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DETERMINANT CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE IN INCREASING THE COMPANY'S FINANCIAL PERFORMANCE

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Abstract: This research is motivated by the importance of the company's financial performance as a decision-making material for stakeholders. This study aims to identify and analyze the Determinants of Corporate Governance and Ownership Structure in Improving Corporate Financial Performance. This research method is descriptive with a quantitative approach. The population in this study are all property companies listed on the IDX for 2018-2021. The sample of this research is 15 companies according to the criteria. Research data was obtained from the annual report for the 2018-2021 period. The analytical method used is panel data regression analysis with Eviews for Windows version 9.0 software. The results showed that 1) Corporate governance has a positive and significant effect on the company's financial performance, 2) Ownership structure has a positive and significant effect on the company's financial performance, and 3) Corporate governance and ownership structure have a positive and significant effect on the company's financial performance. The findings of this study indicate that if a company wants to improve its financial performance, the company must improve its corporate governance and ownership structure.

Keywords: *Corporate Governance, Ownership Structure, Financial Performance*

1. Introduction

Financial performance is a measure or evaluation of how an entity (such as a company, non-profit organization, or government) manages their financial resources and how effective they are in achieving their financial goals. This is usually seen through financial ratios, income statements, and cash flow statements (Orniati, 2009). Financial performance is important because it provides information about the financial health of an entity and helps in making strategic decisions. This is very useful for business owners, investors, creditors and other interested parties to determine whether the entity is financially viable and what their future prospects are. Financial performance also helps entities to assess their success in achieving financial goals and identify areas that need to be improved (Herawati, 2019).

One of the problems regarding financial performance is low financial performance. Low financial performance is usually because companies that do not manage resources efficiently can experience financial problems. In addition, low income can cause difficulties in meeting financial obligations and increase debt burdens. High operating costs can also affect financial performance and reduce company profitability (Putra, MW, Darwis, D., & Priandika, 2021).

One of the factors that is thought to influence financial performance is corporate governance. Corporate governance is a system of rules, procedures and mechanisms used by companies to regulate themselves and ensure that shareholders and other stakeholders receive

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fair treatment. Corporate governance involves interactions between shareholders, directors, management and other interested parties to determine the direction and goals of the company and how to achieve them. The aim is to ensure that the company operates in a transparent, accountable, and responsive to the interests of shareholders and other stakeholders (Ho, 2005).

Corporate governance is very important for companies. Corporate governance can develop trust and reputation because good corporate governance helps build trust and corporate reputation, which can influence investor interest and help maintain stock prices. In addition, corporate governance can increase efficiency and productivity because good corporate governance helps ensure that companies manage resources efficiently and productively, which can improve performance and profitability. Corporate governance also guarantees shareholder rights because corporate governance ensures that shareholder rights are protected and that they have fair and transparent access to company information (Kaihatu, 2006).

Apart from corporate governance, another factor that is also thought to influence financial performance is the ownership structure. The ownership structure is how the shares of a company are distributed among the shareholders. The ownership structure determines who has control over the company and how much influence each shareholder has on company decisions (Wiranata, YA, & Nugrahanti, 2013). Ownership structure has important implications for corporate performance and corporate governance, as it influences decision making and resource allocation. Therefore, the ownership structure must be considered carefully in the company's business planning and strategy (Khafid, 2012).

A property company is a company engaged in the real estate sector, or more specifically, developing, owning and/or managing property such as houses, apartments, offices, office buildings, shopping centers and others. Property companies can act as property developers, building and selling new properties; as a property owner, owns and manages property; or as a tenant, renting out property to tenants. Property companies play an important role in the economy, as they provide income for investors and facilitate the development and ownership of property for the community. Therefore, property companies must run their business in a way that is fair, responsive, and responsible for the interests of all parties involved (Suwardika, INA, & Mustanda, 2017).

Research on Determinant Corporate Governance and Ownership Structure in Improving Company Financial Performance has been carried out by many previous researchers including (Saifi, 2019; Sabrinna, AI, & Adiwibowo, 2010; Martsila, IS, & Meiranto, 2013; Setiawan, 2016; Prasinta , 2012; Arifani, 2013; Kakaina, 2015; Eksandy, 2018; Hasan, SAK, & Mildawati, 2020; Sarafina, S., & Saifi, 2017) which explains that Corporate Governance and Ownership Structure affect the Improvement of Company Financial Performance.

Based on the results of the problem background and previous studies, the authors are interested in conducting research on the Determinants of Corporate Governance and Ownership Structure in Improving Corporate Financial Performance. This study aims to find out and analyze the Determinants of Corporate Governance and Ownership Structure in Improving the Company's Financial Performance. It is hoped that the findings of this study will be able to provide insight and knowledge to readers about Determinant Corporate Governance and Ownership Structure in Improving Corporate Financial Performance.

2. Research Method

This research method is descriptive with a quantitative approach. The population in this study are all property companies listed on the IDX for 2018-2021. The sample of this research is 15 companies according to the criteria. The criteria used in selecting the sample are (1) property companies listed on the IDX during the 2018-2021 period, (2) property companies that present annual reports during the study period, namely 2018-2021, and (3) property companies that have relevant data. completely related to the variables used in the study. The type of data used in this research is secondary data. Corporate governance variables are measured by five indicators from Hardikasari (2011), namely the Independent Board of Commissioners, Board of Commissioners, Board of Directors, Audit Committee, and Managerial Ownership. The ownership structure variable is measured by three indicators from Sugiarto (2009), namely management ownership, foreign ownership, and institutional ownership. Financial performance variables are measured by Tobin's Q and Return On Equity (ROE). Research data was obtained from the annual report for the 2018-2021 period. The analytical method used is panel data regression analysis with Eviews for Windows version 9.0 software.

3. Results and Discussion

3.1. Results

3.1.1 Descriptive Statistics

The results of the descriptive statistical analysis show that the mean corporate governance is 0.650 (65.0%) with a maximum value of 0.750 (75.0%) and a minimum value of 0.350 (35.0%). These results indicate that corporate governance in property companies in Indonesia is classified as good because it is above the median value of 0.650 (65.0%), which is between the minimum corporate governance score of 35.0% and the maximum of 75.0%. The mean share ownership structure is 0.760 (76.0%) with a maximum value of 0.840 (84.0%) and a minimum value of 0.160 (16.0%). These results indicate that the ownership structure of property companies in Indonesia can be said to be good because the average ownership structure is 0.840 (84.0%). The mean financial performance is 0.680 (6.80%) with a minimum value of 0.320 (32.00%) and a maximum value of 0.780 (78.0%). These results indicate that the financial performance of property companies in Indonesia in generating income is relatively high.

3.1.2 Outer Model or Measurement Test

The outer model assessment model uses three criteria, namely Convergent Validity, Discriminant Validity and Composite Reliability. In Convergent Validity (the magnitude of the loading factor for each construct), the individual reflexive measure is said to be high if it correlates more than 0.50 with the construct being measured. The figure above shows that there are indicators that have a loading factor value of <0.50 and are not significant, so it is necessary to retest by eliminating insignificant indicators and only involving significant indicators. After eliminating insignificant indicators, it can be seen that corporate governance, ownership structure, and financial performance have a loading factor value above 0.50.

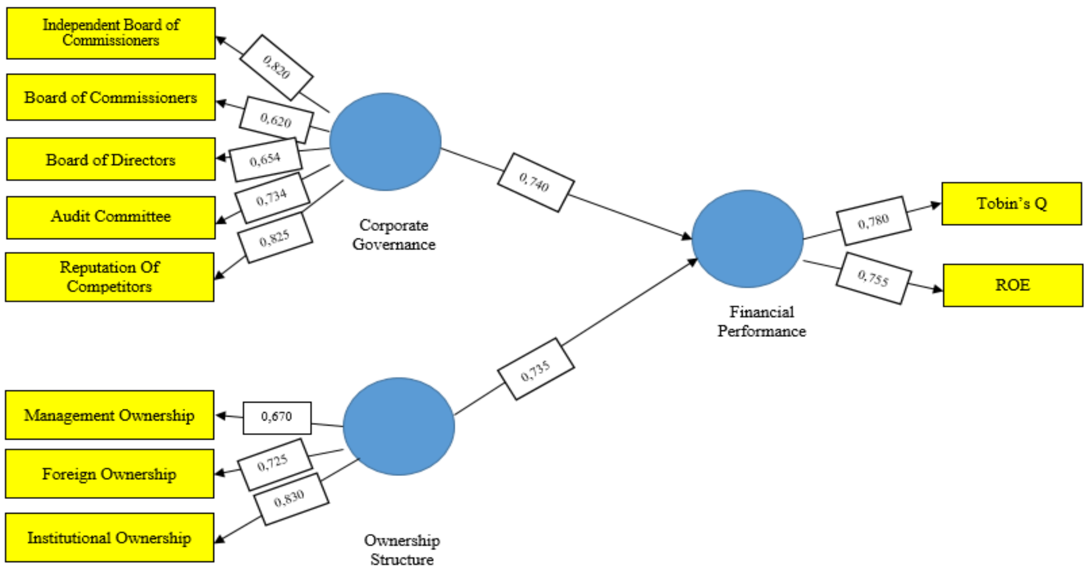

Figure 1 .
Structural Model with Partial Least Square
(Source: Data Processing, 2022)

The Disriminant validity value below shows that all loading factor values for each indicator of each latent variable have a greater value when compared to other latent variables. The results of discriminant validity testing are as follows:

Table 1.
Discriminant Validity Value (Cross Loading)

	Corporate Governance	Ownership Structure	Financial performance
Corporate Governance	1,000	0.800	0.280
Ownership Structure	0.800	1,000	0.080
Financial performance	0.280	0.080	1,000

Source: Data processing with PLS, 2022

The Composite Reliability table shows that the exogenous and endogenous constructs have good reliability because the Composite Reliability value is above 0.70 which is equal to 1.000 and the construct has an AVE above 0.50 which means the construct has good reliability and validity. The results of the Composite Reliability test are as follows:

Table 2.
Composite Reliability and AVE

	Composite Reliability	**AVE**
Corporate Governance	1,000	1,000
Ownership Structure	1,000	1,000
Financial performance	1,000	1,000

Source: Data processing with PLS, 2022

3.1.3 Outer Model or Measurement Test

Testing of the Inner Model or Structural Model is carried out to see the relationship between constructs, significance value and R-Square of the research model. The test results show that the R-Square results are equal to 0.560, which means that the Corporate Governance and Ownership Structure variables are able to explain the performance variable of 56.0%. The low R-Square results indicate that the Corporate Governance and Ownership Structure variables are able to explain financial performance variables, because only 44.0% is explained by other variables that are not present in this study, this also shows that the structural equation is quite good.

3.1.4 Hypothesis Testing

Hypothesis testing can be seen from the values contained in the output path coefficients. The results of the first hypothesis show that the coefficient of the Corporate Governance variable is positive 0.740 , besides that the Corporate Governance construct on performance shows a T count > T table (1.99962) that is 3.232 > 1.99962 and P Values <0.05, that is 0.002 <0. 05. These results conclude that Corporate Governance has a positive and significant effect on performance, which means that the first hypothesis is supported.

The results of the second hypothesis show that the coefficient of the Ownership Structure variable is positive 0.735, besides that the Ownership Structure construct on financial performance shows the value of T count > T table (1.99962) which is 4.200 > 1.99962 and P Values <0.02 which is 0.040 <0 ,05. These results conclude that ownership structure has a positive and significant effect on financial performance, which means that the second hypothesis is supported. The results of the third hypothesis show that the ICG and Bank Reputation variable coefficients are positive 0.780, besides that the constructs of Corporate Governance and Ownership Structure on financial performance show T count > T table (1.99962), namely 3.300 > 1.99962 and P Values <0. 02, namely 0.040 <0.05. These results conclude that Corporate Governance and Ownership Structure have a positive and significant effect on financial performance, which means that the third hypothesis is supported. The output of the path coefficients is as follows:

Table 3.
Path Coefficients (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Means (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Corporate Governance > Financial Performance	0.740	0.660	0.205	3,232	0.002
Ownership Structure > Performance	0.735	0.750	0.302	4,200	0.002
Corporate Gvernance and Ownership Structure > Financial Performance	0.780	0.770	0.325	3,300	0.002

Source: Data processing with PLS, 2022

3.2. Discussion

a. The Effect of Corporate Governance on the Company's Financial Performance

The first hypothesis put forward in this study is that corporate governance has a positive and significant effect on the company's financial performance. The results of testing the hypothesis above show that corporate governance has a positive and significant effect on the company's financial performance. These results can be concluded that the first hypothesis is accepted. This result means that if you want to have high financial performance you must also have high corporate governance, and vice versa. Overall, good corporate governance can help companies manage risk, strengthen reputation, and improve overall financial performance. Good corporate governance ensures that companies report their finances and operations in an open and accountable manner, building stakeholder trust and improving financial performance . In addition, a good corporate governance structure helps companies to manage resources and improve operating efficiency, thereby strengthening financial performance. Good corporate governance also ensures that the board of directors and commissioners work together to build a strong business strategy and focus on long-term growth, which is the basis for good financial performance (Pradana, YA, & Rikumahu, 2014).

b. Effect of Ownership Structure on Company Financial Performance

The second hypothesis proposed in this study is that ownership structure has a positive and significant effect on the company's financial performance. The results of testing the hypothesis above show that ownership structure has a positive and significant effect on the company's financial performance. These results can be concluded that the second hypothesis is accepted. This result means that if you want to have high financial performance, you must also have a high ownership structure, and vice versa. Ownership structure has a significant influence on the company's financial performance. Overall, ownership structure has a significant influence on how a company manages operations and finances, and affects the company's financial performance in the long term. Ownership structure influences how companies allocate resources and how they manage operations and finances. For example, companies with public ownership tend to focus more on maximizing value for shareholders, while companies with family ownership tend to focus more on long-term growth. Moreover, the ownership structure influences how the company is monitored and led. For example, companies with public ownership tend to be more closely monitored by stakeholders such as financial analysts and the media, whereas companies with certain ownership tend to be more owner-led. Ownership structure also influences how companies access funds and how they finance operations and growth. For example, companies with public ownership have access to funds through the capital market, while companies with certain ownership tend to depend on internal funds and other funding sources (Prasetyanto, P., & Chariri, 2013).

c. The Influence of Corporate Governance and Ownership Structure on Company Financial Performance

The third hypothesis proposed in this study is corporate governance and ownership structure has a positive and significant effect on the company's financial performance. The results of testing the hypothesis above show that corporate governance and ownership structure have a positive and significant effect on the company's financial performance. These results can be concluded that the third hypothesis is accepted. This result means that if you want to have high financial performance you must also have high corporate governance and ownership structure, and vice versa. Corporate governance and ownership structure have a positive and significant effect on the company's financial performance. Both of these factors have a significant influence on the company's financial performance. Corporate governance is a system used to regulate and supervise how companies are managed and led. The ownership structure is how the shares and control of a company are distributed among various stakeholders. These two factors influence each other and work together to influence the company's financial performance. Corporate governance influences the company's financial performance by ensuring that the company is run in a transparent, accountable manner, and follows the principles of good governance. This helps build stakeholder trust and increases the company's acceptability in the market, which in turn can improve the company's financial performance (Rahmatika, N., & Agus, 2015).

The ownership structure influences the company's financial performance by ensuring that the interests of stakeholders are accommodated and supported by an effective ownership system. A good ownership structure helps increase efficiency and reduce business risk, which in turn can improve the company's financial performance. Overall, corporate governance and ownership structures help ensure that companies are properly managed and led, and ensure that stakeholder interests are accommodated and supported by effective systems. This helps improve the company's financial performance in the long term (Aprianingsih, A., & Yushita, 2016).

The results of this study are in line with the results of previous studies (Saifi, 2019; Sabrinna, AI, & Adiwibowo, 2010; Martsila, IS, & Meiranto, 2013; Setiawan, 2016; Prasinta, 2012; Arifani, 2013; Kakaina, 2015; Eksandy , 2018; Hasan, SAK, & Mildawati, 2020; Sarafina, S., & Saifi, 2017) which revealed that Corporate Governance and Ownership Structure have an effect on Improving the Company's Financial Performance.

4. Conclusion

Based on the results and discussion that have been described by the authors above regarding the Determinants of Corporate Governance and Ownership Structure in Improving Company Financial Performance, the authors can draw conclusions: 1) Corporate governance has a positive and significant effect on company financial performance, 2) Ownership structure has a positive and significant effect on the company's financial performance, and 3) Corporate governance and ownership structure have a positive and significant effect on the company's financial performance. Based on the results and discussion and conclusions regarding Determinant Corporate Governance and Ownership Structure in Improving Company Financial Performance, the authors can provide the following recommendations: 1) for property companies, property companies should ensure transparency and accountability in their operations, such as reporting finances regularly and right and the current ensures that their ownership structure benefits all stakeholders and promotes the principles of good corporate governance, 2) For future researchers, it is best to conduct research by adding other variables that are also suspected of influencing company performance or researching other corporate sectors besides property such as retail and others.

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