

ABSTRACT

This study aims to examine the effect of Corporate Governance mechanisms on the financial performance of manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. The Corporate Governance mechanisms analyzed include board of director size, board of commissioner size, audit committee size, managerial ownership, and institutional ownership. Financial performance is measured using Return on Assets (ROA), which reflects the company's ability to generate profits from its total assets. This study is motivated by inconsistent findings in previous research regarding the effectiveness of Corporate Governance mechanisms in improving corporate financial performance, particularly in the post-pandemic period.

This research employs a quantitative approach using secondary data obtained from annual reports and financial statements of manufacturing companies listed on the IDX. The sample was selected using a purposive sampling method, resulting in 106 companies with a total of 270 observations after excluding outlier data. Data analysis was conducted using multiple linear regression with SPSS software. Prior to hypothesis testing, classical assumption tests were performed, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests, to ensure the reliability and validity of the regression model.

The results indicate that board of director size and board of commissioner size have a positive and significant effect on financial performance. In contrast, audit committee size, managerial ownership, and institutional ownership do not have a significant effect on Return on Assets. These findings suggest that the effectiveness of Corporate Governance in enhancing financial performance is primarily driven by the supervisory role of the board rather than ownership structure or audit committee size. This study is expected to contribute to the Corporate Governance literature and provide practical insights for company management, investors, and regulators in strengthening governance practices within Indonesian manufacturing firms.

Keywords: Corporate Governance, Financial Performance, Return on Assets, Manufacturing Companies, Indonesia Stock Exchange