JHSS (Journal of Humanities and Social Studies)
https://journal.unpak.ac.id/index.php/jhss

Volume 07, Number 03, Page 740-745
e-ISSN: 2598-120X; p-ISSN: 2598-117X

FINANCIAL PERFORMANCE OF INDONESIA FOOD AND BEVERAGE SUBSECTOR COMPANIES: GOOD CORPORATE GOVERNANCE AND GENDER DIVERSITY

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Article history: *received 07 August 2023; revised 16 August 2023; accepted 02 September 2023* *DOI: https://doi.org/10.33751/jhss.v7i3.8426*

Abstract. The purpose of this research is to investigate the effects of good corporate governance and gender diversity on financial performance. From 2018 to 2021, this study takes the population from the Food and Beverage Subsector firms registered under IDX (Indonesia Stock Exchange). This study employed a purposive sample strategy to acquire 18 companies for four years in a row. The panel data regression analysis method was employed for the analysis. The findings of this research reveal that effective corporate governance and gender diversity both have an influence on the financial performance of food and beverage subsector companies recorded under IDX. Independent commissioners have an impact on financial performance, institutional ownership has an impact on financial performance, managerial ownership has an impact on financial performance and gender diversity has no impact on financial performance.

Keywords: good corporate governance; independent commissioner; institutional ownership; managerial ownership

I. INTRODUCTION

The primary purpose of any business is to create a substantial profit. Users of financial statements can quickly assess a company's performance by examining its profits, which include the amount of income tax paid during the period **[1]**. According to **[2]**, the level of financial success of the company can be measured by reviewing the company's financial performance system. Financial performance describes a company's financial position in terms of funding components over time. Financial success is one of the indicators that an organization is on track to meet its objectives. Financial performance is the fundamental criteria used to determine whether a company is operating efficiently, as evidenced in financial statements **[3]**. Return on assets (ROA) is applied in this research to assess financial performance. A high ROA gain indicates that the company is making the best use of its assets to produce profits. PT Mayora Indah Tbk is a food and beverage manufacturer; at the end of July, the first quarter of 2019 recorded a net margin of 7.75%, then in the second quarter of 2019, the company's net margin was in the range of 6.7%, resulting in a 1.05% decrease in net margin between the first and second quarters of 2019. This phenomenon indicates that the company did not adequately apply GCG, resulting in poor reports and performance.

PT Tri Banyan Tirta Tbk (ALTO) reported a net loss of IDR 8.9 billion in its financial statements for the year 2021. Despite the loss, the amount is greater than IDR 10.5 billion in 2020. The Company ensures customer satisfaction by always fulfilling production orders, adhering to consumer orders, and upholding manufacturing standards in all factories. The company introduced machinery to raise production output, ensuring that business performance improves in the future (emitennews.com, 2022). In 2018, there was an instance of financial statement fraud in the Retail Investor Forum controversy of PT. Tiga Pilar Sejahtera Food Tbk (AISA), an Indonesian food and beverage sector company. AISA notified the Financial Services Authority (OJK) of violations committed by AISA's directors of issuers and demanded OJK protection. Then there's the issue that sets off violations, notably the directors' inability to account for the corporation performance at the Annual General Meeting of Shareholders (AGMS) on July 27, 2018. Based on some of the aforementioned facts, some organizations continue to lack adequate corporate governance since the larger the profit, the better the judgment of the company's success. In contrast, if the company's performance deteriorates, the profit obtained will decline. A company's financial performance can be influenced by good corporate governance and gender diversity.

The separation of ownership and control of enterprises based on agency theory emphasizes the significance of implementing excellent corporate governance in businesses. According to agency theory, management tends to prioritize themselves over business goals; thus, companies are expected to have effective governance in addition to good financial performance **[3]**. *In this study, good corporate governance employs independent commissioner proxies, institutional ownership, and management ownership.* An independent commissioner may be a part of the Board of Commissioners who does not have any ties to the Board of Chiefs. Because an independent commissioner exists, the interface of

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e-ISSN: 2598-120X; p-ISSN: 2598-117X

shareholders, both minority and majority , are not neglected since independent commissioners are more unbiased to the directors' actions. The corporation largest shareholder is institutional ownership. Corporation are projected to be better able to eliminate conflicts of interest between principals and agents, strengthen monitoring of company performance, and increase corporate value when institutional ownership increases **[4]**. According to **[5]**, one area of corporate governance in which managers are interested in share ownership is managerial ownership. The availability of options for managers to engage in share ownership tries to balance managers' interests with shareholders' interests. Gender diversity, as defined by **[6]**, is the proportion of *womenkind* on the executive board. The meticulous character of women, their prudence in making judgments, and their proclivity to minimize risks can be an asset to the firm. In this study, gender diversity is calculated by dividing the number of female directors by the total number of directors.

Agency relationships are formed when one or more people engage another person (principal) or employee (agent) to execute a service and then delegate authority to the agency, according to agency theory. A company's manager will be more knowledgeable about the company's current situation than the owners (shareholders). As a result, a manager is required to report company information to the company's owner. However, the information presented must occasionally match the company's current situation **[7]**. The failure to communicate information is the root cause of agency difficulties. Senior managers are more powerful than firm owners in this situation. administration is directly involved in the administration of the firm, but the owners only delegate responsibilities to management, therefore they are less involved in the management of the company **[8]**.

Evaluation and studying about financial accounts can measure a company's performance. Future financial conditions and performance, as well as other items of relevance to direct users, such as dividend payments, wages, variations in securities prices, and the company's ability to satisfy obligations, are included in information concerning historical financial situation and financial performance **[9].** The largest company's ROA, the stronger the company's position and the better the company's asset utilization. Simultaneously, the drop in ROA indicates that the organization is becoming increasingly ineffective in managing assets to generate profits. Indications of financial performance in this study utilize ROA or return on assets.

A planned procedure for managing, directing, and directing a company's operations in order to maximize corporate value and sustainability. Introducing Good corporate governance strives to persuade shareholders by minimizing problems created by agency concerns and protecting them by taking their rights into account **[10]**. In this study, good corporate governance employs independent commissioner proxies, institutional ownership, and management ownership.

Independent commissioners are individuals chosen from outside the organization to evaluate the company's overall performance. Because the independent commissioner is an outside party to the firm, it is assumed that decisions made by the independent commissioner will be more unbiased. The Independent Commissioner may also act as a mediator in the manager's internal disputes, oversee management policies, and advise the management commissioner **[11]**. Research conducted by **[12]** independent commissioners have a strong favorable impact on financial performance (ROA). This demonstrates that organizations with a higher proportion of independent commissioners will have a higher level of supervision to reduce the probability of managerial errors.

H_1 : Independent Commissioner has a positive effect on financial performance.

Institutional ownership is one of the elements that influence corporate performance. The encouragement of high institutional investors causes an increase in more optimal supervision of management performance because, in general, institutions have their investment divisions to cause wider and stricter supervision efforts, which can then interfere with the personal interests of managers so that the interests of managers and owners can be comparable **[13]**. According to the findings of **[12]** institutional ownership has a considerable favorable effect on financial performance (ROA). This demonstrates that the greater the institution's ownership, the better a company's financial success.

H_2 : Institutional ownership has a positive effect on financial performance.

Companies with managerial ownership attempt to reduce conflicts of interest, strengthen supervision of company activities, and reduce risks inside the company so that policies implemented benefit all stakeholders rather than just a few. They can, however, be adjusted for the sake of all interests **[14]**. According to **[12]**, managerial ownership has impactful on ROA financial performance. The bigger the proportion of managerial ownership in the corporation shares, the lower the likelihood of conflict.

H_3 : Managerial ownership has a positive effect on financial performance.

Gender diversity is a proportion of womenkind on the executive board. The detailed nature of women at work, prudence in making decisions and tendency to avoid risks can be an added value for companies **[6]**. According to **[15]**, emphasis and spending, gender diversity has't been capable to control the part of men and women in choice making and risk. The research results by **[16]** show that *gender diversity* affects financial performance. According to **[17]**, a board that includes more women can provide more facts and information.

H_4 : Gender Diversity has a positive effect on financial performance.

II. RESEARCH METHODS

Researchers use a quantitative method since **[18]** defines quantitative research as a survey used to assess the accuracy of behavior, knowledge, or attitudes. Researchers employ quantitative methods because this study makes use of measurements and statistics to determine the link between variables. Secondary data is acquire from Indonesia Stock

Exchange's website and selected firm. This study's will analyze data on the Indonesia Stock Exchange which includes of 72 food and beverage companies among 2018 and 2021. When utilizing purposive sampling techniques, the following criteria are utilized to select samples: 1) Among 2018 and 2021, food and beverage enterprise will be recorded under Indonesia Stock Exchange; 2) Companies that are inconsistently included in the food and beverage sub-sector under the Indonesia Stock Exchange in 2018-2021; and 3) Food and beverage sub-sector enterprise that don't reliably distribute yearly reports for 2018-2021. Following chosen sampling technique, 18 samples of food and beverage businesses under the IDX (Indonesia Stock Exchange) from 2018 to 2021 was acquired, resulting in 72 observational data. Data acquisition was tested using classical assumption testing, panel data regression analysis, descriptive statistical analysis, and model selection, followed by evaluating the coefficient of determination and hypothesis testing simultaneously, as well as partial hypothesis testing. Panel data regression analysis was employed in this study with Eviews 12 software as the analytical tool.

III. RESULTS AND DISCUSSION

Descriptive Statistical Analysis

The processing of data to offer a summary of preset observational data is known as descriptive statistics. Standard deviation, mean, maximum and minimum values, are employed in descriptive statistical analysis to derive conclusions. The descriptive statistical analysis test findings are as follows.

Table 1. Descriptive Statistics

	N	Mean	Min	Max	Std.Dev
Financial Performance	72	0.0929	-0.0679	0.6071	0.1059
Independent Commissioner	72	0.3967	0.3333	0.5000	0.0728
Institutional Ownership	72	0.3904	0.0000	0.8702	0.2972
Managerial ownership	72	0.1983	0.0000	0.9152	0.3082
Gender Diversity	72	0.1488	0.0000	0.7500	0.1823

Source: Data processed by author, 2023

Table 1 shows the descriptive statistical testing findings for each research variable. Measurement of financial performance through return on assets (ROA) has an average value (mean) of 0.092919, which is smaller than the standard deviation of 0.105943, indicating that the data is diverse and not clustered. PT FKS Food Sejahtera Tbk (AISA) has the highest ROA score of 0.60717 in 2019. The higher statistic of ROA implies the enterprise ROA is getting higher, the better the company's position and asset utilization. While PT FKS Food Sejahtera Tbk (AISA) achieved the lowest ROA score of -0.06800 in 2018, this implies that the company is not performing optimally in asset management and operational cost management, resulting in losses. Furthermore, descriptive statistical testing is performed on the independent variables of Good Corporate Governance (GCG), which include independent commissioners as well as institutional and managerial ownership. The average value (mean) of descriptive statistical tests on independent commissioner variables is 0.396759, which is more than the standard deviation of 0.072898, indicating that the data do not vary and are aggregated. 5 companies had the highest independent commissioner value of 0.50000 in 2018. 0.50000 earned by 6 companies in 2019 and 2020. In 2021, 5 companies each received 0.50000. Meanwhile, the lowest independent commissioner value of 0.33333 was obtained by 9 companies in 2018. Then in 2019, 2020 and 2021, 0.33333 was obtained by 9 companies. The rate of independent commissioners should be at slightest 30% (thirty percent) of the entire individuals of the board of commissioners, agreeing to Financial Services Authority Regulation Number S7/PJOK 04/2017 article 19. According to the data, the average proportion of independent commissioners is 39.67%, based on the provisions that have been decided. If the percentage of the Board of Commissioners is greater than 30%, it can be assumed that supervision is effective and efficient. Companies with a higher share of independent commissioners will have a higher level of supervision, reducing the chance of mistakes by managers.

The mean value of descriptive statistical testing on management ownership is 0.198308, which is less than the standard deviation of 0.308244, indicating that the data are variable and not categorized. PT Akasha Wira International Tbk (ADES) got the highest managerial ownership value of 0.91524 in 2018-2021. While five organizations have the lowest managerial ownership value of 0.00000. A higher amount of managerial shares in a corporation helps lessen agency difficulties since increasing managerial ownership reduces managers' proclivity to perpetrate fraud and selfishness. As a result, managers' interests will be aligned with those of shareholders. The mean value of descriptive statistical tests on gender diversity is 0.148822, which is less than the standard deviation of 0.182352, indicating that the data are varied and not clustered. PT Nippon Indosari Corpindo Tbk (ROTI) earned the greatest gender diversity value of 0.75000 in 2021. Simultaneously, eight organizations had the lowest gender diversity value of 0.00000. A board with more women on it can provide more data and information. Women are more inclined to be inquisitive, to ask several questions, to want to understand how an organization operates, and to be candid about its flaws.

Test Classical Assumptions

In this study's classical assumption testing, only multicollinearity and heteroscedasticity tests were used. Good data is defined as data that is free of multicollinearity and heteroscedasticity.

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a) Multicollinearity Test

Table 2. Multicollinearity Test

Variance Inflation Factors
Date: 06/28/23 Time: 19:30
Sample: 1 72
Included observations: 72

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.007912	51.20024	NA
X1	0.036970	38.91290	1.253636
X2	0.002734	4.239040	1.541402
X3	0.002551	2.196093	1.546841
X4	0.005944	2.113089	1.261217

Source: Output Result Eviews 12, 2023

According to table 2, the results of multicollinearity tests reveal the value of Centered VIF for all independent variables less than 10 (<10). The test findings indicate that there is no multicollinearity among independent variables in this study.

b) Heteroscedasticity Test

Table 3. Heteroscedasticity Test

Heteroskedasticity Test: Harvey
Null hypothesis: Homoskedasticity

F-statistic	2.399645	Prob. F(4,67)	0.0586
Obs*R-squared	9.022332	Prob. Chi-Square(4)	0.0605
Scaled explained SS	12.29271	Prob. Chi-Square(4)	0.0153

Source: Output Result Eviews 12, 2023

Table 3 demonstrates that the probability score of Chi-Square is greater than 0.05, indicating that heteroscedasticity does not exist in this study.

Panel Data Regression Analysis

Table 4. Fixed Effect Model (FEM) Test Results

Dependent Variable: Y
Method: Panel Least Squares
Date: 06/27/23 Time: 10:56
Sample: 2018 2021
Periods included: 4
Cross-sections included: 18
Total panel (balanced) observations: 72

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.750342	0.232501	3.227266	0.0022
X1	0.950795	0.313060	3.037105	0.0038
X2	-1.527908	0.335490	-4.554260	0.0000
X3	-2.147360	0.449691	-4.775196	0.0000
X4	-0.081869	0.140438	-0.582953	0.5625

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.631649	Mean dependent var	0.092919
Adjusted R-squared	0.476941	S.D. dependent var	0.105943
S.E. of regression	0.076621	Akaike info criterion	-2.053417
Sum squared resid	0.293541	Schwarz criterion	-1.357769
Log likelihood	95.92300	Hannan-Quinn criter.	-1.776477
F-statistic	4.082856	Durbin-Watson stat	1.998751
Prob(F-statistic)	0.000023		

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Source: Output Result Eviews 12, 2023

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Using the findings of fixed effect model testing, the following calculation of the research panel data regression equation below:

$$Y = 0.750342 + 0.950795\ (X1) - 1.527908\ (X2) - 2.147360\ (X3) - 0.081869\ (X4) + e$$

Information:

Y : Financial Performance
X1 : Independent Commissioner
X2 : Institutional Ownership
X3 : Managerial Ownership
X4 : *Gender Diversity*
e : *Error term*

The elucidation of the above equation is:

1. The constant value of 0.750342 indicates that the independent variable, which includes *good corporate governance* and *gender diversity*, is zero. Then the financial performance which is the value of the output or bound variable is 0.750342 units.
2. A value of 0.950795 for the independent commissioner coefficient (X1) indicates a positive direction, indicating that every unit increase in independent commissioners increases the company's worth by 0.950795 units.
3. The institutional ownership coefficient (X2) value of -1.527908 indicates a negative direction, indicating that for every unit increase in institutional ownership, the company's value declines by -1.527908 units.
4. The managerial ownership coefficient (X3) value of -2.147360 indicates a negative direction, indicating that every unit increase in managerial ownership decreases the company's worth by -2.147360 units.
5. The gender diversity coefficient (X4) value of -0.081869 indicates a negative direction, indicating that every unit increase in gender diversity reduces the company's value by -0.081869 units.

Coefficient of Determination Results

According to table 4, the adjusted R-squared value of 0.47 (47%) indicates that independent commissioners, institutional ownership, managerial ownership, and gender diversity can explain 47% of financial performance, whereas the remaining 53% is clarified by factors exterior the model.

Simultaneous Test Results

According to table 4, the F-statistic or probability score is 0.000023. Because the probability score is less than 0.05, this indicates a simultaneous influence between the independent and dependent variables in this investigation.

The Effect of Independent Commissioner on Financial Performance

Known from table 4 which shows the partial test outcome of the independent commissioner variable having a probability score of 0.0038 which is less than 0.05, implying that the independent commissioner has a minor influence on the financial performance. Discussion of this study support the research premise that independent commissioners hold considerable favorable influence on financial performance. The findings of this research are consistent with previous

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studies **[12]**, which found that independent commissioners hold considerable favorable influence on financial performance (ROA). This demonstrates that organizations with a higher proportion of independent commissioners will have a higher level of supervision to reduce the probability of managerial errors.

The Effect of Institutional Ownership on Financial Performance

The institutional ownership variable has a probability value of 0.0000, which is less than 0.05 based on the partial test results in table 4, inferring that institutional ownership features a minor affect on the financial performance. This description supports the hypothesis that managerial ownership has a moderately beneficial effect on financial success. These outcome are also consistent with prior studies [12] which found that institutional ownership had a considerable favorable effect on financial performance. This demonstrates that the greater the institution's ownership, the better a company's financial success.

The Effect of Managerial Ownership on Financial Performance

Known from table 4 shows the partial test outcome, the managerial commissioner variable own a probability value of 0.0000, which is less than 0.05, implying that managerial ownership has a minor impact on the financial performance. The hypothesis can be proven because the results of the study state that there is a significant positive effect of managerial ownership on financial success. This research is similar with prior research [12], which discovered that managerial ownership had an effect on financial performance (ROA). The greater the proportion of the company's shares owned by management, the lesser the risk of conflict.

The Effect of Gender Diversity on Financial Performance

According table 4 shows the partial test outcome, it is clear that the gender diversity variable has a probability score of 0.5625, which is greater than 0.05, implying that gender diversity has no effect on the financial performance. This description is inconsistent with the research premise that gender diversity has a large beneficial effect on financial success. The outcome of this study contradict previous research [16], which found that gender diversity has an influence on financial performance.

IV. CONCLUSION

The following are the research findings based on 72 observations collected during testing on corporation registered under the Indonesia Stock Exchange in the food and beverage sector between 2018 and 2021:Simultaneously, the variables of good corporate governance and gender diversity affect the financial performance. Partially, the independent commissioner, institutional ownership and managerial ownership affect the financial performance. While gender diversity does not affect the financial performance. Researchers hope that further researchers are advised to use research objects in other sectors to compare research results. In addition, researchers can further add other independent variables that are estimated to influence financial performance.

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