significant differences in size. Finally, financial performance (ROA) as the dependent variable has a minimum value of 0.002 and a maximum of 0.310, with an average of 0.102 and a standard deviation of 0.072. This indicates a moderate level of return on assets, with differences in efficiency between companies in utilizing their assets to generate profits.

Classical Assumption Test

1. *Normality Test*

The normality test aims to determine whether the data in the regression model has a normal distribution or not. This test is performed using the one-sample Kolmogorov-Smirnov test method. The data is said to be normally distributed if the Asymp. Sig value is > 0.05.

Table 2 Normality Test

Model	*Kolmogorov-smirnov*		
	Statistik	**df**	**Sig.**
Unstandardized Residual	.123	48	.065[c]

Based on the results of the normality test using the one-sample Kolmogorov-Smirnov test, a significant value of 0.065 was obtained, which is greater than 0.05, so it can be concluded that the data is normally distributed.

2. *Multicollinearty Test*

Tabel 3 Multicollinearity Test

Model	Tolerance	VIF	Keterangan
X1_DD	.618	1.618	No Multicollinearity
X2_ DK	.515	1.940	No Multicollinearity
X3_DKI	.844	1.185	No Multicollinearity
X4_KI	.672	1.488	No Multicollinearity
X5_UP	.330	3.028	No Multicollinearity

multicollinearity test is conducted to determine whether there is a relationship or correlation between independent variables in a multiple regression model. Indications of multicollinearity can be seen through the Variance Inflation Factor (VIF) value. A model is said to be free of multicollinearity if its tolerance value is greater than 0.10 and its VIF value is less than 10.

Based on the results of the multicollinearity test presented in Table 3, all variables have VIF values below 10 and tolerances above 0.10. This indicates that there is no excessive correlation between the independent variables, so this regression model is free from multicollinearity issues.

3. *Heteroscedasticity Test*

This test is conducted to determine whether there are differences in residual variance between observations in the regression model. The heteroscedasticity test is performed using the Glejser Test. A regression model is considered good and suitable for further explanation if it does not contain symptoms of heteroscedasticity in the data used.

Table 4 Heteroscedasticity Test Results

dU	t	Sig	Keterangan
X1_DD	-1.376	.176	No Heteroscedasticity
X2_ DK	1.081	.286	No Heteroscedasticity
X3_DKI	1.331	.190	No Heteroscedasticity
X4_KI	-.779	.440	No Heteroscedasticity
X5_LN	-.484	.631	No Heteroscedasticity

Based on the table above, the significance values of the board of directors (0.176), board of commissioners (0.286), independent commissioners (0.190), institutional ownership (0.440), and company size (0.631) indicate that there is no heteroscedasticity, as all independent variables have significance values > 0.05.

4. *Autocorrelation Test*

An autocorrelation test is conducted to determine whether there is a relationship (correlation) between residuals in a linear regression model. This test uses the Durbin-Watson (DW) value as a reference. If the DW value is above the upper limit (dU) or below 4–dU, it can be concluded that the regression model does not experience autocorrelation.

Table.5 Autocorrelation Test Results

dU	DurbinWatson	4 - dU	Keterangan
1.7725	1.900	2.2275	No Autocorrelation

The results of the autocorrelation test in Table 5 show a Durbin-Watson value of 1.900. With a sample size (n=48) and five independent variables (k=5), a dU value of 1.7725 was obtained at a 5% confidence level. Since the Durbin-Watson value falls between dU and 4 - dU (1.7725 < 1.900 < 2.2275), it can be concluded that there is no autocorrelation. This means that the data in this study does not violate the classical assumptions, and the regression model is suitable for further analysis.

Multiple Linear Regression Analysis

Multiple regression models are commonly used to test the influence of two or more independent variables on a dependent variable in a study.

Table.6 Multicollinearity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1.397	.398		3.506	.001
	X1_DD	.018	.006	.441	3.090	.004
	X2_DK	.014	.007	.290	1.877	.068
	X3_DKI	.245	.057	.515	4.285	.000
	X4_KI	.150	.051	.400	2.918	.006
	X5_UP	.057	.014	.780	3.998	.000

Based on Table 6, the following regression equation is obtained:

$$Y = 1.397 + 0.018X1 + 0.014X2 + 0.245X3 + 0.150X4 + 0.057X5$$

Based on the coefficients shown, it can be seen that all independent variables have tolerance values above 0.10. Therefore, it can be concluded that this regression model does not experience multicollinearity problems.

Hypothesis Testing

1. *T-test (Partial Test)*

The t-test or partial test in this study uses a decision-making basis with a significance value < 0.1, or t-count > t-table, which is interpreted as there being an influence of variable X on variable Y. The following are the results of the t-table test and t-count test as the basis for decision-making in this study.

Ttable = (df = n - k - 1 = 42, a = 0.1) = 1.682

The results of the comparison of each value can be seen as follows:

Table 7 Partial Test Results

Variabel	T hitung	T tabel	Sig	Keterangan
Dewan Direksi (XI)	3.090	1.682	.004	H1 Diterima
Dewan Komisaris (X2)	1.877	1.682	.068	H2 Diterima
Dewan Komisaris Independen (X3)	4.285	1.682	.000	H3 Diterima
Kepemilikan Institusional(X4)	2.918	1.682	.006	H4Diterima
Ukuran Perusahaan(X5)	3.998	1.682	.000	H5Diterima

Based on the t-test results, all variables were found to have a positive effect on financial performance. The Board of Directors (X1) positively influences financial performance, with a t-value of 3.090 exceeding the t-table value of 1.682 and a significance level of 0.004, leading to the acceptance of H1. Similarly, the Board of Commissioners (X2) shows a positive effect, with a t-value of 1.877 greater than 1.682 and a significance of 0.068, so H2 is accepted. Independent Commissioners (X3) also positively affect financial performance, indicated by a t-value of 4.285 and significance of 0.000, confirming H3. Institutional Ownership (X4) has a positive impact, with a t-value of 2.918 and significance of 0.006, thus H4 is accepted. Finally, Company Size (X5) positively influences financial performance, with a t-value of 3.998 and significance of 0.000, leading to the acceptance of

H5. Overall, these results indicate that all five governance mechanisms significantly and positively contribute to improving financial performance.

2. *Determination Coefficient Test (R2)*

The value of this coefficient ranges from zero to one. The determination coefficient test obtained the results shown in the following table:

Table 8 Determination Test Results (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	685[a]	.469	.406	.055624

Based on the test results, the R Square value of 0.469 indicates that 46.9% of the variation in financial performance can be explained by the variables of the board of directors, board of commissioners, independent commissioners, institutional ownership, and company size. The remaining 53.1% is influenced by other factors outside the model.

Meanwhile, the adjusted R-Square value of 0.406 indicates that the model is still sufficiently good at explaining the relationship between independent variables and financial performance, with adjustments made for the number of variables in the model.

The Influence of the Board of Directors on Financial Performance

Based on Table 7, the board of directors has a positive effect on financial performance, with a t-value of 3.090 > t-table 1.682 and significance of 0.004 < 0.1. This means that the first hypothesis is accepted: the larger the number of board members, the better the company's financial performance. A larger number of board members is considered capable of strengthening decision-making, coordination, and internal control (Suwarti, 2022).

This finding aligns with agency theory, which states that the board of directors, as agents, plays a crucial role in reducing conflicts of interest and information asymmetry, as well as ensuring transparent decision-making (Alexandra et al., 2022). These results are supported by research by Aprila et al. (2022) and Prakoso et al. (2023), which states that a good board of directors structure and function contributes to efficiency and sustainable financial growth.

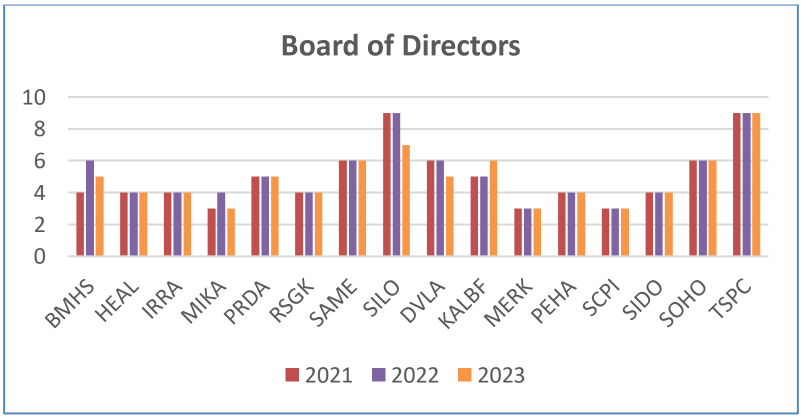

Figure 1 Board of Directors Measurement Results

Figure 1 shows the results of measurements of the number of board members of healthcare companies listed on the Indonesia Stock Exchange for the period 2021-2023. The data shows variation in the number of board members between companies. Companies such as SILO and TSPC have the highest number of board members, up to 9 members, while companies such as IRRA, PEHA, and SCPI have a relatively small number, only 3 members. In general, the majority of companies have 4 to 6 board members, which remains stable from year to year. The average number of directors on the board of directors over the last three years is around 4.42, with a minimum of 3 and a maximum of 9.

The graph also shows that some companies have had a consistent number of board members during this period (PRDA, RSGK, and DVLA), while others have experienced a decline or increase. For example, SILO decreased from 9 to 7, and SOHO increased from 5 to 6 in 2023. Based on the t-test results in this study, it was found that the board of directors had a positive influence on financial performance. This means that companies with larger board structures tend to have more informed decision-making and stronger managerial oversight, which impacts operational effectiveness and profitability. These findings support the view that a healthy organizational structure can contribute significantly to profitability, especially in the complex and highly regulated healthcare sector.

The Influence of the Board of Commissioners on Financial Performance

Based on Table 7, the board of commissioners has a positive effect on financial performance, with a t-value of 1.877 > t-table 1.682 and significance of 0.068 < 0.1. Therefore, the second hypothesis is accepted, which means that an increase in the number of board members can encourage improved financial performance. This reflects the strategic role of the board of commissioners in overseeing management policies and performance (Shafirah, 2024).

According to agency theory, the board of commissioners represents the interests of shareholders in ensuring that company management runs effectively. With an adequate number, can optimally supervise, identify risks, and direct company strategy (Wulandari et al., 2024). These findings are supported by Malik (2022) and Prakoso et al. (2023), who emphasize that the quality and active involvement of the board of commissioners contribute to better financial performance. Therefore, the composition, professionalism, and independence of the board of commissioners are important aspects of sound corporate governance.

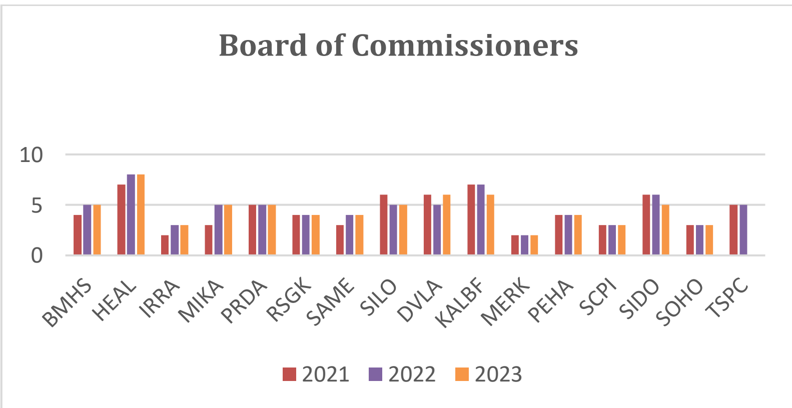

Figure 2 Measurement Results of the Board of Commissioners

Figure 2 shows that the number of board members varies among companies. Companies such as HEAL and KALBF have the largest number of board members, with 8 and

7 respectively, while companies such as IRRA, MERK, and PEHA have only 2 to 3. Most companies maintained a stable board size over the three years, although there were some minor changes in companies such as SIDO and SCPI.

The average number of board members during this period was 3.75, with a minimum of 2 and a maximum of 8. Ten of the 16 companies had 4 or more board members, indicating that the majority of healthcare companies have complied with corporate governance principles by establishing a relatively strong supervisory structure. Based on the t-test results in this study, the board of commissioners was found to have a positive effect on financial performance. This shows that a larger board of commissioners means greater capacity for oversight and control over management, thereby promoting efficiency and transparency in company management (Fajri, 2022). This strong oversight function is particularly important in the healthcare sector, which faces high operational and regulatory risks.

The Influence of Independent Board of Commissioners on Financial Performance

Based on Table .7, the board of directors has a positive effect on financial performance with a t-value of 3.090 > t-table 1.682 and significance of 0.004 < 0.1, so the first hypothesis is accepted. This means that the larger the number of board members, the better the company's performance because it supports decision-making, supervision, and transparency (Alexandra et al., 2022). These results are consistent with Aprila et al. (2022) and Prakoso et al. (2023), but differ from Misfalah (2024), who found no significant effect. This difference can be understood because Indonesia's health sector is complex and prone to governance crises, such as the cases of Indofarma and Kimia Farma, making the role of the board of directors even more crucial in maintaining financial stability. Practically speaking, healthcare companies need to ensure that their boards of directors have adequate industry expertise so that business strategies can support the company's sustainability.

Based on Table 7, independent commissioners also have a positive effect on financial performance with a t-value of 4.285 > t-table 1.682 and significance of 0.000 < 0.1, so the third hypothesis is accepted. The greater the proportion of independent commissioners, the higher the company's financial performance (Wulandari et al., 2024). In accordance with agency theory, the presence of independent parties maintains objectivity, reduces conflicts of interest, and increases supervisory accountability (Fajri, 2022).

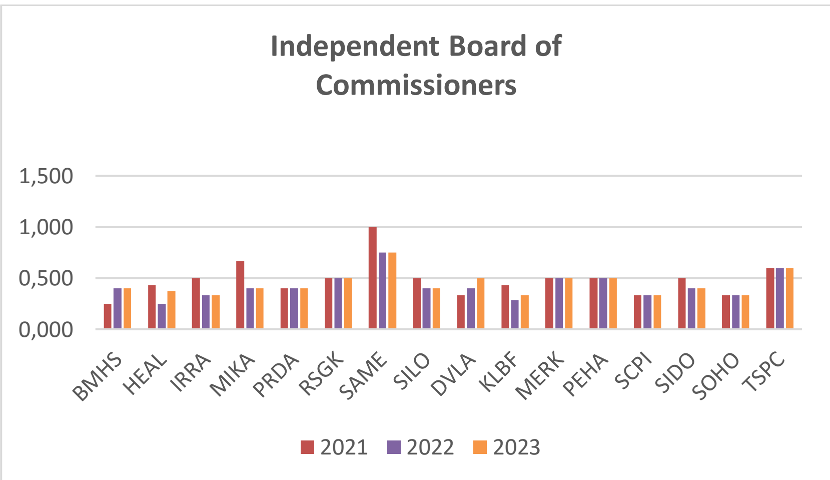

Figure 3 Measurement Results of the Independent Board of Commissioners

Figure .3 shows that the proportion of independent commissioners in each company varies from year to year. Companies such as SAME show the highest proportion, reaching 1.00 (100%) in 2021, decreasing to 0.75 (75%) in 2023. Meanwhile, companies such as SOHO, SCPI, and HEAL show lower proportions, ranging from 0.25 (25%) to 0.40 (40%). In general, most companies have a proportion of independent commissioners in the range of 0.33 (33%) to 0.67 (67%). The minimum recorded value is 0.25 (25%), while the maximum value is 1.00 (100%), with an average (mean) proportion of 0.49 (49%).

These results show that the majority of companies have met the minimum requirements for independent commissioners in accordance with good corporate governance principles. The presence of independent commissioners provides added value in maintaining objectivity, transparency, and protecting the interests of shareholders. Based on the t-test results in this study, independent commissioners have been proven to have a significant positive effect on financial performance, meaning that the greater the proportion of independent commissioners, the better the supervision of company management.

The Influence of Independent Board of Commissioners on Financial Performance

Based on Table 7 in the fourth hypothesis test, Institutional ownership has a positive and significant effect on financial performance, with a t-value of 2.918 > t-table 1.682 and significance of 0.006 < 0.1. Therefore, the fourth hypothesis is accepted, meaning that the larger the proportion of institutional ownership, the stronger the managerial oversight, which positively impacts financial performance (Adi, 2024).

According to agency theory, institutions as major shareholders play a role in ensuring that managers act in accordance with the company's objectives. With the resources they possess, institutions can effectively monitor and curb opportunistic behavior by management (Deniza et al., 2023). This finding is supported by Malik (2022) and Prakoso et al. (2023), who emphasize that institutional ownership promotes efficiency and accountability, making it an important factor for sustainable financial performance.

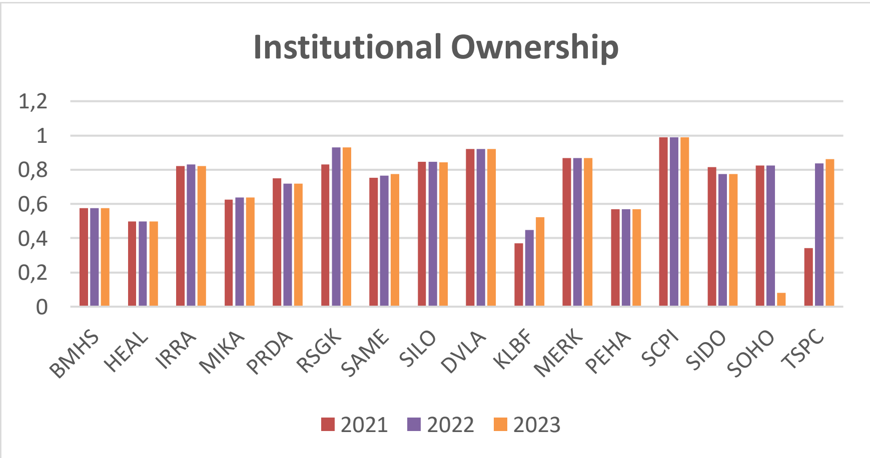

Figure.4 Institutional Ownership Measurement Results

Figure.4 shows that most companies in the healthcare sector have a fairly high proportion of institutional ownership. Companies such as SCPI and MERK even show a figure of 100% (1.00) throughout the period, indicating that all of their shares are owned by institutions. Meanwhile, companies such as SIDO and KALBF show lower institutional ownership, below 0.40 (40%) for several periods.

The minimum institutional ownership value over the three years was 0.17 (17%), while the maximum value reached 1.00 (100%), with an average value of 0.64 (64%). Most companies (above 75%) have institutional ownership above 50%, indicating dominant ownership by professional entities such as financial institutions, investment funds, and other institutions.

This condition reflects that companies in the health sector generally have strong managerial control through institutional supervision. The t-test results in this study show that institutional ownership has a positive and significant effect on financial performance. This means that the greater the proportion of institutional ownership, the greater the incentive for management to act efficiently, professionally, and responsibly in managing company resources.

The Influence of Independent Board of Commissioners on Financial Performance

Based on Table .7 in the five hypothesis test, company size has a positive effect on financial performance, with a t-value of 3.998 > t-table 1.682 and significance of 0.000 < 0.1. Therefore, the fifth hypothesis is accepted, meaning that larger companies tend to have better financial performance compared to smaller companies, due to greater operational capacity and capital strength (Onoyi & Windayati, 2021).

According to agency theory, large companies are more open to public scrutiny, thereby encouraging management to work more professionally and transparently (Permatasari, 2023). Additionally, large business scale facilitates access to funding and technology that support efficiency and growth. This finding aligns with Gemilang (2022) and Rizki (2023), who state that company size influences financial performance.

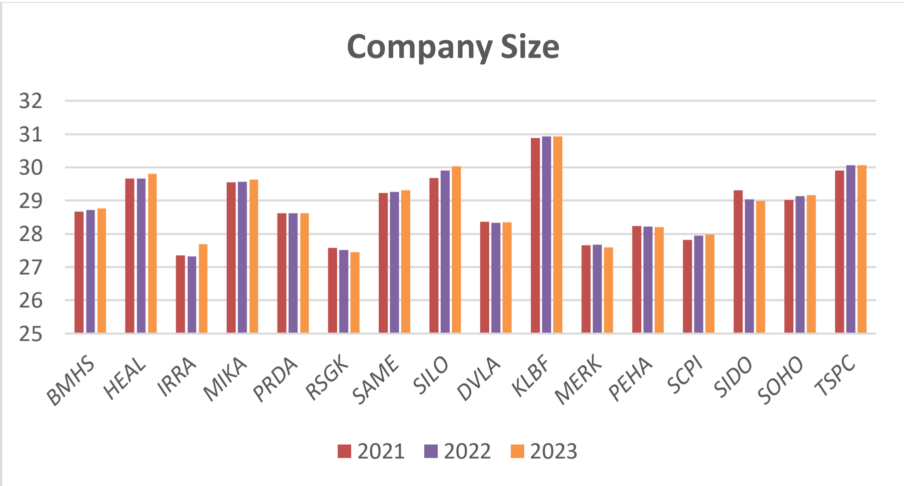

Figure.5 Company Size Measurement Results

Figure.5 shows that company size, measured by the natural logarithm (Ln) of total assets, varies between companies but tends to be stable from year to year. Companies such as KALBF and MERK recorded the highest size values with total assets Ln of around 30–31, while companies such as IRRA, RSGK, and PEHA had smaller company sizes with values of around 27–28.

The minimum company size value over the three years was around 26.88, the maximum value was 31.08, and the average (mean) company size was 29.60. Most companies were in the range of 29–30, indicating that the Indonesian healthcare sector is dominated by companies with medium to large asset sizes.

Larger company size reflects a company's ability to access resources, obtain broader funding, and cover higher fixed costs with greater efficiency. Based on the t-test results in this study, company size has a positive effect on financial performance. This indicates that large-scale companies tend to have better financial performance because they are supported by greater capital strength, competitiveness, and operational efficiency.

CONCLUSION

This study aimed to examine the effect of good corporate governance (GCG), proxied by the board of directors, board of commissioners, independent commissioners, institutional ownership, and company size, on the financial performance of healthcare companies listed on the Indonesia Stock Exchange during 2021–2023. The results indicate that all governance mechanisms positively influence financial performance: larger boards of directors enhance decision-making and oversight, boards of commissioners strengthen strategic control, independent commissioners promote transparency, institutional ownership supports managerial control, and larger company size improves operational efficiency. Theoretically, this study reinforces agency theory by providing empirical evidence that GCG enhances financial performance in the highly regulated healthcare sector. Practically, the findings suggest that companies should strengthen governance structures and that regulators should continue promoting strict GCG practices to ensure sector stability. However, this study is limited by its short observation period and narrow sector scope; future research should extend the timeframe, broaden the sectors, and incorporate additional variables to enrich understanding of GCG’s impact.

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