

The Influence of Corporate Governance on the Performance of LQ 45 Index Companies Listed on the Indonesia Stock Exchange in 2019 to 2023

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Abstract. This study aims to analyze the influence of corporate governance on the performance of companies that are members of the LQ45 index in Indonesia for the 2019–2023 period. The corporate governance variables studied included the size of the independent board of commissioners, the size of the board of directors, the proportion of commissioners' shareholding, the proportion of directors' shareholding, and the proportion of public shareholding, while the company's performance was measured using Tobin's Q. This study used a quantitative approach with a purposive sampling method so that 17 companies were obtained as a research sample. The data were analyzed using multiple linear regression. The results show that the size of the independent board of commissioners and the proportion of public shareholding have a significant effect on the company's performance. In contrast, the size of the board of directors, the ownership of the shares of the directors, and the ownership of the shares of the commissioners did not show a significant influence. These findings indicate that the role of independent oversight and the participation of public shareholders is more effective in increasing the value of the company than managerial ownership. The contribution of this research is to provide empirical evidence on the most relevant corporate governance factors in improving the performance of large and liquid companies in the Indonesian capital market.

Keywords: Corporate Governance, Corporate Performance, LQ45, Tobin's Q

INTRODUCTION

Company performance is the level of success of the organization in achieving the goals that have been set and is the main factor in building investor confidence in the security and return on investment. The increase in performance is greatly influenced by the implementation of *good corporate governance* (GCG) (Oviyani, 2024)., which plays a role in improving operational efficiency, competitiveness, and the quality of the company's financial performance. In Indonesia, the weak implementation of GCG is still the cause of the low performance of a number of companies, including due to conflicts of interest between management and owners, ineffective supervision, and the practice of manipulating financial statements. For public companies, GCG is an important foundation to increase market value and confidence, especially for issuers who are members of the LQ45 liquid stock index on the Indonesia Stock Exchange. A governance assessment by the Indonesian Institute for Corporate Directorship shows that several large companies such as Bank Negara Indonesia, Elang Mahkota Teknologi and Semen Indonesia have demonstrated superior GCG quality.

However, the results of previous research on the influence of *corporate governance* mechanisms on company performance still show inconsistent findings, so further research is needed (Wardoyo, 2021). This study aims to analyze the influence of various *corporate governance mechanisms*, namely the proportion of independent commissioners, the size of the board of directors, and share ownership by commissioners,

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directors, and the public on the performance of companies that are members of the LQ45 index for the 2019–2023 period. The research is also motivated by conflicts of interest between management and owners that can hinder the achievement of company goals if not controlled through GCG principles such as transparency, accountability, responsibility, independence, and fairness. The results of the research are expected to provide benefits for management as an evaluation material for the implementation of GCG, for investors as a basis for investment considerations, and for academics as a reference for further research development related to *corporate governance* and corporate performance (Murwani, 2023)..

LITERATURE REVIEW

Agency Theory put forward by Jensen and Meckling explains the relationship between the principal and the manager (agent) that has the potential to cause a conflict of interest due to different objectives. These conflicts give rise to agency costs as well as information asymmetry problems, where managers have greater access to information than owners. To minimize these conflicts, a supervisory mechanism is needed through the implementation of good corporate governance (corporate governance). Corporate governance is a system that regulates the relationship between management, the board of directors, the board of commissioners, shareholders, and other stakeholders, with the aim of increasing transparency, accountability, and the effectiveness of the Company's management, (Rosya *et al.*, 2020). The main principles of corporate governance include transparency, accountability, responsibility, independence, and fairness, which function to maintain a balance of interests of all parties and improve the company's performance in a sustainable manner.

In practice, *the corporate governance mechanism* can be seen through the structure and ownership of the company, such as the existence of independent commissioners, the size of the board of directors, the ownership of shares by the commissioners, the ownership of shares by the board of directors, and the ownership of public shares. Independent commissioners play a role in objectively supervising management and maintaining the integrity of financial statements, while the board of directors is responsible for operational management and strategic decision-making. Shareholding by commissioners and directors is believed to reduce agency conflicts because it increases direct economic interest in the company's performance, while public ownership reflects a dispersion of ownership that encourages market surveillance and stock liquidity (Masruhah *et al.*, 2021).

Company performance is the level of success of an organization in achieving preset financial and operational goals, which are generally measured through financial indicators such as profitability, productivity, ROA, ROE, or market-based ratios such as Tobin's Q. Good performance reflects the effectiveness of resource management and is the basis for investors to assess prospects and return on investment. Therefore, company performance assessment is important to support managerial decision-making, investment, restructuring, and business development. In this study, company performance was used as a dependent variable measured using Tobin's Q ratio to assess the influence of *corporate governance mechanisms* on companies that are members of the LQ45 index on the Indonesia Stock Exchange.

METHODS

In this study, the company's performance was measured using *the Tobin's Q ratio* as a proxy for the company's market value. *Corporate governance variables* are proxied through several indicators, namely the size of the Board of Independent Commissioners, the size of the Board of Directors, the proportion of share ownership by the commissioners, the proportion of share ownership by the board of directors, and the proportion of public share ownership. The five indicators are used to represent the corporate governance structure that is suspected to have a role in improving the effectiveness of supervision and the quality of managerial decision-making.

The population in this study is companies included in the LQ45 index listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. Sample selection was carried out by *purposive sampling method*.

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In this study, five independent variables and one dependent variable were used. Independent variables include the size of the independent board of commissioners, the size of the board of directors, the proportion of the share ownership of the board of commissioners, the proportion of the share ownership of the board of directors, and the proportion of public stock ownership. Meanwhile, company performance is used as a dependent variable in this study.

The analysis technique used is *multiple linear regression* to determine the influence of independent variables on dependent variables. Before conducting regression analysis, descriptive statistical tests and classical assumptions tests were first carried out to ensure the feasibility of the model.

Descriptive Statistical Analysis

Descriptive statistics are used to provide an overview of the characteristics of a data, including maximum values, minimum values, averages, standard deviations, variances, curtosis, and the degree of distribution skewness.

Classic Assumptions

Before testing the hypothesis with multiple regression analysis in this study, classical tests were first carried out, namely the Normality Test, the Multicollinearity Test, the Aurocorrelation Test and the Heteroscedasticity Test

Multiple Linear Regression Analysis

Multiple linear regression analysis is a statistical technique used to analyze the form of relationships or influences of two or more independent variables (X) on one bound variable (Y).

Equations:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Description:

Y = Q Tobin

β_0 = Constant

X₁ = Size of the Board of Commissioners

X₂ = Size of the Board of Directors

X₃ = Proportion of Commissioner's Share Ownership

X₄ = Proportion of Share Ownership of the Board of Directors

X₅ = Proportion of Public Shareholding

$\beta_1 \dots \beta_5$ = The regression coefficient of each variable

e = Error

RESULTS AND DISCUSSION

Descriptive Analysis

Table 1 Descriptive Analysis Test

	N	Minimum	Maximum	Quantity	Means	Std.Deviation
Independent Dekom Size	85	.20	.83	36.38	.4280	.13120
Number of Board of Directors	85	4.00	12.00	625.00	7.3529	2.07998
Proportion of Commissioner's Share Ownership	85	.00	.06	.30	.0035	.01420
Proportion of Share Ownership of the Board of Directors	85	.00	.06	.18	.0021	.01114
Proportion of Public Stock Ownership	85	.15	.66	32.60	.3835	.11348
Company Performance	85	.70	16.26	173.05	2.0359	2.65562
Valid N (in the direction of the list)	85					

Source: Data processed 2025

From table 1 descriptive statistics, the results are obtained:

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1. The size of the independent board of commissioners, *standard deviation* 0.131, *mean* 0.428, maximum value 0.83 at PT. Unilever, and a minimum value of 0.20 at PT. Vale Indonesia in 2019;
2. The size of the board of directors, *standard deviation* is 2.079, *mean* is 7.352, the maximum value at PT. Unilever in 2022 of 12.00 people, and the minimum score at PT. Vale Indonesia in 2022 amounted to 4.00 members of the board of directors;
3. The proportion of share ownership of the board of commissioners with a sample of 85 *standard deviation* is 0.142, *mean* 0.003, maximum value 0.06 at PT. Adaro Energy in 2019 - 2023, and a minimum value of 0.00 in all companies that are sampled except PT. Adaro Energy;
4. The proportion of shares ownership of the board of directors with a sample of 85, *standard deviation* 0.01114, *mean* 0.0021, maximum value 0.06 at PT. Adaro Energy in 2019-2021, and a minimum value of 0.00 in all companies that are sampled except PT. Adaro Energy;
5. The proportion of public share ownership with a sample of 100, *standard deviation* 0.113, *mean* 0.383, maximum value 0.66 at PT. Bukit Asam in 2021, a minimum value of 0.15 at PT. Unilever in 2019-2023;
6. The company's performance measured using *Tobin's Q* with a sample of 85 has a *standard deviation* of 2.655, a *mean* of 2.035, a maximum value of 16.26 at PT. Unilever in 2019, and a minimum value of 0.70 at PT. Indah Kiat Pulp & Paper in 2023.

Classic Assumption Test

Normality Test

Table 2 Table of Kolmogrov-Smirnov Test Results

N			85
Normal Parameters ^{a,b}		Means	.0000000
		Std. Deviation	.40335034
The Most Extreme Differences	Absolute		.091
	Positive		.091
	Negatives		-.054
Test Statistics			.091
Asymp. Sig. (2-tail 2) ^c			.080
Monte Carlo Sig. (2 tails) ^d	Sig.		.079
	99% Confidence Interval	Lower Limit	.072
		Upper Limit	.086

Source: Data processed 2025

From table 2, it is known that the normality test with N = 85 produces a *Kolmogorov-Smirnov* value (K-S) of 0.091 with a significance of *Asymp. (2-tailed)* = 0.080, greater than 0.05, it can be concluded that the residual data in this study is normally distributed, the assumption of normality has been met.

Multicollinearity Test

Table 3 Multicollinearity Test

Models	Collinearity Statistics	
	Tolerance	VIVID
Size of the independent board of commissioners	.744	1.344
Size of the board of directors	.801	1.248
Proportion of shareholding of the board of commissioners	.409	2.445
Proportion of shareholding of the board of directors	.410	2.436
Proportion of public share ownership	.839	1.192

Source: Data processed 2025

From table 3, it is concluded that the regression model does not occur multicollinearity, seen at the value of *Variant Inflation factor* X1 of 1344; X2 by 1,248; X3 by 2,445; X4 by 2,436; X5 of 1.192, all VIF values are less than 10 or *Tolerance* values are more than 0.10, it is stated that there are no symptoms of multicollinearity.

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Autocorrelation Test

Table 4 Autocorrelation Test

Models	Durbin-Watson
1	2.171

From table 4 it can be seen that the Durbin-Watson value is 2.171, a good regression model is one that is free of autocorrelation, where $du < dw < 4 - du$, as follows:

DL	FROM	DW	4-DU	4-DL
1,5254	1,7736	2,171	2,2264	2,4746

Source: Data processed 2025

From the table above, it is known that the statistical values of $1.7736 < 2.171 < 2.2264$, it can be concluded that there is no autocorrelation in the regression model of this study.

Heteroscedasticity Test

Table 5 Heteroscedasticity Test (Test Park)

Models	T	Signs
Independent Dekom Size	-.916	.363
Size of the Board of Directors	-.487	.628
Proportion of Commissioner's Share Ownership	-.451	.653
Proportion of Share Ownership of the Board of Directors	-1.619	.109
Proportion of Public Stock Ownership	.706	.482

Source: Data processed by researchers 2025

Based on the results of the heteroscedastic test using the Park test, the significant sig value is above 0.05, then all variables do not have symptoms of heteroscedastitis.

Equations in multiple linear regression models

Table 6 Multiple Linear Regression Analysis

Models	Beta version
(Constant)	-1.663
Independent Dekom Size	11.271
Size of the Board of Directors	.170
Proportion of Commissioner's Share Ownership	-10.736
Proportion of Share Ownership of the Board of Directors	10.328
Proportion of Public Stock Ownership	-6.158

Source: Data processed 2025

Based on the SPSS output in the table above, multiple linear regression equations can be formulated as follows:

$$Y = -1.663 + 11.271 X_1 + 0.170 X_2 - 10.736 X_3 + 10.328 X_4 - 6.168 X_5 + e$$

The equation can be described as a constant value of - 1.663, meaning that if X_1 , X_2 , X_3 , X_4 , and, X_5 are constant values, the company's performance decreases by - 1.663; the value of the coefficient of X_1 is 11.271, meaning that every increase in the value of the size of the independent dekom, will increase the value of Tobin's Q by 11.271; the value of the coefficient X_2 is 0.170, meaning that every increase in the value of the size of the board of directors, will increase Tobin's Q value by 0.170; X_3 coefficient value of - 10.736, meaning that each increase in the value of the proportion of the commissioner's shareholding, will decrease the value of Tobin's Q by -10.736; the value of the X_4 coefficient by 10.328, meaning that any increase in the value of the proportion of the shareholders' shareholding, will increase the value of Tobin's Q 10,328; The value of the X_5 coefficient is - 6.158, meaning that any increase in the value of the proportion of public share ownership will decrease the value of Tobin's Q by -6.158.

F Test (Simultaneous Test)

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Table 7 F Test

F	Sig.
22.344	<.001b

Source: Data processed 2025

From table 7 of the ANOVA test or F test, a significant value of 0.000 was obtained that was smaller than 0.05, so the size of the independent decom, the size of the board of directors, the proportion of the commissioner's share ownership, the proportion of the director's share ownership, and, the proportion of public share ownership had an effect on the company's performance (*Tobin's Q*). So it can be concluded that *corporate governance* has a significant effect on company performance.

T Test (Partial Test)

Table 8 T Test

Models	Non-Standard Coefficients B	Std. Error	Standard Coefficients Beta version	t	Sig.
(Constant)	-1.663	1.295		-1.284	.203
X1	11.271	1.699	.557	6.633	<.001
X2	.170	.103	.133	1.649	.103
X3	-10.736	21.172	-.057	-.507	.614
X4	10.328	26.951	.043	.383	.703
X5	-6.158	1.850	-.263	-3.329	.001

Source: Data processed by researchers 2025

The results of the statistical test in table 4.10 can be explained as follows:

- A significant value of 0.001 is less than $\alpha = 5\%$, meaning that the variation in the size of the independent board of commissioners affects the company's performance, the first hypothesis (H1.1) is accepted.
- A significant value of 0.103 greater than $\alpha = 5\%$, meaning that the size of the board of directors has no effect on the company's performance, the second hypothesis (H1.2) is rejected.
- A significant value of 0.614 is greater than $\alpha = 5\%$, meaning that the proportion of the board of commissioners' share ownership has no effect on the company's performance, the third hypothesis (H1.3) is rejected.
- A significant value of 0.703 is greater than $\alpha = 5\%$, meaning that the proportion of the share ownership of the board of commissioners has no significant effect on the company's performance, the fourth hypothesis (H1.4) is rejected.
- A significant value of 0.001 is less than $\alpha = 5\%$, meaning that the proportion of public share ownership has a significant effect on the company's performance, the fifth hypothesis (H1.5) is accepted.

Coefficient of Determination (R²)

Table 9 Coefficient of Determination

Models	R Square	Customized R Box
1	.586	.560

Source : Data processed 2025

From table 9, the *adjusted* R² is 0.560, meaning that 56.0% of the dependent variables of the company's performance can be explained by the independent variables of the size of the independent board of commissioners, the size of the board of directors, the proportion of the share ownership of the board of commissioners, the proportion of the share ownership of the board of directors, and the proportion of public share ownership, the remaining 44.0% is explained by other factors outside the model of this study.

CONCLUSION

Based on the hypothesis testing carried out, the conclusions obtained are as follows:

- The size of the independent board of commissioners affects the performance of LQ 45 index companies listed on the Indonesia Stock Exchange for the 2019-2023 period.

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- The size of the board of directors has no effect on the performance of LQ 45 index companies listed on the Indonesia Stock Exchange for the 2019-2023 period.
- The proportion of shareholders of the board of commissioners has no effect on the performance of LQ 45 index companies listed on the Indonesia Stock Exchange for the 2019-2023 period.
- The proportion of share ownership of the board of directors has no effect on the performance of LQ 45 index companies listed on the Indonesia Stock Exchange for the 2019-2023 period.
- The proportion of public share ownership affects the performance of LQ 45 index companies listed on the Indonesia Stock Exchange for the 2019-2023 period.

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