Accountability
Volume 13, Number 01, 2024, 01-14

Good Corporate Governance and Financial Performance of Pharmaceutical Companies in Indonesia

Karnila Ramadhani Tuharea[1] , Mursalam Salim[2] , Marten Puyo[3]
Undergraduated Programme Study of Accounting, Yapis University, Papua[1,2]
Undergraduated Programme Study of Accounting, Ichsan University, Gorontalo[3]

Corresponding e-mail :
lamsalim72@gmail.com

ABSTRACT

Good Corporate Governance is a fundamental factor in producing reliable financial performance, so it will influence investors' judgment in determining their investments. This research aims to examine the influence of Good Corporate Governance as proxied by the Board of Directors, Board of Commissioners, and Audit Committee on the company's Financial Performance (Return On Assets). This research is archival research using annual report data from pharmaceutical companies listed on the Indonesia Stock Exchange. The data processed is data from the Board of Directors, Board of Commissioners, Audit Committee, and Financial Performance (Return On Assets). The population used in this research was 12 pharmaceutical companies during the 2018-2022 period with samples obtained from 8 companies using purposive sampling techniques. This research uses multiple regression analysis as a data analysis method with tools Eviews Software 12. The results of this research conclude that the Board of Commissioners, Board of Directors, and Audit Committee influence financial performance, while the Independent Board of Commissioners does not influence financial performance.
Keywords: Good Corporate Governance, Financial Performance
JEL Classification : M40,M41,M48

Article info:
Received 14th February 2024
Revised 01st March 2024
Accepted 29th March 2024
Available online 30th March 2024

1. INTRODUCTION

Globalization has brought economic, political, and social changes in all levels of society. Under these conditions, the changes that occur in society also trigger changes in the structure of the business world (Ganda, 2022). According to Kumala & Widyasari (2020), the increasingly growing era of globalization in the current period has encouraged companies to prioritize their image in the eyes of society. The company's profit orientation is no longer the only thing that must be considered by business people, but concern for the environment is also appreciated to increase the value of the company's existence in the eyes of its stakeholders. Even so, the number of companies that believe that caring for the environment can improve their image in the eyes of the public is still relatively small, because there are still many companies that only consider profit as the only goal that must be achieved. Therefore, a company that maintains its image in front of its stakeholders will be considered by them as an excellent company.

Financial performance is needed by companies to evaluate the company's level of success based on its financial activities. Companies must maintain and improve financial performance so that their shares are always in demand by investors. The financial reports issued by the company are a reflection of financial performance (Sari et al., 2020). Mustika & Apriliani (2022) stated that in the eyes of investors, the most important and interesting thing is the company's financial reports. From these financial reports, potential investors can more easily assess whether the company is worth investing in or not. Therefore, companies must pay attention to their financial performance so that they remain an option for investors.

The financial performance phenomenon that occurred at PT. Indofarma Tbk suffered a significant loss of Rp. 18.8 billion during the third quarter of 2020. This loss did not just happen once, because Indofarma also experienced a loss of Rp. 35 billion and Rp. 34.8 billion in the same quarter for 2018 and 2019 respectively. In addition, the income to total assets (ROA) ratio of -1.69 % further indicates financial difficulties (www.beritasatu.com). This phenomenon illustrates poor financial performance for the company and is considered related to governance. Aziz et al. (2021) stated that financial performance is a measure of whether corporate governance is good or not. Winarno (2019) quoted by Hakim & Budiwitjaksono (2023) explains that financial performance in the form of returns on assets owned by a company is measured by the Return On Assets (ROA) ratio. The higher the ROA of a company, the better the company's performance because *the returns* obtained are greater (Hasibuan & Wirawati, 2020).

An important factor that influences financial performance is reflected in the application of *good corporate governance (GCG) principles*. GCG in this study is measured by the board of directors, board of commissioners, audit committee, and independent board of commissioners. The board of directors of a company is the foundation and important factor in the company's success because it has the authority to organize the Executive Director and general manager and determine the company's functional responsibilities. Directors also have a strategic function in providing the vision, mission, and goals of the organization (Kanakriyah, 2021). Research conducted by Owiredu & Kwakye (2020) states that the Board of Directors has a positive influence on financial performance as measured by ROA, however research by Ambarwati et al. (2022) stated that the number of the Board of Directors does not affect the company's financial performance. Apart from the board of directors factor, there is also another factor, namely the board of commissioners. The company's board of commissioners has the responsibility and works together to carry out supervision and supervise management actions in preparing the company's financial reports (Saragih & Sihombing, 2021). Rahmawati et al. (2022) state that the task of the board of commissioners is to carry out general and/or specific supervision by the articles of association and instructions to the board of directors. Research conducted by Luthfiana & Dewi (2023) explains that the Board of Commissioners does not influence financial performance. The results of different research conducted by Ambarwati et al. (2022) state that the number of Board of Commissioners influences the company's financial performance.

The audit committee factor also plays a role in assisting the board of directors in supervising management's financial reporting process to increase the credibility of financial reporting. Audit committees improve the quality of financial reporting (Suryandari & Susandaya, 2023). Stephen et al. (2022) state that the Audit Committee has a positive and significant effect on financial performance (ROA), but Wardana & Darya (2020) state that the Audit Committee does not affect Financial Performance (ROA). The final factor that also influences financial performance is the independent board of commissioners. The independent Board of Commissioners provides supervisory and preventive advice on conflicts between management And holder interests. The independent board of commissioners should establish an audit committee to support it in carrying out its duties and responsibilities effectively (Financial Services Authority, 2014) quoted by Yuliyanti & Cahyonowati (Yuliyanti & Cahyonowati, 2023). Research conducted by Wardana & Darya (2020) states that the

Independent Board of Commissioners does not affect Financial Performance (ROA). Meanwhile, research conducted by Candra (2021) stated that the number of Independent Commissioners has a significant effect on financial performance (ROA).

the research uses pharmaceutical companies as objects because there are issues regarding the disposal of wastewater from the pharmaceutical industry and hospitals causing Jakarta Bay to be polluted with drug residue. This situation will certainly hurt the public perception of pharmaceutical companies. Seeing these problems, the author is increasingly interested in studying the financial performance of pharmaceutical companies, especially in terms of their financial achievements (https://tirto.id).

2. LITERATURE REVIEW

2.1. Agency Theory

Jensen & Meckling (1976) said that agency theory is a theoretical framework that aims to provide explanations. In a corporate environment, the relationship between managers (agents) and company owners (principals) is based on contractual agreements. The principal is the party who authorizes the agent to carry out the company's responsibilities. An agent is a person entrusted by the principal to carry out the company's operational activities, especially management tasks. The development of agency theory was primarily motivated by the need to address and understand problems arising from contracts entered into with inadequate or incomplete information. These problems often stem from the principal-agent relationship. Agency theory is based on the premise that each person acts in his or her own best interests, and when agents deviate from the principal's best interests, conflict often arises. Therefore, individuals assume that information asymmetry will have an impact on the company's financial performance because agents will cover up information that is not shown in the financial reports (Destriana, 2015) quoted by Fatmawati & Alliyah (2023).

2.2. *Good Corporate Governance*

Bayu & Hunde (2020) explain that *good corporate governance* refers to the way a company is directed, managed, and controlled, this mainly involves the relationship between the various internal and external stakeholders involved and helps the company achieve its goals. By allocating various parties with an interest in the company, such as creditors, suppliers, business associations, consumers, workers, government, and the wider community (Candra, 2021). According to Maridkha & Himmati (2021), *Good Corporate Governance* aims to create a balanced control system, also known as *check and balance*, to prevent abuse and support company growth, so that companies can improve financial performance. Several studies measure *good corporate governance* with the Board of Directors, Board of Commissioners, Audit Committee, and Board of Independent Commissioners).

2.3. Board of Directors

The Board of Directors is a member of a company that has two main functions, namely providing advice and being responsible for structuring the company (Ibrahim & Danjuma, 2020). Based on Law of the Republic of Indonesia Number 40 of 2007 concerning Limited Liability Companies, it is stated that the board of directors is a company organ that has the rights and is fully responsible for managing the company in line with the company's hopes and objectives. The Board of Directors is also responsible for representing the company, both inside and outside the court, by the provisions of the articles of association. The Board of Directors is trusted to protect the interests of shareholders (Hoitash & Mkrtchyan, 2021) as quoted by Fajri et al. (2022).

2.4. Board of Commissioners

The Board of Commissioners is the total number of members of the Board of

Commissioners in a company, both from internal companies and from external sample companies (Ambarwati et al., 2022). Darmayanti & Arigawati (2023) stated that the Board of Commissioners must form an Audit Committee to support its ability to carry out its duties and responsibilities.

2.5. Audit Committee

The Audit Committee is usually referred to as a group of people selected to carry out a certain job which can also be called a special task. According to the Board of Directors of the Indonesia Stock Exchange (BEI), the audit committee describes a committee that has been established by the company's board of commissioners and its members, which may be appointed or dismissed. His task is to help carry out the necessary checks on the implementation of the directors' functions in controlling a company (Maridkha & Himmati, 2021).

2.6. Independent Board of Commissioners

The Independent Board of Commissioners is an organization that adapts the use of majority shareholders to minority shareholders and acts as a liaison between managers, auditors, and shareholders (Septianawati & Wening, 2021) as quoted by Darmayanti & Arigawati (2023). Munifah et al. (2020) said that the independent board of commissioners as a company organ has the task and responsibility together to carry out observations provide direction to the directors and ensure that the company carries out *Good Corporate Governance*.

2.7. Financial performance

Financial performance is a determinant of a company's revenue, profit, and added value (Ololade & Balogun, 2021). According to Fajri et al. (2022), performance measurement is needed to evaluate the success of a company and as a way to achieve improvements or increase performance in the coming period and motivate to achieve company goals. According to Mohammed (2020) financial performance is a role that determines certain measurements that can be used to measure a company's ability to generate profits. Financial performance will be optimal if company management is carried out with good and correct functions, so in this case, good corporate governance holds an important obligation in optimizing the company's financial performance through company reporting in the form of financial reports and annual reports (Titania & Taqwa, 2023).

2.8. Hypothesis

2.8.1. The Influence of the Board of Directors on Financial Performance

According to agency theory, management or the board of directors is the agent of the stakeholders. The role and function of the Board of Directors in a company are very important. The Board of Directors is tasked with determining the company's long-term and short-term policies and is responsible for the company's development. In addition, the Board of Directors is the company's representative, both internally and externally. Large membership improves relationships with external parties of the company, thereby also improving company performance (Rahmawati, 2017) (Yuliyanti & Cahyonowati, 2023).

Terzaghi & Ikhsan (2022) stated that the Board of Directors has a positive and significant influence on financial performance, and research was also conducted by Safitri & Hariyati (2022) The Board of Directors can have a significant impact on the company's financial development. The greater the number of Board of Directors, the greater the company's financial performance. The first hypothesis proposed in this research is:

H1: The board of directors influences financial performance

2.8.2. The Influence of the Board of Commissioners on Financial Performance

Agency theory assumes that the board of commissioners is the highest internal control process in a company. Through this role, the company can operate by existing regulations and ensure its sustainability. The size of the Board of Commissioners must be commensurate with the knowledge and skills possessed by the Board of Commissioners so that the implementation of the supervisory function can be smoother. Having a large Board of Commissioners will minimize the occurrence of fraud in a company because it will be easier to supervise (Yuliyanti & Cahyonowati, 2023).

Ramadhani et al. (2022) expressed the opinion that the Board of Commissioners influences financial performance which is proxied by Return on Assets. And research conducted by Ambarwati et al. (2022) says that the Board of Commissioners influences the company's financial performance. The more commissioners there are in a company, the better the company's financial performance will be. The second hypothesis developed in this research is:

H2: The board of commissioners influences financial performance

2.8.3. The Influence of the Audit Committee on Financial Performance

The implementation of *Good Corporate Governance* in a company cannot be separated from the large role of the audit committee. The Indonesian Audit Committee Association defines it as a committee formed by the Board of Commissioners and carrying out its duties professionally and independently. The main task of the Audit Committee is to facilitate the board of commissioners to strengthen its function in the company's accounting system, internal supervision, and financial reporting (Rahmawati, 2017) as quoted by Yuliyanti & Cahyonowati (2023).

According to research by Candra (2021), the Audit Committee has a significant influence on financial performance as measured by Return On Assets. In Arfita's research (2023), the Audit Committee has a positive and significant effect on the financial performance of mining companies. The higher the proportion of Audit Committee members, the better the supervision carried out, and can minimize management efforts to manipulate financial data and accounting procedures, so that the company's financial performance will increase. The third hypothesis developed from this research is:

H3: Audit committees influence financial performance

2.8.4. The Influence of the Independent Board of Commissioners on Financial Performance

The task of the Independent Board of Commissioners is to coordinate the interests of majority *stakeholders* and minority group stakeholders and act as a mediator between managers, auditors, and stakeholders. Agency theory argues that the presence of external parties who are not affiliated with the company will allow the board of directors to monitor management more effectively, which is positively related to the company's financial performance. Agency theory also suggests that there is an imbalance in the amount of information owned by management, a*gents*, and stakeholders, as *principals* (Jensen & Meckling, 1976) quoted by Yuliyanti & Cahyonowati (2023). Yuliyanti & Cahyonowati (2023) state that companies can increase the proportion of independent boards of commissioners to minimize conflicts of interest between *principals* and *agents*.

Candra, (2021) states that the Independent Board of Commissioners influences financial performance as measured by Return On Assets (ROA) and also research conducted by Arfita (2023) states that the Independent Board of Commissioners has a positive and significant influence on the financial performance of mining companies. By increasing the proportion of the Board of Independent Commissioners, the company's supervisory function will be carried out well so that the company's financial performance will also increase. The fourth hypothesis developed from this research is:

H4: The independent board of commissioners influences financial performance

3. RESEARCH METHODS

The type of research used is quantitative research and is a case study on *Good Corporate Governance* and Financial Performance of Pharmaceutical Sub-Sector Manufacturing

Companies Listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 Period. The time obtained in carrying out this research was carried out for 3 months, namely September 2023 to December 2023. The population in the study is a Pharmaceutical company listed on the Indonesian Stock Exchange and has published a complete annual report after being audited starting from the period 2018-2022 which is as many as 12 companies. The sample obtained used a non-probability sampling technique (purposive sampling) to select 8 pharmaceutical companies listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period, with a total of 40 samples. The samples collected were secondary data, namely data in the form of annual financial reports accessed from the website www.idx.co.id.

4. RESULTS AND DISCUSSION

4.1. Results

4.1.1. Descriptive Statistics

Based on data from pharmaceutical companies listed on the Indonesian Stock Exchange (BEI) and Financial Performance, Good Corporate Governance data (Board of Directors, Board of Commissioners, Audit Committee, and Independent Board of Commissioners) processed using *Eviews 12 Software*, the following descriptive statistical results were obtained:

Table 4.1. Descriptive Statistical Analysis

	ROA	DD	DK	KA	DKI
Mean	11.34379	5.075000	4.700000	3.125000	0.448750
Median	9.417350	4.500000	5.000000	3.000000	0.428571
Maximum	30.99037	10.00000	7.000000	5.000000	0.750000
Minimum	0.614453	2.000000	2.000000	3.000000	0.250000
Std. Dev.	7.079927	2.080280	1.636131	0.404304	0.107196
Skewness	0.922640	0.850947	-0.147987	3.352142	0.346680
Kurtosis	3.514910	2.750641	1.927996	13.90427	3.122507
Jarque-Bera	6.116987	4.931043	2.061323	273.0841	0.826261
Probability	0.046958	0.084965	0.356771	0.000000	0.661576
Sum	453.7514	203.0000	188.0000	125.0000	17.95000
Sum Sq. Dev.	1954.889	168.7750	104.4000	6.375000	0.448152
Observations	40	40	40	40	40

Source: *Eviews* 12 output, 2023

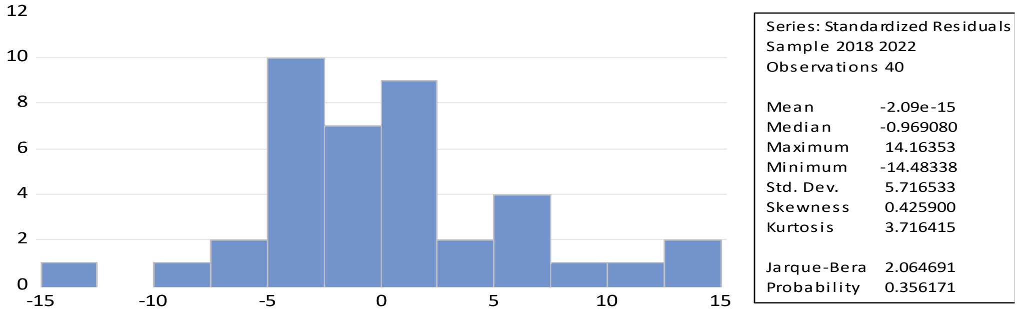
Based on Table 4.1, the results of descriptive statistical analysis show that *Good Corporate Governance* (GCG) using the proxy of the company's Board of Directors has a minimum value of 2 and a maximum value of 10. The research sample average for the Board of Directors is 5.075 and the standard deviation is 2.080. Std value. *The deviation* is smaller than the average value *(mean)*, namely 2.080 < 5.075, which illustrates that the distribution of the number of Board of Directors data is good. GCG using the company's Board of Commissioners proxy has a minimum value of 2 and a maximum value of 7. The research sample average for the Board of Commissioners is 4,700 with a standard deviation of 1,636. Std value. *The deviation* is smaller than the average value, namely 1.636 < 4.700, which also illustrates that the distribution of data on the number of Board of Commissioners is good. The company's Audit Committee proxy has a minimum value of 3 and a maximum value of 5. The research sample average for the Board of Commissioners is 3.125 with a standard deviation of 0.404. Std value. *The deviation* is smaller than the average value, namely 0.404 < 3.125, giving a relatively good picture of the distribution of the number of Audit Committees. The company's Independent Board of Commissioners proxy has a minimum value of 0.25 and a maximum value of 0.75. The research sample average for the Board of Independent Commissioners is 0.448 with a standard deviation of 0.107. Std value. *The deviation* is smaller than the average value *(mean)*, namely 0.107 < 0.448, indicating that the distribution of the number of Independent Commissioners is also relatively good.

4.1.2. Classic Assumption Test Results

Normality test

The results of the normality test carried out using the Jarque-Bera test showed a probability value of 0.356> 0.05. This means that the data is normally distributed, making it possible to carry out further tests using this data. This result is reinforced by the graph shown in Figure 4.1.

Figure 4.1. Normality test



Source: *Eviews* 12 output, 2023

Test Multicollinearity

The results of the multicollinearity test did not find a high correlation between the independent variables. This indicates that this research does not experience symptoms of multicollinearity. The acceptable correlation value in the multicollinearity test is 70 percent or 80 percent (0.7 or 0.8).

Table 4.2. Test Multicollinearity

	DD	DK	KA	DKI
DD	1.000000	0.511523	-0.072405	0.093786
DK	0.511523	1.000000	0.058143	-0.053362
KA	-0.072405	0.058143	1.000000	0.013558
DKI	0.093786	-0.053362	0.013558	1.000000

Source: *Eviews* 12 output, 2023

Based on Table 4.2 above, the results of the multicollinearity test above show that the correlation values are 0.511, -0.072, 0.093, and -0.053 < 0.7 so it can be concluded that there is no multicollinearity problem in the research variables.

Test Heteroscedasticity

The results of the heteroscedasticity test do not find inequality of variance from one residual variable to another. The results of the heteroscedasticity test using the *white method*, the *Probability Chi-Square value* of *Obs*R-squared* is 0.0774 > 0.05 so it can be concluded that there are no symptoms of heteroscedasticity in this research model.

Table 4.3. Test Heteroscedasticity

Heteroskedasticity Test: White
Null hypothesis: Homoskedasticity

F-statistic	2.162738	Prob. F(13,26)	0.0456
Obs*R-squared	20.78188	Prob. Chi-Square(13)	0.0774
Scaled explained SS	21.61061	Prob. Chi-Square(13)	0.0617

Source: *Eviews* 12 output, 2023

Autocorrelation Test

The results of the autocorrelation test using the *Breusch-Godfrey test* obtained a probability value of 0.0700 > 0.05, so it can be concluded that there are no symptoms of autocorrelation in this research model.

Table 4.4. Autocorrelation Test

F-statistic	2.530845	Prob. F(2,33)	0.0949
Obs*R-squared	5.319459	Prob. Chi-Square(2)	0.0700

Source: *Eviews* 12 output, 2023

4.1.3. Hypothesis Test Results

Table 4.5. Hypothesis Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	30.64163	8.988152	3.409114	0.0017
DD	-1.569177	0.550185	-2.852091	0.0072
DK	1.616524	0.696749	2.320096	0.0263
KA	-8.003523	2.412570	-3.317426	0.0021
DKI	13.54667	9.123426	1.484823	0.1465

Eviews 12 output, 2023

The regression coefficient value for the Board of Directors is -1.569, which means that if the Board of Directors variable increases by one unit, financial performance will decrease by -1.569. The regression coefficient value for the Board of Commissioners is 1.616, which means that if the Board of Commissioners variable increases by one unit, financial performance will increase by 1.616. The Audit Committee regression coefficient value is -8.003, which means that if the Audit Committee variable increases by one unit, financial performance will decrease by 8.003. The regression coefficient value for the Board of Independent Commissioners is 13.546, which means that if the variable for the Board of Independent Commissioners increases by one unit, financial performance will increase by 13.546.

From the results of the Partial Test (t-test) in Table 4.5 above, it is explained that the regression coefficient value for the Board of Directors has a t-count value of -2.852 (negative sign) and a significance value of 0.0072 < 0.05 which means **H_1 is accepted**, however there is Negative effect. The regression coefficient value for the Board of Commissioners has a t-calculated value of 2.320 (positive sign) and the significance value is 0.0263 < 0.05, which means **H_2 is accepted. The audit committee** regression coefficient value has a t-value of -3.317 (negative sign) and a significance value of 0.0021 <0.05, which means **H_3 is accepted**, but there is a negative influence. The regression coefficient value for the Board of Independent Commissioners is 1.484 (positive sign) and the significance value is 0.1465 > 0.05, which means **H_4 is rejected.**

4.1.4. Determinant Coefficient Test Results (R^2)

The R^{2} test was carried out to measure the model's ability to explain changes in the dependent variable. In this research, the coefficient of determination uses the Adjusted R-Square.

Table 4.6. Determinant Coefficient Test (R^2)

R-squared	0.348060	Mean dependent var	11.34379
Adjusted R-squared	0.273552	S.D. dependent var	7.079927
S.E. of regression	6.034357	Akaike info criterion	6.549284
Sum squared resid	1274.471	Schwarz criterion	6.760394
Log likelihood	-125.9857	Hannan-Quinn criter.	6.625615
F-statistic	4.671474	Durbin-Watson stat	1.109122
Prob(F-statistic)	0.003975		

Source: *Eviews* 12 output, 2023

Based on Table 4.6, it can be seen that the results of the regression test have an Adjusted R-squared value of 0.2735, which means that 27.35% of the financial performance variables can be explained by the variables of the Board of Directors, Board of Commissioners, Audit Committee and independent Board of Commissioners, and the remaining 72.65 % explained by other factors not included in the analysis model in this study.

4.2. Discussion

4.2.1. The Influence of the Board of Directors on Financial Performance (ROA)

The first hypothesis can be concluded that the Board of Directors influences the financial performance of pharmaceutical companies, but has a negative influence. It can be seen from the coefficient value of -1.569 (negative sign) with a t value of -2.852 (negative sign) and the significance value is 0.0072 so the significance value is smaller than 0.05, which means the first hypothesis **is accepted.**

According to agency theory, the board of directors plays a very important role in a company. By separating its role from the Board of Commissioners, the Board of Directors has enormous power in managing all existing company resources. The task of the Board of Directors is to determine the strategic direction of company policies and resources for both the short and long term to improve the company's financial performance (Jensen & Meckling, 1976). The results of this research have a negative effect because they are not by agency theory so a larger Board of Directors will not improve a company's financial performance. The human capacity to discuss and negotiate is limited. If the Board of Directors is too large, the process of gathering opinions and making decisions will become difficult, long, and protracted, resulting in the Board of Directors being unable to carry out its functions effectively (Nasution, 2022).

The results of this study are in line with Fajri *et al* . (2022), Adi & Suwarti (2022), and Musah & Adutwumwaa (2021) which state that the Board of Directors hurts financial performance. However, the results of this study are different from those of Atmawiaji *et al* . (2022), Putra *et al* . (2023), and Owiredu & Kwakye (2020) which state that the Board of Directors does not influence financial performance.

4.2.2. Influence of the Board of Commissioners on Financial Performance (ROA)

The second hypothesis can be concluded that the Board of Commissioners influences the financial performance of pharmaceutical companies. It can be seen from the coefficient value of 1.617 (positive sign) with a t value of 2.320 (positive sign) and a significance value of 0.026, that the significance value is smaller than 0.05, which means the second hypothesis **is accepted.**

According to agency theory, this theory states that the monitoring process will prevent errors that often occur when managing a company's financial reporting which can harm the interests of all parties. Good supervision will be able to reduce agency problems thereby helping the company achieve company goals and improve the company's financial performance (Jensen & Meckling, 1976). Therefore, the greater the number of members of the board of commissioners, the better the supervision and control over management actions and opportunities, and the better management control over company management (Nasution, 2022).

The results of this study are consistent with Aziz *et al* . (2021), Putra *et al* . (2023), Darmayanti & Arigawati (2023), and Ambarwati *et al* . (2022) which state that the Board of Commissioners influences financial performance. However, the results of this study are not in line with Atmawiaji *et al* . (2022), Candra (2021), Hakim & Budiwitjaksono (2023), and Fatmawati & Alliyah (2023) who state that the Board of Commissioners does not influence financial performance.

4.2.3. The Influence of the Audit Committee on Financial Performance (ROA)

The third hypothesis can be concluded that the Board of Directors influences the financial performance of pharmaceutical companies, but has a negative influence. It can be seen from the coefficient value of -8.004 (negative sign) with a t value of -3.317 (negative sign) and the significance value is 0.002 so the significance value is smaller than 0.05, which means the third hypothesis **is accepted.**

Agency theory states that the presence of an Audit Committee can reduce agency conflicts that occur between shareholders and management. Forming an Audit Committee to be able to supervise external audits, supervise financial reporting, and comply with the internal control system (including internal audits) can reduce management's ability to carry out earnings management and other things that may be detrimental to the company, namely by monitoring financial reports. as well as supervising external audits (Jensen & Meckling, 1976).

The results of this research have a negative effect because they are not by agency theory, this is thought to be because they do not understand their role and function as an Audit Committee. This situation prevents the Audit Committee from expressing professional and independent ideas to the Board of Commissioners regarding the reports provided by the Board of Directors. Audit Committee performance that is not optimal can give management the freedom to not be transparent in financial reporting and therefore can provide inaccurate information. This can cause information asymmetry between management and shareholders, giving rise to agency problems (Nasution, 2022). The results of this study are in line with Katutari *et al* . (2019), Adi & Suwarti (2022), and Kyere & Ausloos (2021) which state that the Audit Committee has a negative effect on financial performance. Meanwhile, the results of this study conflict with Nita & Manda (2021), Stephen *et al* . (2022), and Sari *et al* . (2020) which states that the Audit Committee influences financial performance.

4.2.4. The Influence of the Independent Board of Commissioners on Financial Performance (ROA)

The fourth hypothesis can be concluded that the Independent Board of Commissioners does not influence the financial performance of pharmaceutical companies. It can be seen from the coefficient value of 13.547 (positive sign) with a t value of 1.485 (positive sign) and the significance value is 0.147 so the significance value is greater than 0.05, which means the fourth hypothesis **is rejected.** The results of this research are not by agency theory which states that the presence of an Independent Board of Commissioners can carry out its duties as supervisor and controller in handling conflicts of interest between management and shareholders, thereby preventing fraud in the company's financial reports which can help the company achieve company goals, so that it can improve company financial performance (Jensen & Meckling, 1976).

The existence of a proportion of the Independent Board of Commissioners who come from outside the company or are autonomous officials who can act as coordinators with diverse skills and experience, thereby allowing the supervisory capacity of the Independent Board of Commissioners to be reduced due to coordination, communication, and decision-making problems arising. The presence of an Independent Board of Commissioners from outside the company can also cause a lack of adequate information about the company. This happens because there is no solid management from the Board of Independent Commissioners, this is also related to the function of the Board of Independent Commissioners, the more independent Board of Commissioners a company has, the more difficult it will be to communicate so that it will reduce the company's performance and make the performance ineffective (Nasution, 2022). The results of this study are in line with Aziz *et al* . (2021), Atmawiaji *et al* . (2022), Darmayanti & Arigawati (2023), and Rahmawati *et al* . (2022) which states that the Independent Board of Commissioners does not influence financial performance. Meanwhile, the results of this research are not in line with Candra (2021), Qalbi & Hermi (2022), and Titania & Taqwa (2023) which state that the Independent Board of Commissioners influences financial performance.

5. CLOSING

5.1. Conclusion

As a result of data analysis, hypothesis testing that has been carried out, and discussions that have been put forward, it can be concluded that the Board of Directors, Board of Commissioners, and Audit Committee influence the financial performance of pharmaceutical companies. Meanwhile, the Independent Board of Commissioners does not influence the financial performance of pharmaceutical companies.

5.2. Suggestion

Suggestions that can be taken into consideration for pharmaceutical companies are optimizing the implementation of *Good Corporate Governance* in company management which includes the Board of Directors, Board of Commissioners, and Audit Committee, and being more selective in determining the Independent Board of Commissioners.

Future research should use other financial ratios such as *Tobins'q proxies*, *Return On Equity* (ROE), and other variables that are expected to improve financial performance, such as audit quality, institutional ownership, and company size. In addition, future researchers can also consider several factors. observations used as well as a longer research period.

REFERENCES

Adi, S. A. P., & Suwarti, T. (2022). Pengaruh Penerapan Good Corporate Governance terhadap Kinerja Keuangan Perbankan yang Terdaftar Pada Bursa Efek Indonesia Tahun 2018-2020. *Jurnal Ilmiah Mahasiswa Akuntansi) Universitas Pendidikan Ganesha*, *13*(2), 585.

Ambarwati, P., T, K. H., & Nurlaela, S. (2022). Pengaruh Good Corporate Governance, Leverage dan Ukuran Perusahaan terhadap Kinerja Keuangan Perusahaan Real Estate. *Jurnal Akuntansi Dan Bisnis Krisnadwipayana*, *9*(3), 980–991.

Arfita, M. (2023). Analysis Good Corporate Governance (GCG) pada Kinerja Keuangan Perusahaan Pertambangan yang terdaftar di BEI Periode 2019-2022. *Jurnal Ilmiah Pendidikan*, *3*(2), 137–143.

Atmawiaji, M. A. P., Maslichah, & Mahsuni, A. W. (2022). Pengaruh Good Corporate Governance terhadap Kinerja Keuangan Perbankan Indonesia yang terdaftar di Bursa Efek Indonesia (BEI). *E-Jra*, *11*(10), 84–92.

Aziz, A. A., Samrotun, Y. C., & Dewi, R. R. (2021). Pengaruh Good Corporate Governance, Modal Intelektual, Ukuran Perusahaan terhadap Kinerja Keuangan pada Perusahaan Makanan. *Journal Of Economics and Business*, *5*(1), 46–52. https://doi.org/10.33087/ekonomis.v5i1.200

Bayu, K. B., & Hunde, D. A. (2020). Corporate Governance and its Effects on Financial Performance of Banks Evidence from Selected Private Commercial Banks in Ethiopia. *Journal of Economics and International Finance*, *12*(4), 187–195. https://doi.org/10.5897/jeif2020.1029

Candra, E. (2021). *Pengaruh Good Corporate Governance terhadap Kinerja Keuangan Bank Syariah (Studi Kasus Unit Usaha Syari'ah Bank Pembangunan Daerah di Indonesia Periode 2015-2019)*. *4*(2), 169–194.

Darmayanti, E., & Arigawati, D. (2023). Pengaruh Audit Internal dan Good Corporate Governance terhadap Kinerja Keuangan Perusahaan. *Jurnal Locus : Penelitian & Pengabdian*, *2*(9), 898–916. https://doi.org/10.58344/locus.v2i9.1660

Destriana, N. (2015). Pengaruh Debt to Equity Ratio, Dividen, and Faktor Non Keuangan terhadap Agency Cost. *Jurnal Bisnis Dan Akuntansi*, *17*(2), 125-133.

Fajri, F., Akran, & Mariadi, Y. (2022). Pengaruh Good Corporate Governance terhadap Kinerja Keuangan Perusahaan BUMN Sektor Keuangan. *Jurnal Risma*, *2*(2), 307–320.

Fatmawati, S., & Alliyah, S. (2023). Pengaruh Struktur Modal, Ukuran Perusahaan, Dewan Direksi dan Dewan Komisaris terhadap Kinerja Keuangan pada Perusahaan Consumer Goods Tahun 2019-2021. *Jurnal Riset Mahasiswa Akuntansi (JRMA)*, *xi*(1), 50–62.

Ganda, F. (2022). The Impact of Corporate Governance on Corporate Financial Performance: Cases From Listed Firms in Turkey. *Journal of Governance and Regulation*, *11*(2), 204–217. https://doi.org/10.22495/jgrv11i2siart1

Hakim, M. I., & Budiwitjaksono, G. S. (2023). Analisis Dewan Direksi, Dewan Komisaris dan

Komite Audit terhadap Kinerja Keuangan di Bank Konvensional. *Jurnal Riset Akuntansi Aksioma*, *22*(2), 44–53. https://doi.org/10.29303/aksioma.v22i2.219

Hasibuan, M. E., & Wirawati, N. G. P. (2020). The Effect of Financial Performance, Good Corporate Governance, Corporate Social Responsibility on Company Value (Empirical Study on Food and Beverage Companies Listed on the Indonesia Stock Exchange 2017-2019). *American Journal of Humanities and Social Sciences Research*, *5*(1), 391–397.

Hoitash, U., & Mkrtchyan, A. (2021). Internal Governance and Outside Directors' Connections to Non-Director Executives. *Journal of Accounting and Economics*, *73*(1). https://doi.org/10.1016/j.jacceco.2021.101436

Ibrahim, U. A., & Danjuma, S. (2020). Effect of Corporate Governance on the Performance of Listed Deposit Money Banks in Nigeria. *Science Journal of Business and Management*, *8*(1), 35–40. https://doi.org/10.11648/j.sjbm.20200801.15

Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure. *Journal of Financial Economics*, *3*(4), 283–303. https://doi.org/10.1017/CBO9780511817410.023

Kanakriyah, R. (2021). The Impact of Board of Directors' Characteristics on Firm Performance: A Case Study in Jordan. *Journal of Asian Finance, Economics and Business*, *8*(3), 341–350. https://doi.org/10.13106/jafeb.2021.vol8.no3.0341

Katutari, R. A., Nur, E., & Yuyetta, A. (2019). Pengaruh Kepemilikan Institusi, Karakteristik Dewan Komisaris dan Komite Audit terhadap Profitabilitas. *Diponegoro Journal of Accounting*, *8*(3), 1–12.

Kumala, M., & Widyasari. (2020). Pengaruh Pengungkapan Sustainability Reporting dan Corporate Governance terhadap Kinerja Keuangan Perusahaan. *Jurnal Paradigma Akuntansi*, *2*(4), 1736–1744.

Kyere, M., & Ausloos, M. (2021). Corporate Governance and Firms Financial Performance in the United Kingdom. *International Journal of Finance and Economics*, *26*(2), 1871–1885. https://doi.org/10.1002/ijfe.1883

Luthfiana, L., & Dewi, N. G. (2023). Pengaruh Good Corporate Governance, Struktur Modal dan Ukuran Perusahaan terhadap Kinerja Keuangan. *Jurnal Bina Akuntansi*, *10*(1), 364–377.

Maridkha, A., & Himmati, R. (2021). Pengaruh Good Corporate Governance terhadap Kinerja Keuangan Perusahaan Perbankan Periode 2017-2020. *Journal of Accounting and Digital Finance*, *1*(3), 195–205.

Mohammed, H. D. (2020). Corporate Governance and Financial Performance of Quoted Companies in Nigeria. *European Journal of Business and Management*, *12*(6), 31–40. https://doi.org/10.7176/ejbm/12-6-04

Munifah, A., Andika, A. D., & Ria, T. N. (2020). Pengaruh Dewan Direksi, Komisaris Independen dan Komite Audit terhadap Nilai Perusahaan dan Kinerja Keuangan Perusahaan Sebagai Variabel Moderasi (Studi Empiris pada Perusahaan Sektor Pertambangan yang terdaftar di Bursa Efek Indonesia Tahun 2015-2019). *Prosiding Seminar Nasional*, *8*(8), 1–15.

Musah, A., & Adutwumwaa, M. Y. (2021). The Effect of Corporate Governance on Financial Performance of Rural Banks in Ghana. *International Journal of Financial, Accounting, and Management*, *2*(4), 305–319. https://doi.org/10.35912/ijfam.v2i4.336

Mustika, G., & Apriliani, I. N. (2022). Analisis Rasio Likuiditas terhadap Kinerja Keuangan PT Garuda Indonesia Pada Masa Pandemi (2020). *Jurnal Ilmiah Ekonomi Dan Keuangan Syariah*, *3*(2), 95–104.

Nasution, Y. I. M. (2022). *Pengaruh Good Corporate Governance terhadap Kinerja Keuangan Perusahaan pada Perusahaan Farmasi Yang Terdaftar di BEI*. Universitas Muhammadiyah Sumatera Utara.

Nita, I. M., & Manda, G. S. (2021). Pengaruh Good Corporate Governance dan Ukuran Perusahaan terhadap Kinerja Keuangan. *Jurnal of Economic, Business and Accounting*, *5*(1).

Ololade, & Balogun, E. (2021). Impact of Corporate Governance on Financial Performance of Consumers Goods Firms in Nigeria. *International Journal of Accounting and Finance*, *02*(1), 332–346. https://doi.org/10.54756/ijsar.2022.v2.i10.1

Otoritas Jasa Keuangan. (2014). *Peraturaan Otoritas Jasa Keuangan Nomor 33/POJK.04/2014 Tentang Direksi dan Dewan Komisaris Emiten atau Perusahaan Publik*.

Owiredu, A., & Kwakye, M. (2020). The Effect of Corporate Governance on Financial Performance of Commercial Banks in Ghana. *International Journal of Business and Social Science*, *11*(5), 18–27. https://doi.org/10.30845/ijbss.v11n5p3

Putra, A. K., Niswatin, & Boklu, Z. (2023). The Influence of Sharia Good Corporate Governance on Financial Performance (ROA) of Sharia Banking in Indonesia for the 2016-2020 Period. *Business Management Journal*, *19*(1), 73. https://doi.org/10.30813/bmj.v19i1.3449

Qalbi, A. S., & Hermi. (2022). Pengaruh Good Corporate Governance dan Environmental Performance terhadap Kinerja Keuangan Perusahaan. *Jurnal Penelitian Dan Pengabdian Masyarakat*, *2*(5), 408–419. https://doi.org/10.36418/comserva.v2i5.339

Rahmawati, E. D., Wahyuni, S., Dirgantari, N., & Winarni, D. (2022). The Effect of Ownership of Managerial, Independent Board of Commissioners, Board of Directors and Intellectual Capital on Financial Performance. *Jurnal Manajemen Bisnis, Akuntansi Dan Keuangan*, *1*(2), 91–106. https://doi.org/10.55927/jambak.v1i2.1662

Rahmawati, I. A. (2017). Pengaruh Dewan Direksi, Dewan Komisaris, Komite Audit dan Corporate Social Responsibility terhadap Kinerja Keuangan Perusahaan (Studi Kasus pada Perusahaan Sub Sektor Pertambangan Batu Bara yang terdaftar di Bursa Efek Indonesia Tahun 2013-2015). *Jurnal Akuntansi Dan Ekonomi*, *2*(2), 54–70.

Ramadhani, A. F., Suhendro, & Siddi, P. (2022). Pengaruh Good Corporate Governance terhadap Kinerja Keuangan Perusahaan Badan Usaha Milik Negara (BUMN). *Forum Ekonomi*, *24*(1), 204–212. https://doi.org/10.30872/jfor.v24i1.10735

Safitri, D. N., & Hariyati. (2022). Pengaruh Corporate Governance terhadap Kinerja Keuangan Perusahaan Manufaktur Sektor Food and Beverage yang terdaftar di BEI Tahun 2018-2020. *Jurnal Ilmiah Akuntansi Dan Keuangan*, *4*(11), 5100–5108.

Saragih, A. E., & Sihombing, U. T. (2021). *Pengaruh Intellectual Capital, Good Corporate Governance, dan Ukuran Perusahaan terhadap Kinerja Keuangan Perusahaan Perbankan yang terdaftar di Bursa Efek Indonesia*. *7*(1), 1–17.

Sari, I. M., Anugerah, R., & Nasir, A. (2020). Effect of Corporate Governance and Corporate Social Responsibility on Financial Performance. *Journal of Auditing, Finance, and Forensic Accounting*, *8*(2), 44–54. https://doi.org/10.25105/imar.v16i1.7887

Septianawati, D. T., & Wening, N. (2021). Pengaruh Pengendalian Pemegang Saham dan Tata Kelola Perusahaan terhadap Kualitas Audit Perusahan yang terdaftar di Bursa Efek Indonesia. *Jurnal Apresiasi Ekonomi*, *9*(1), 121–131. https://doi.org/10.31846/jae.v9i1.373

Stephen, E., Abel, D. Z., Dankaka, P. D., & Ojobo, F. S. (2022). *Impact of Audit Committee Attribute on Financial Performance of Listed Consumer Goods Firms in Nigeria*. *5*(3), 29–35.

Suryandari, N. N. A., & Susandaya, A. P. G. B. A. (2023). The Effect of Good Corporate Governance and Ownership Structure on Financial Performance. *Jurnal Ekonomi*, *12*(2), 730–739.

Terzaghi, M. T., & Ikhsan, R. (2022). Pengaruh Good Corporate Governance dan Corporate

Social Responsibility terhadap Kinerja Keuangan Perbankan yang terdaftar di BEI. *Jurnal Bisnis, Manajemen Dan Ekonomi*, *3*(4), 181–195.

Titania, H., & Taqwa, S. (2023). Pengaruh Good Corporate Governance terhadap Kinerja Keuangan Perusahaan. *Jurnal Eksplorasi Akuntansi (JEA)*, *5*(3), 1224–1238.

Wardana, F. R., & Darya, K. (2020). *Pengaruh Mekanisme Good Corporate Governance terhadap Kinerja Keuangan Perusahaan Manufaktur yang terdaftar di Bursa Efek Indonesia Tahun 2017-2019*. *17*(1), 25–34.

Winarno, S. H. (2019). Analisis NPM, ROA, dan ROE dalam Mengukur Kinerja Keuangan. *Jurnal STEI Ekonomi*, *28*(02), 254–266. https://doi.org/10.36406/jemi.v28i02.254

Yuliyanti, A., & Cahyonowati, N. (2023). Pengaruh Dewan Direksi, Dewan Komisaris, Komisaris Independen, Komite Audit, Kepemilikan Manajerial, dan Kepemilikan Institusional terhadap Kinerja Keuangan. *Diponegoro Journal of Accounting*, *12*(3), 15–19.