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The Effect of Corporate Governance on the Financial Performance of State-Owned Enterprises Moderated by The Inflation Rate

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Abstract

This study aims to analyze the effect of corporate governance on the financial performance of State-Owned Enterprises (SOEs) with the variable of the Inflation rate which is considered to moderate the relationship between corporate governance and SOEs financial performance. This study uses secondary data from the financial and annual reports of SOEs listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022. The purposive sampling method was used to collect 23 samples from the company. Analysis of hypothesis testing data using the E-views 9 application. The results of the study indicate that corporate governance proxied by Government Ownership, Institutional Ownership, Board of Directors Size, Independent Board of Commissioners Size has a negative and significant effect on SOEs financial performance as measured by ROA, conversely corporate governance proxied using Audit Committee Size has a positive and significant effect on ROA. Meanwhile, only Government Ownership and Institutional Ownership negatively and significantly affect ROE, while Board of Directors Size, Independent Board of Commissioners Size, and Audit Committee Size do not affect ROE. In addition, with the moderating factor of inflation rate, the research findings show a significant negative relationship between Government Ownership to ROA, Institutional Ownership to ROA and ROE, and Audit Committee Size to ROE. Meanwhile, with the moderating factor of inflation rate, only the size of the Independent Board of Commissioners positively and significantly affects ROE while the Size of the Board of Directors, Independent Board of Commissioners, and Audit Committee do not affect ROA. The same results for Government Ownership and Board of Directors Size also do not affect ROE with the moderating factor of inflation rate. This study provides information to management on how to run every business process in SOEs to implement good corporate governance, so that SOEs can maintain and improve financial performance even in unstable macroeconomic conditions. Good corporate governance practices can increase the liquidity and value of SOEs shares in the capital market. Investors will tend to invest in companies whose shares are liquid and whose value increases over time. Good corporate governance creates a positive perception in the market, which can boost stock prices. SOEs with strong corporate governance tend to have a more stable and reliable dividend policy. Investors seeking a steady income from their investments will be attracted to SOEs that are able to consistently provide dividends, even in uncertain economic conditions due to inflation. The results of this study provide input to the Government to be able to formulate more targeted policies to support the strengthening of corporate governance in SOEs that include stricter regulations, better supervision, and incentives for SOEs that implement good corporate governance. The Government needs to continue to encourage the improvement of corporate governance in SOEs as part of a long-term strategy to ensure stable and sustainable financial performance, even in economic conditions affected by inflation.

Keywords: *State-Owned Enterprises, corporate governance, financial performance, inflation rate*

INTRODUCTION

Corporate governance in a company is designed to reduce agency problems (Queiri et al., 2021). Corporate governance has a major role in monitoring and controlling the running of business processes transparently (Affes & Jarboui, 2023). By increasing financial performance, reducing the risk of bad assessments from board of commissioners, and generally increasing investor confidence, the implementation of GCG can increase the value of the company.

Corporate governance of SOEs in Indonesia continues to develop with the aim of strengthening the role of SOEs in the national economy and increasing the contribution of SOEs to sustainable economic development. SOEs make a positive contribution to growth in countries with good institutions, while SOEs will disrupt the economy if the quality of SOE institutions is low (Szarzec et al., 2021). Based on the 2023 Corporate Governance Watch report published by the Asian Corporate Governance Association (ACGA), Indonesia is ranked 12th in the implementation of GCG in Asian countries with a total score of 35.7. The ranking of GCG implementation in Asian countries involves 12 Asian countries and Indonesia is in last place, even below other ASEAN countries such as the Philippines which is ranked 11th with a total score of 37.6, Thailand is ranked 9th with a total score of 53.9, Malaysia is ranked 5th with a total score of 61.5, and Singapore is ranked 3rd with a total score of 62.9. Meanwhile, other Asian countries such as Australia are ranked 1st with a total score of 75.2, followed by Japan in 2nd place with a total score of 64.6, Taiwan in 3rd place with a total score of 62.8, India and Hong Kong are ranked 6th with a total score of 59.4 and 59.3, Korea in 8th place with a total score of 57.1, and China in 10th place with a total score of 43.7.

The results of ACGA (2023) show that companies in Indonesia get the lowest scores in realizing GCG principles compared to several other Asian countries. The implementation of good corporate governance in Indonesia has not been maximized, this condition is caused by the lack of awareness of basic values and practices in doing business. An effective corporate governance system in a country is based on the institutional development and jurisdiction of that country. Although developing countries imitate corporate governance systems in developed countries, country-specific attributes such as the capital market landscape influence the development and implementation of corporate governance systems (Alodat et al., 2022).

Corporate governance of BUMN in Indonesia is based on laws and ethics of doing business consistently and sustainably and is a priority program of the Ministry of BUMN, in its implementation, BUMN in Indonesia is guided by the Regulation of the Minister of SOEs No. PER-2/MBU/03/2023 of 2023 concerning Guidelines for Governance and Significant Corporate Activities of State-Owned Enterprises which requires SOEs to apply the principles of good corporate management in carrying out business activities at all levels or levels of the organization. In addition, there are principles of corporate governance issued by the Organisation for Economic Cooperation and Development (OECD) and the General Guidelines for Indonesian Corporate Governance by the National Committee on Governance Policy which can be used by SOEs companies as a benchmark in implementing good corporate management.

The government supervises and regulates SOEs to ensure that SOEs operate based on the principles of good corporate governance and contribute to the national economy. Despite massive investments made by SOEs worldwide, the performance of these organizations is still poor. Poor performance has prompted the government to implement economic reforms to improve SOE

performance (Kaunda & Pelser, 2023). The government is often directly involved in the management of SOEs, including the appointment of board members, commissioners, audit committees and strategic decision-making. The government also continues to provide support to SOEs with state capital participation reaching IDR 162.4 trillion in the last five years from 2018 to 2022 (Ministry of Finance of the Republic of Indonesia, 2023). The contribution of SOEs to state revenue, especially from dividends, during the period 2018 to 2022 was IDR 207 trillion (Annual Report of the Ministry of SOEs). Data from the last five years illustrates the great influence of SOEs on the country's economy. During the period 2018 to 2022, the asset value, liability value, and average equity value of state-owned companies increased as explained below.

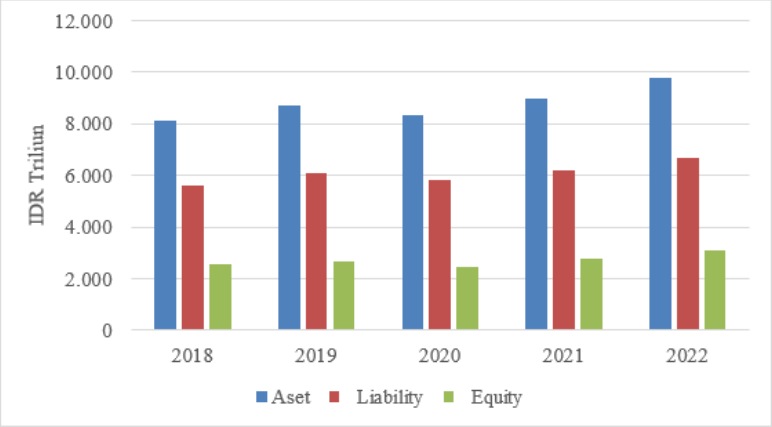

Figure 1 SOEs Financial Performance Growth

Source: Processed from the Annual Report of the Ministry of SOEs

This situation shows that the overall performance of SOEs companies is improving and is able to benefit the country. The high value of assets and government support need to be balanced with strong GCG implementation (Pertiwi et al., 2024). During the 2018-2022 period, SOEs fiscal contribution to the APBN also benefited the national economy through tax payments, dividend payments or deposits to the government as shareholders, and non-tax state revenues (PNBP) as explained below.

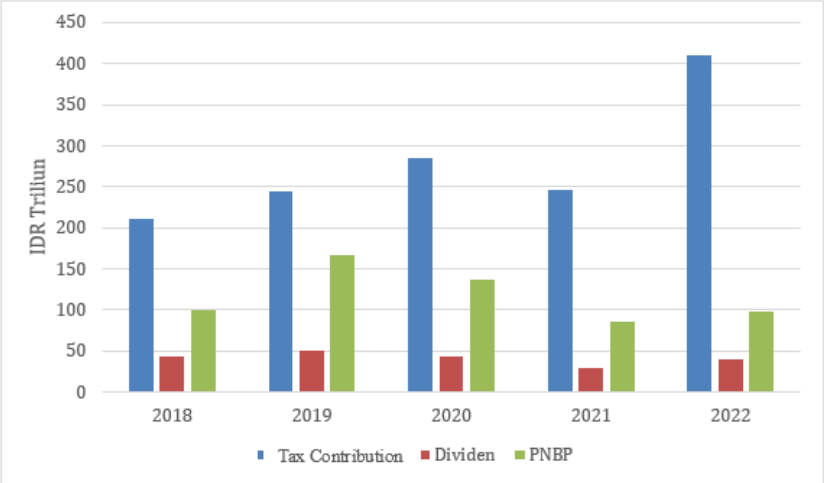

Figure 2 SOEs Contribution to State Budget (APBN)

Source: Processed from the Annual Report of the Ministry of SOEs

SOEs often face agency problems that can cause inefficiency and reduce performance. These

problems, if not addressed, can have a negative impact on economic growth and overall company performance (Febi et al., 2023). The implementation of GCG affects the potential financial performance of the company and provides protection for investors and creditors for invested capital if the system is run properly. Effective implementation of GCG can help companies create an environment that supports efficiency and sustainable growth, as well as increase investor confidence. This also requires support from important components of the company, especially those related to human resources such as the board of directors, board of commissioners and the role of the audit committee as the company's internal auditor.

Government ownership of SOEs in Indonesia with a portion of more than 50% through the government itself or through companies (entities) affiliated with the government and are the majority shareholders in the company. Through a share ownership structure of more than 50%, the government has clear ownership rights and control so that the performance of SOEs can continue to be improved. This also affects decision-making, which leads to the conclusion that the ownership structure affects how well the performance of State-Owned Enterprises is in achieving its goals and how the business is run. Large government ownership can influence the potential for changes in policies and regulations that benefit the company, so it can positively affect the company's financial performance. However, through a study by (Queiri et al., 2021) found that there was an influence between government ownership and financial performance (ROA) in service and industrial sector companies listed on the Muscat Securities Market (MSM30) in Oman. Government ownership and financial performance (ROA and ROE) in SOEs in Kenya are correlated, so that the dominant level of government ownership has a good influence on financial performance (Ongong'e et al., 2023).

Institutional ownership also affects the company's financial performance. As a mitigator of agency costs, institutional shareholders can help address agency problems. That way, it will be able to optimize performance effectiveness. Conversely, institutional ownership can worsen agency problems because large institutional shareholders can take over the wealth of minority shareholders. A study conducted by (Queiri et al., 2021) on companies engaged in the service and industrial sectors listed on the Muscat Securities Market (MSM30) in Oman showed that institutional ownership has an effect on financial performance (ROA). In the absence of a comprehensive code of ethics for corporate governance in Oman, institutional ownership serves as an alternative monitoring mechanism to mitigate agency problems. Therefore, the role of institutional ownership becomes more prominent and improves company performance. According to the explanation (Alodat et al., 2022), institutional ownership is expected to encourage companies to adopt good governance practices, apply professional knowledge, help companies make good business decisions and have highly developed managerial skills. Research (Alodat et al., 2022) found that institutional ownership affects the financial performance (ROE) of non-financial public companies listed on the Amman Stock Exchange, Jordan.

The size of a company's board of directors is assumed to be a crucial factor that can influence the success of the company. As a company grows, the size of its board of directors also increases. This is to balance the growth and expertise needed for the company to operate effectively. A study conducted by Kyere & Ausloos (2021) on companies listed on the London Stock Exchange, England, found that the size of the board of directors affects the company's financial performance (ROA). The size of the board of directors is seen as an important factor in determining the long-term performance of the company because the board of directors determines the strategic direction

of the company and oversees its management. A study by Hassan Bazhair (2022) also found that the Size of the Board of Directors (BS) had an effect on Return on Assets (ROA) and Return on Equity (ROE) in non-financial companies listed in Saudi Arabia. These findings predict that the Size of the Board of Directors has an impact on corporate governance and agency costs, thus impacting financial performance.

The board of commissioners who oversee the implementation of corporate governance is relevant to the relevant regulations including the independent board of commissioners. The supervisory functions carried out include, among others, supervision of the board of directors' policies and directing the board of directors in managing the company including supervising the implementation of the company's long-term plan. This is done to improve management performance so that the company's financial performance continues to increase. An independent board of commissioners can help other members of the board of commissioners maintain transparency and accountability by carrying out better supervision. In line with the study of Susbiyani et al., (2023), it was found that the board of commissioners influences the company's value, which also affects the financial performance (ROE) recorded in the Indonesia Sharia Stock Index. The existence of an independent board of commissioners in a company is able to bridge the information asymmetry that occurs between the company and investors. Research by Juliani et al., (2023) found that an independent board of commissioners influences financial performance (ROA) in non-financial sector companies listed on the Indonesia Stock Exchange.

The board of commissioners in its duties and responsibilities also controls the audit committee. The audit committee is responsible for overseeing the company's management and the company's internal and external auditors (Alajmi & Worthington, 2023). The purpose of the audit committee is to reduce financial errors, provide accurate information to the public including investors and regulators, and protect shareholders (Alajmi & Worthington, 2023). The size of the audit committee is widely recognized as one of the characteristics most associated with a company's business decision-making and is an important aspect of corporate governance. Through their study of state-owned companies in the United Arab Emirates listed on the stock exchange, Ayoob et al. (2023) found that the size of the audit committee affects financial performance (ROA). In contrast to the study by Al-Jalahma, (2022), who found a relationship between the size of the audit committee and financial performance (ROA and ROE) in all non-financial companies listed on the Bahrain stock exchange.

Inflation as a macroeconomic factor that plays a role in influencing a company's financial performance because high inflation rates can depress the value of the currency and reduce purchasing power. On that basis, SOEs should indeed implement strong corporate governance practices to ensure sustainable financial stability and growth, even in the midst of uncertain economic conditions. Implementation of good corporate governance can help SOEs reduce the negative impact of inflation. By implementing good corporate management principles, SOEs can optimize its financial performance and operational effectiveness, so that it can be more resilient in facing macroeconomic fluctuations.

A study by Nnajieze et al. (2021) found that the inflation rate affects the financial performance (ROA) of healthcare manufacturing companies in Nigeria. Through their study, Youssef et al. (2023) found the effect between the inflation rate and financial performance (ROE) in small and medium enterprises in the non-financial sector listed in the UK. Aluoch's study (2021) showed that the inflation rate has a correlation with the company's financial performance (ROA), while the

moderation of the inflation rate factor that affects the relationship between corporate governance and financial performance (ROA) implies that the inflation rate variable affects the relationship between corporate governance and financial performance (ROA) of agricultural companies listed on the Nairobi Stock Exchange, Kenya. These results further show that a conducive inflation rate variable improves corporate management in influencing the financial performance (ROA) of agricultural companies listed in Kenya.

This study refers to the background that has been presented and refers to previous studies that have been conducted (Queiri et al., 2021; Ongong'e et al., 2023; Alodat et al., 2022; Kyere & Ausloos, 2021; Hassan Bazhair, 2022; Susbiyani et al., 2023; Juliani et al., 2023; Al-Jalahma, 2022) regarding corporate governance and financial performance.

This study attempts to redevelop corporate governance variables by adding government ownership referring to research (Ongong'e et al., 2023; Nguyen & Nguyen, 2024) and aims to test the correlation between corporate governance, proxied by government ownership, institutional ownership, board of directors size, independent board of commissioners size, audit committee size as independent/free variables on financial performance proxied by Return on Asset (ROA) & Return on Equity (ROE) with moderation of inflation rate on the financial performance of SOEs listed on the IDX. This development aims to expand the novelty sourced from other researchers by including the inflation rate as a moderating variable based on research references Aluoch (2021); Nnajieze et al., (2021); Youssef et al. (2023).

Previous studies still found that corporate governance can affect the company's financial performance in various ways and the inflation rate affects the company's financial performance. Thus, this study aims to examine the various components of corporate governance, as well as the development of the inflation rate variable which is a moderating variable in various sectors of state-owned enterprises to identify corporate governance mechanisms that affect financial performance proxied using return on assets and return on equity in Indonesian state-owned enterprises listed on the Indonesia Stock Exchange (IDX) with the title "The Effect of Corporate Governance on the Financial Performance of State-Owned Enterprises Moderated by the Inflation Rate".

Referring to the background and previous research, the researcher developed a hypothesis :

H1 : Government ownership affects the financial performance of SOEs

H2 : Institutional ownership affects the financial performance of SOEs

H3 : The size of the board of directors affects the financial performance of state-owned enterprises

H4 : The size of the independent board of commissioners affects the financial performance of BUMN

H5 : Audit committee size affects BUMN financial performance

H6 : Government ownership affects the financial performance of SOEs which is moderated by the inflation rate.

H7 : Institutional ownership affects the financial performance of SOEs which is moderated by the inflation rate.

H8 : The size of the board of directors affects the financial performance of SOEs which is moderated by the inflation rate.

H9 : The size of the independent board of commissioners affects the financial performance of BUMN which is moderated by the inflation rate.

H10: The size of the audit committee affects the financial performance of SOEs which is

moderated by the inflation rate.

METHOD

The research design in this study uses a quantitative approach with a panel data regression analysis method which is a regression model that combines cross-sectional data and time series data. Panel data regression analysis is used to test and examine independent variables in influencing dependent variables. This study uses secondary data with data sources obtained from the Indonesia Stock Exchange website (www.idx.co.id) and annual report data obtained from the websites of all SOEs that are the objects of research. In drawing samples, a purposive sampling technique was used. The number of populations used as samples in this study, namely 23 SOEs with different business sectors listed on the IDX that have data relevant to the variables used in this study with a withdrawal period of 2018 - 2022 so that the number of observation samples is 115. Identification and operational description of each dependent and independent variable in this study are as follows:

Government Ownership

Government ownership is government ownership in a company through the number of shares owned by the government as a representative of the state in a company. Government ownership is determined by the percentage of government share ownership after disinvestment/privatization (Chhabra et al., 2021). Large government ownership in a company allows the company to have privileges in accessing resources (credit, land access, and market access), asymmetric information, and new policies and regulations compared to private companies. Large government ownership can influence the potential for changes in policies and regulations that benefit the company so that government ownership can positively affect the company's financial performance (Queiri et al., 2021). Indicators for the Government Ownership (GO) variable, with the calculation formula:

GO = Percentage of share ownership held by the government after disinvestment/privatization (Chhabra et al., 2021)

Institutional Ownership

Institutional ownership serves as an alternative monitoring mechanism to mitigate agency problems. Therefore, the role of institutional ownership becomes more prominent and improves company performance. Institutional ownership is suggested to actively monitor the company, minimize information misunderstanding and agency problems, and maximize company performance (Shleifer & Vishny, 1986). Comparing the percentage of shares owned by the company with the total number of shares of the company is used to measure institutional ownership (Alodat et al., 2022). Indicators for the Institutional Ownership (IO) variable, with the calculation formula:

$$IO = \frac{number\ of\ institutional\ shares}{Total\ number\ of\ shares}$$ (Alodat et al., 2022)

Size of the Board of Directors

The board of directors is a person who has authority and high accountability for various tasks that intersect with the company/business. One important component of the corporate governance mechanism is the board of directors. According to Kyere & Ausloos, (2021) shareholders are

concerned about whether the board of directors is able to monitor or control managers to act in the interests of the owners. This is considered common because companies with large boards of directors seem to supervise effectively so that they can optimize the company's performance. The size of the board of directors is seen as an important factor in determining the company's long-term performance because the board of directors determines the company's strategic direction and oversees its management.

The size of a company's board of directors is considered a crucial factor that influences the success of the company. As the company grows, the size of its board of directors also increases. This is to balance the growth and expertise required for the company to operate effectively. According to the general standards of superior corporate governance in Indonesia, the number of board members must be in accordance with the complexity of the company and the effectiveness of decision-making. The size of the board of directors is the number of directors responsible for the company (Waris & Haji Din, 2023). However, according to agency theory, the principal is able to reduce the possibility of agency problems in his business by choosing several agents who will oversee the company in order to optimize effectiveness and have an impact on greater business performance. Indicators for the Board of Directors Size (BS) variable, with the calculation formula:

BS = The total number of members of the board of directors who lead the company
(Waris & Haji Din, 2023)

Size of the Independent Board of Commissioners

In the corporate structure, the board of commissioners functions as a controller. Control by the board of commissioners serves to reflect the principles of agency theory. In the corporate structure, the board of commissioners acts as the main internal system responsible for overseeing management actions and ensuring that management acts in accordance with the interests of the capital owners. The independent board of commissioners supervises the company in implementing corporate management based on applicable provisions. The supervisory functions carried out include supervising the policies of the board of directors and directing the board of directors in managing the company, including overseeing the implementation of the company's long-term plan. This is to improve management performance and have an impact on improving financial performance. The number of independent commissioners compared to the total number of the company's board of commissioners is referred to as the size of the independent board of commissioners (Kurniawan & Viriany, 2023). Indicators for the Independent Commissioner Size (IC) variable, with the calculation formula:

$$IC = \frac{Independent\ Commissioners}{Total\ Commissioners}$$ (Kurniawan & Viriany, 2023)

Audit Committee Size

The audit committee is an important tool for management because its main responsibilities are to oversee the company's management, supervise internal and external auditors to reduce financial errors, provide accurate information to the public including investors and regulators, and protect shareholders (Alajmi & Worthington, 2023). The audit committee also plays a role in reporting financial statements openly and healthily.

Broadly speaking, the size of the audit committee is one of the characteristics that is closely

related to the company's business decision-making and is an important aspect of corporate governance. Tiesieh Tapang (2023) said that a larger audit committee size allows for the inclusion of people with various knowledge and expertise, which may improve monitoring of the company's financial performance. Determining the size of the audit committee refers to how many audit committees there are in the company (Alajmi & Worthington, 2023; Boachie, 2023; Tiesieh Tapang, 2023). The indicator used for the Audit Committee Size (ACS) variable, with the calculation formula:

ACS = Number of audit committees in the company

Alajmi & Worthington, (2023) ; Boachie, (2023) ; Tiesieh Tapang, (2023)

Inflation Rate

Inflation as a macroeconomic factor plays a role in influencing a company's financial performance because high inflation rates can depress the value of the currency and reduce purchasing power. The inflation rate is the increase in the general price level for goods and services. The inflation rate affects the value of money and is measured by changes in the consumer price index (Aluoch, 2023). The implicit price index (GDP Deflator) is assumed to represent inflation that closely describes the actual conditions (Silitonga, 2021). The indicator used for the Inflation Rate (INF) variable, with the calculation formula:

INF = Implicit price index (GDP Deflator) (Silitonga, 2021)

Financial performance

In this study, return on assets (ROA) and return on equity are indicators of financial performance. Return on equity is a ratio that reflects the income generated by a company from the equity it owns. ROE is calculated by dividing net profit after tax by the company's total equity. The higher the return on equity figure, the higher the rate of return, which indicates good financial performance of the company. Return on assets (ROA) is used to assess a company's ability to make a profit by utilizing company assets. (Queiri et al., 2021; Tanui, 2021; Alajmi & Worthington, 2023; Abdullah et al., 2022; Kijkasiwat et al., 2022; Susbiyani et al., 2023; Aji & Lenggogeni, 2022; Hassan et al., 2023; Tiesieh Tapang, 2023). The indicators used for financial performance variables, namely ROA and ROE, with the calculation formula:

$$ROA = \frac{Net\ Profit}{Total\ Assets} \qquad ROE = \frac{Net\ Profit}{Total\ Equity}$$

Table 1
Variables and Measurement

Variable Type	Variable Name	Proxy	Symbol	Definition of Operational Variables	Reference
Dependent Variable	Financial Performance	Return on Asset	ROA	$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}}$	Queiri et al., 2021 ; Ongong'e et al., 2023 ; Alodat et al., 2022 ; Kyere & Ausloos, 2021 ; Hassan Bazhair, 2022 ; Susbiyani et al., 2023;
		Return on Equity	ROE	$\text{ROE} = \frac{\text{Net Profit}}{\text{Total Equity}}$	

Variable Type	Variable Name	Proxy	Symbol	Definition of Operational Variables	Reference
Independent Variable	Corporate Governance	Government Ownership	GO	Percentage of share ownership held by the government after disinvestment/privatization	Juliani et al., 2023 ; Ayoob et al., 2023 ; Al-Jalahma, 2022 Chhabra et al., 2021
		Institutional Ownership	IO	$IO = \frac{\text{number of institutional shares}}{\text{Total number of shares}}$	Alodat et al., 2022
		Size of the Board of Directors	BS	The total number of members of the board of directors who lead the company	Waris & Haji Din, 2023
		Size of Independent Commissioner	IC	$IC = \frac{\text{Independent Commissioners}}{\text{Total Commissioners}}$	Kurniawan & Viriany, 2023
		Audit Committee Size	ACS	Number of audit committees in the company	Alajmi & Worthington, 2023; Boachie, 2023; Tiesieh Tapang, 2023
Moderation Variables	Inflation Rate	Inflation Rate	INF	Implicit price index (GDP Deflator)	Silitonga, 2021

To determine the best model among the three models in panel data regression analysis—namely the common effect (pooled least square), fixed effect, and random effect models—three stages of testing were carried out: the Chow test, the Hausman test, and the Lagrange multiplier (LM) test.

Table 2
Chow Test Results

Model	Probabilitas Chi-square	Decision	Explanation
Model ROA	0.1422	Ho accepted	CEM
Model ROE	0.0335	Ho rejected	FEM

From the processing results according to table 2 above, the cross section chisquare probability value is 0.1422 > 0.05 for the ROA model, then accepting Ho. Thus, it concludes that the appropriate model is the common effect model (CEM), while for the ROE model, the cross section chisquare probability is 0.0335 < 0.05, then rejecting Ho and clarifying that the appropriate model is the fixed effect model (FEM).

The LM test was then carried out because the findings of the Chow test were based on the selected ROA model, namely CEM. This test is used to determine which model—the random effect model (REM) or the common effect model (CEM)—is more appropriate. Based on the processing results, the Breusch Pagan probability value is 0.4541 > 0.05 for the ROA model, so Ho is accepted or the appropriate ROA model is the common effect model (CEM).

The Hausman test was then carried out because the results of the Cow test model ROE were selected using FEM. This test is intended to ensure whether the random effect model (REM) or fixed effect model (FEM) is a more appropriate model. The processing results produce a random

cross section probability value > 0.05 for the ROE model, or Ho is accepted so that the appropriate model is the Random Effect Model (REM).

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistics are used in research to provide an overview or description of the data collected by looking at the minimum, maximum, average (mean), and standard deviation of all processed data. It also explains each dependent variable, independent, and moderating variable. From the results of data processing using eviews-9, the results for descriptive analysis are obtained as presented below:

Table 3
Results of Descriptive Statistical Analysis

Variable	N	Mean	Median	Max	Min	Std. deviasi
ROA	115	0.015851	0.016300	0.159500	-0.669400	0.115518
ROE	115	0.015640	0.070000	2.719000	-4.962300	0.705955
GO	115	42.42991	52.09000	90.03000	0.000000	31.15305
IO	115	16.52513	0.000000	90.03000	0.000000	29.90602
BS	115	6.626087	6.000000	14.00000	0.000000	2.483139
IC	115	0.454043	0.429000	0.700000	0.143000	0.117640
ACS	115	4.252174	4.000000	10.00000	0.000000	1.462055
INF	115	4.117060	3.822300	9.563100	-0.401100	3.481864
GO x INF	115	-0.056261	-0.050000	1.890000	-2.130000	0.995449
IO x INF	115	0.092870	0.050000	3.840000	-3.190000	1.089246
BS x INF	115	-0.014696	-0.010000	3.380000	-2.810000	0.927545
IC x INF	115	0.138261	0.090000	3.270000	-2.350000	1.028458
ACS x INF	115	-0.050174	0.010000	2.940000	-3.330000	0.935279

Based on table 3 above, the description of the descriptive statistical results of each variable studied, the minimum value of the ROA variable (Y1) is -0.669400, while the maximum value is 0.519500, and the average value is 0.015851, and the standard deviation is 0.115518. The minimum value of the ROE variable (Y2) is -4.962300, while the maximum value is 2.719000, the average value is 0.015640, and the standard deviation is 0.705955. Then, the value of the GO variable with a minimum value of 0.000000, while the maximum value is 90.03000, the average value is 42.42991, and the standard deviation is 31.15305. For the IO variable, the minimum value is 0.000000, while the maximum value is 90.03000, the average value is 16.52513, and the standard deviation is 29.90602. Then the BS variable obtained a minimum value of 0.000000, while the maximum value is 14.00000, the average value is 6.626087, and the standard deviation is 2.483139. The minimum value for the IC variable is 0.143000, while the maximum value is 0.700000, the average value is 0.454043, and the standard deviation is 0.117640. Then, the minimum value of the ACS variable is obtained 0.000000, while the maximum value is 10.00000, the average value is 4.252174, and the standard deviation is 1.462055. For the INF variable, the minimum value is -0.401100, the maximum value is 9.563100, the average value is 4.117060, and the standard deviation is 3.481864. Meanwhile, for the GO x INF variable, the minimum value is -2.130000, while the maximum value is 1.890000, the average value is -0.056261, and the standard deviation is 0.995449. Then, for the IO x INF variable, the minimum value is -3.190000, the maximum value is 3.840000, the average value is 0.092870, and the standard deviation is 1.089246. Furthermore, the minimum value of the BS x INF variable is -2.810000, while the

maximum value is, the average value is -0.014696, and the standard deviation is 0.927545. As for the IC x INF variable, the minimum value is -2.350000, while the maximum value is 3.270000, the average value is 0.138261, and the standard deviation is 1.028458. The minimum value of the ACS x INF variable is -3.330000, while the maximum value is 2.940000, the average value is -0.050174, and the standard deviation is 0.935279.

Panel Data Regression Analysis

In conducting corporate governance analysis, with proxies: government ownership, institutional ownership, size of the board of directors, size of the independent board of commissioners, and size of the audit committee that influence financial performance with proxies of ROA and ROE and the use of the moderation variable of the inflation rate to measure all independent variables against the dependent, the equation model is described as below :

Model 1

$$ROA_{it} = \beta_0 + \beta_1(GO)_{it} + \beta_2(IO)_{it} + \beta_3(BS)_{it} + \beta_4(IC)_{it} + \beta_5(ACS)_{it} + \beta_6(INF)_{it} + \beta_7(GO*INF)_{it} + \beta_8(IO*INF)_{it} + \beta_9(BS*INF)_{it} + \beta_{10}(IC*INF)_{it} + \beta_{11}(ACS*INF)_{it} + \varepsilon_{it}$$

Model 2

$$ROE_{it} = \beta_0 + \beta_1(GO)_{it} + \beta_2(IO)_{it} + \beta_3(BS)_{it} + \beta_4(IC)_{it} + \beta_5(ACS)_{it} + \beta_6(INF)_{it} + \beta_7(GO*INF)_{it} + \beta_8(IO*INF)_{it} + \beta_9(BS*INF)_{it} + \beta_{10}(IC*INF)_{it} + \beta_{11}(ACS*INF)_{it} + \varepsilon_{it}$$

Keterangan :

β_0	= constant
ROA	= Return on Assets
ROE	= Return on Equity
GO	= Government Ownership
IO	= Institutional ownership
BS	= Board Size
IC	= Independent Commissioner Size
ACS	= Audit Committee Size
INF	= Inflation Rate
εit	= Error (residual error)

F Statistic Test

To find out whether all independent variables used in the model can affect the dependent variable, an F test is conducted. The results of the F test on the proposed hypothesis use decision-making criteria where if the probability F <0.05, it means that Ho is rejected. In other words, when testing independent variables simultaneously, it affects the dependent variable. If the probability F> 0.05, it means that Ha is accepted, or there is an independent variable that affects the dependent variable when tested simultaneously. The results of the F test processing for the ROA and ROE models are shown in the following table.

Table 4
F Test Results

Model	F Statistic	P-Value
Model ROA	2.869031	0.002532
Model ROE	1.918513	0.045132

(Source: data processing, 2024)

According to the F test findings shown in table 2, the results on the ROA and ROE models show that the p-value of the F statistic <0.05, which means Ho is rejected and Ha is accepted. These results indicate that the dependent variable is significantly influenced by at least one independent variable.

Coefficient of Determination Test

In order to find out how well the independent variables are able to explain the behavior of the dependent variable, we can use the goodness of fit test. The value of the adjusted r-squared in the regression model shows the results of this test. The independent variables in the model are able to describe the dependent variable if the adjusted r-square approaches the number 1. The provisions in making the decision, namely:

a. The results show that the independent variable is strongly related to the dependent variable when the adjusted R2 value approaches 1.
b. The results show that the independent variable is very weakly related to the dependent variable when the adjusted R2 value approaches 0.

The results of the model fit processing for the ROA Model and ROE Model are shown in the following table.

Table 5
Determination Coefficient Results

Model	R-Squared	Adjusted R-Squared
Model ROA	0.234538	0.152790
Model ROE	0.170049	0.081413

(Source: data processing, 2024)

Based on the test results according to table 5 above, the adjusted r-square value for the fit model in the ROA model is 0.1528, where the variation of the independent variables (GO, IO, BS, IC, ACS, INF, GO_INF, IO_INF, BS_INF, IC_INF, ACS_INF) can take into account the variation or fluctuation of the dependent variable, namely ROA of 15.28%, and the remaining 84.72% is the variation or behavior of other independent variables that affect ROA but are not included in the model because they are not studied. Meanwhile, the fit model on the ROE model gets an adjusted r-square value of 0.0814 where the variation or behavior of the independent variables (GO, IO, BS, IC, ACS, INF, GO_INF, IO_INF, BS_INF, IC_INF, ACS_INF) can take into account the fluctuation or behavior of the dependent variable, namely ROE of 8.14% and the remaining 91.86% is the fluctuation or variation and behavior of other independent variables that affect ROE but are not in the model because they are not studied.

Hypothesis Testing (T Test)

Partial or individual tests are used to measure the significance of each independent variable that affects the dependent variable. This is done assuming that all other variables remain constant. This method is used to calculate the regression coefficient:

H_0 : Independent variables do not affect dependent variables.

H_a : Significantly, the independent variable influences the dependent variable.

Decision-making provisions, namely:

a) If the probability significance < $\alpha = 0.05$, Ho is rejected and Ha is accepted. Thus, the dependent variable is significantly influenced by the independent variable; b) If the probability significance > $\alpha = 0.05$, Ho is accepted and Ha is rejected. Thus, the dependent variable is not influenced by the independent variable

The following table shows the results of the hypothesis testing (t-test) of regression model 1 for this study:

Table 6
Hypothesis Test Results (t-test) Model 1

Variable	Model 1 (ROA)		
	Koeficient	**p-value**	**Conclusion**
C	0.034759	0.0003	-
GO	-0.000427	0.0000	Negative Significant
IO	-0.000246	0.0000	Negative Significant
BS	-0.002065	0.0460	Negative Significant
IC	-0.041069	0.0051	Negative Significant
ACS	0.007548	0.0018	Positive Significant
INF	0.001660	0.0055	Positive Significant
GO_ INF	-0.006058	0.0000	Negative Significant
IO_INF	-0.005496	0.0000	Negative Significant
BS_ INF	-0.004255	0.1190	Not Significant
IC_INF	0.001354	0.1979	Not Significant
ACS_INF	0.003738	0.2641	Not Significant

1. **Government ownership (GO)** is proven to have a significant negative effect on ROA, because the GO estimated coefficient value is -0.000427 and the p-value is 0.0000 <0.05.
2. **Institutional Ownership (IO)** is proven to have a significant negative effect on ROA, because the IO estimated coefficient value is -0.000246 and the p-value is 0.0000 <0.05.
3. **The size of the Board of Directors (BS)** is proven to have a significant negative effect on ROA, because the BS estimated coefficient value is -0.002065 and the p-value is 0.0460 <0.05.
4. **The size of the Independent Board of Commissioners (IC)** is proven to have a significant negative effect on ROA, because the IC estimated coefficient value is -0.041069 and the p-value is 0.0051 <0.05.
5. **Audit Committee Size (ACS)** is proven to have a significant positive effect on ROA, because the ACS estimated coefficient value is obtained 0.007548 and the p-value is 0.0018 <0.05.
6. **Inflation Rate (INF**) is proven to have a significant positive effect on ROA, because the INF estimated coefficient value is obtained 0.001660 and the p-value is 0.0055 <0.05.
7. **Inflation Rate moderates Government Ownership (GO_INF)** is proven GO has a significant negative effect on ROA moderated by INF, because the GO_INF estimated coefficient value is obtained -0.006058 and the p-value is 0.0000 <0.05.
8. **Inflation Rate moderates Institutional Ownership (IO_INF)** proven IO has a significant negative effect on ROA moderated by INF, because the estimated coefficient value of IO_INF is obtained -0.005496 and the p-value is 0.0000 <0.05.
9. **Inflation Rate moderates Board of Directors Size (BS_INF)** proven BS has no effect on ROA moderated by INF, because the estimated coefficient value of BS_INF is obtained -0.004255 and the p-value is 0.1190 > 0.05.
10. **Inflation Rate moderates Independent Board of Commissioners Size (IC_INF)** proven IC has no effect on ROA moderated by INF, because the estimated coefficient value of IC_INF

is obtained 0.001354 and the p-value is 0.1979 > 0.05.

11. **The Inflation Rate moderates the Audit Committee Size (ACS_INF)** which is proven that ACS has no effect on ROA with moderation by INF, because the estimated coefficient value of ACS_INF is 0.003738 and the p-value is 0.2641 > 0.05.

The Influence of Government Ownership on the Financial Performance of State-Owned Enterprises

The results of the study indicate that there is a negative and significant influence between the government ownership (GO) variable and the financial performance of SOEs, both as measured by Return on Assets (ROA) and Return on Equity (ROE). The results of this study are in line with the research of Kaunda & Pelser (2023) and Chhabra et al. (2021) but different from the research results of Nguyen & Nguyen (2024) which showed that there was a positive and significant influence between government ownership (GO) and ROA and the research of Ong'onge et al. (2023) which showed that there was a positive and significant influence between government ownership (GO) and ROA and ROE.

Kaunda & Pelser's (2023) research shows that government ownership (GO) has a negative and significant effect on ROA, this explains that increasing government ownership results in an increase in the level of political interference, especially since BUMN in Malawi has many principals and agents who have interests that must be protected.

Research conducted by Chhabra et al. (2021) on public sector companies in India shows that there is a negative and significant influence between government ownership on ROA and ROE. This is in line with the theory of property rights and agency which explains why there is a negative relationship between government ownership and agent company performance, which will have a negative impact on company performance. This is because state or government agents prioritize government interests over company performance. In addition, company performance is hampered by increasing bureaucratic control.

Based on the results of this study, it can be explained that government ownership in SOEs does not necessarily improve the company's financial performance, especially since the government also acts as a regulator for SOEs. Government ownership in SOEs positions the government to be able to exercise full control and supervision over SOEs which actually leads to excessive intervention in SOEs business activities and SOEs does not have the freedom to expand its business because the SOEs business portfolio has been determined by the government. SOEs is also required to play a role in social goals and as an economic driver for Indonesia in addition to increasing profitability so that it becomes less focused on improving financial performance.

The Influence of Institutional Ownership on SOEs Financial Performance

The research findings show that there is a negative and significant influence between the institutional ownership (IO) variable and the financial performance of SOEs, both as measured by Return on Assets (ROA) and Return on Equity (ROE). The results of this study are in line with the research of Alodat et al. (2022) and Ajao & Ejokehuma (2021) but different from the results of research conducted by Queiri et al. (2021) and Tanui (2021) which showed that there was a positive and significant influence between institutional ownership (IO) and ROA and ROE.

Alodat et al.'s (2022) research found that institutional ownership (IO) has a negative and significant effect on ROE in non-financial public companies listed on the Amman Stock Exchange, Jordan. Institutional ownership should encourage companies to adopt good governance practices, apply professional knowledge, help companies make good business decisions and have highly developed managerial skills to improve financial performance.

Institutional ownership serves as an alternative monitoring mechanism to mitigate agency problems. Therefore, the role of institutional ownership becomes more prominent and improves

company performance. Shleifer & Vishny (1997) argue that institutional ownership is strongly encouraged to reduce managerial opportunism and control manager manipulation of investors. In line with the research of Ajao & Ejokehuma (2021) on manufacturing companies listed on the stock exchanges of 3 Sub-Saharan African countries (Nigeria, Kenya & South Africa), institutional ownership (IO) has a negative and significant effect on ROA.

Based on the results of this study, it can be explained that institutional ownership in SOEs emphasizes long-term stability and sustainability rather than pursuing short-term profits that may have greater potential. This results in the creation of more rational decisions and reduces the potential for short-term profits. Institutional ownership encourages SOEs to implement a consistent dividend policy so that it has an impact on the funds available for reinvestment which can increase profits and will be more conservative in making decisions and not taking excessive risks. As a result, SOEs cannot increase profits through innovation or aggressive business expansion. Institutional ownership also influences the decision to allocate funds to safer investments that have lower rates of return, thus impacting the ability of SOEs to generate higher profits.

The Influence of Board of Directors Size on SOEs Financial Performance

The research findings show that there is a negative and significant influence between the Size of the Board of Directors (BS) and the financial performance of SOEs as measured by Return on Assets (ROA) and has no effect on Return on Equity (ROE). The results of this study are in line with the research of Kijkasiwat et al. (2022), Hassan Bazhair (2022), and Aidoo et al. (2024) but different from the research of Abdullah et al. (2022) and Kyere & Ausloos (2021), which found a positive and significant influence between the Size of the Board of Directors (BS) and ROA and ROE.

Research conducted by Kijkasiwat et al. (2022) on companies in developed countries (Austria, Belgium, China, Denmark, Finland, France, Germany, Great Britain, Hong Kong, Japan, Korea, Switzerland, and the United States) and developing countries (Pakistan, India, Taiwan and Turkey) found a negative and significant relationship between Board Size (BS) and Return on Assets (ROA) in companies in developed countries and vice versa in developing countries. This states that companies with larger board sizes create ineffective communication and coordination which increases the complexity in reaching agreements so that companies are unable to make more appropriate and effective decisions even though they have access to more resources.

In line with research by Hassan Bazhair (2022) who also found a negative and significant relationship between Board of Directors Size (BS) and Return on Assets (ROA) and Return on Equity (ROE) in non-financial companies listed in Saudi Arabia. This finding predicts that a larger Board of Directors Size will worsen corporate governance and trigger agency costs, thus negatively impacting financial performance.

Meanwhile, research by Aidoo et al. (2024) on public companies in the manufacturing sector in Ghana, found that Board of Directors Size (BS) had no effect on ROA and ROE. This can be explained because there is no strong level of commitment shown by the Board of Directors that can increase the possibility of effectively overcoming various challenges that can threaten and hinder company performance.

Based on the results of this study, the size of the Board of Directors (BS) has a negative and significant effect on ROA, it can be explained that a larger Board of Directors tends to have various views and there is a risk of conflict of interest. Strategic decision making in SOEs is carried out through the Board of Directors Meeting with a collective collegial mechanism with a high level of complexity. This can slow down and complicate the decision-making process, especially if there are significant differences of opinion and conflicts of interest, it can take longer to reach a joint agreement, which can hinder rapid reaction to market changes and business opportunities that have an impact on financial performance. In addition, the large size of the Board of Directors causes

higher operational costs, such as salary/honorarium costs, bonuses, and other inherent benefits that can affect the financial performance of SOEs.

While the research results for the size of the Board of Directors did not affect ROE, it can be explained that there are more dominant and crucial factors in determining ROE in SOEs. As a SOEs, the company must comply with strict government policies and regulations, such as subsidies, tariff determination, and industry regulations that greatly affect the financial performance of SOEs. This government influence is often more significant than the decisions made by the Board of Directors. Other things such as macroeconomic conditions, market fluctuations, changes in commodity prices, and other external factors can greatly affect ROE. These factors are often beyond the control of the Board of Directors. The composition of the Board of Directors with the right expertise and experience contributes more to the financial performance of SOEs than simply having a large Board of Directors.

The Influence of the Size of the Independent Board of Commissioners on the Financial Performance of SOEs

The results of the study indicate that there is a negative and significant effect between the Size of the Independent Board of Commissioners (IC) and the financial performance of SOEs as measured by Return on Assets (ROA) and has no effect on Return on Equity (ROE). The results of this study are in line with the research conducted by Juliani et al. (2023) and Cahyaningsih et al. (2021) but not in line with the research of Setyo Aji & Lenggogeni (2022) and Susbiyani et al. (2023) which found a positive and significant effect between the Size of the Independent Board of Commissioners (IC) with ROA and ROE.

Research conducted by Juliani et al. (2023) found a negative and significant relationship between the size of the independent board of commissioners (IC) and Return on Assets (ROA) in non-financial companies listed on the Indonesia Stock Exchange. This explains that the appointment of an independent board of commissioners is only carried out to comply with regulations, not to enforce good Corporate Governance. Thus, the responsibility of the independent board of commissioners to carry out supervision becomes ineffective because not all members of the independent board of commissioners have time to monitor the company's performance. In addition, the independent nature of the board of commissioners results in a low understanding of the company's condition. The lack of information held by independent commissioners regarding the company can reduce performance due to weak supervision and the provision of advice or input that is not in accordance with the targets or goals to be achieved.

Research by Cahyaningsih et al. (2021) found something different, namely that there was no influence between the Size of the Independent Board of Commissioners (IC) and Return on Equity (ROE) in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX). This can be explained that the independent board of commissioners in pharmaceutical companies has not been able to provide a good impact, especially in the task of monitoring or supervising work that is detrimental to the company, while the costs incurred to finance independent commissioners continue to be carried out. As a result, profits decline and ultimately the increasing number of independent commissioners will reduce the company's financial performance so that with conditions like this, the existence of an independent board of commissioners is not needed.

The results of this study indicate that there is a negative and significant influence between the Size of the Independent Board of Commissioners (IC) and the financial performance of SOEs as measured by Return on Assets (ROA) and has no effect on Return on Equity (ROE). This can be explained that the Independent Board of Commissioners has limitations in the effectiveness of operational supervision and the efficiency of asset use in generating profits. In the context of SOEs, the appointment of independent commissioners is sometimes influenced by political factors, not just professional competence. This can reduce the effectiveness of the independent board of commissioners in improving financial performance. The Independent Board of Commissioners

focuses on governance, supervision, and risk management that are more about maintaining stability and transparency than improving financial performance directly. In addition, the influence of the Independent Board of Commissioners on strategic and operational policies that can increase net income and equity tends to be more long-term and indirect, so it does not have a significant impact on Return on Equity (ROE) in the short term.

The Influence of Audit Committee Size on SOEs Financial Performance

The results of the study indicate that there is a positive and significant effect between the size of the Audit Committee (ACS) and the financial performance of SOEs as measured by Return on Assets (ROA) and has no effect on Return on Equity (ROE). The results of this study are in line with the research of Ayoob et al. (2023) and Alajmi & Worthington (2023) but not in line with the research of Al-Jalahma (2022) and Hassan Bazhair (2022) which found a negative and significant effect between the size of the Audit Committee (ACS) and ROA and ROE.

Research conducted by Ayoob et al. (2023) on SOEs listed on the United Arab Emirates stock exchange also found a positive and significant relationship between the Size of the Audit Committee (ACS) and ROA. This explains that the active role of the audit committee can reduce problems related to directors who may agree with management to manipulate profits for their own interests or inflate executive salaries which will have an impact on the company's finances.

Alajmi & Worthington's (2023) research on industrial and public service companies in Kuwait found no relationship between Audit Committee Size (ACS) and ROE. This is due to weak compliance with the corporate governance code, and the audit committee has a minimum number of members, even some companies in Kuwait do not have a minimum number of audit committees.

The results of this study indicate that there is a positive and significant effect between Audit Committee Size (ACS) and SOEs financial performance as measured by Return on Assets (ROA) and has no effect on Return on Equity (ROE). This can be explained that Audit Committee Size (ACS) has a positive and significant effect on ROA because a larger committee can improve operational oversight, increase the efficiency of asset use, and ensure better compliance and risk management. However, ACS does not have a significant effect on ROE because ROE is more influenced by other factors such as dividend policy, capital structure, and net profit generated, which are outside the direct influence of the operational oversight function carried out by the audit committee.

The Influence of Government Ownership on SOEs Financial Performance Moderated by the Inflation Rate

The research findings show that there is a negative and significant influence between Government Ownership (GO) and the financial performance of SOEs as measured by Return on Assets (ROA) when moderated by the inflation rate and there is no influence of Government Ownership (GO) on Return on Equity (ROE) when moderated by the inflation rate. With the inflation rate as a moderating factor that has an influence, and the Government as a regulator that plays an active role in maintaining the inflation rate through appropriate monetary and macroeconomic policies, this does not necessarily improve the financial performance of SOEs as measured by ROA even though Government Ownership in SOEs can provide stability and strong financial support to SOEs, but the existence of political pressure, high control, bureaucracy, and conflicts of interest can hinder the financial performance of SOEs. The results of this study are in line with the research of Kaunda & Pelser (2023), Queiri et al. (2021), Ajao & Ejokehuma (2021), and Chhabra et al. (2021) where government ownership results in increased political interference, conflicts of interest, and high bureaucratic barriers and control from the government hamper the company's financial performance.

Meanwhile, Government Ownership has no effect on the financial performance of SOEs as measured by ROE when moderated by the inflation rate, indicating that the inflation rate variable

does not moderate the effect of Government Ownership on ROE. The government as a regulator plays an active role in maintaining the inflation rate through appropriate monetary and macroeconomic policies and Government Ownership in SOEs positions the government to be able to exercise full control and supervision over SOEs which actually leads to excessive intervention in SOE business activities and businesses and SOEs do not have the flexibility to expand their business because the SOE business portfolio has been determined by the government. This is in line with the results of Mohd Ghazali's research (2020), that along with the growth of global business and economy, government ownership does not have a significant role in ensuring business progress so that the separation of government roles is important to achieve better company financial performance.

The Influence of Institutional Ownership on SOEs Financial Performance Moderated by Inflation Rate

The results of the study show that the Inflation rate (INF) moderates the negative and significant effect between Institutional Ownership (IO) and BUMN financial performance as measured by Return on Assets (ROA) and Return on Equity (ROE). The results of this study indicate that there is a fairly high percentage of Institutional Ownership (IO) with an average of 16.52% so that it has the authority to carry out supervisory functions. With a high percentage of ownership, supervision will be tighter so that the demands on management to increase company performance are higher. However, the results of this study found that Institutional Ownership (IO) had a negative and significant effect on ROA and ROE when moderated by the Inflation rate (INF). This is in line with research conducted by Ajao & Ejokehuma (2021) which shows that IO has a significant negative effect on ROA, and also research by Alodat et al. (2022) which shows that there is a significant negative effect between IO and ROE.

High inflation rates (INF) have a negative impact on the financial performance of SOEs because they cause increased operational costs, reduce consumer purchasing power which reduces demand for company products and services, and increase capital costs due to increased loan interest rates. This is in line with research conducted by Merko & Habili (2023), Youssef et al. (2023), and Egbunike & Okerekeoti (2018) which show that the inflation rate has a negative and significant effect on financial performance as measured by ROA and ROE.

The results of this study indicate that Institutional Ownership (IO) in SOEs is unable to effectively carry out its role in supervising and influencing strategic and financial decisions of SOEs in conditions of high inflation rates even though it has the authority. Institutional Ownership should be able to provide tighter supervision of management, help companies make good business decisions and have highly developed managerial skills to improve financial performance and can be used to predict positive trends in the company's financial performance in the future.

The Influence of Board of Directors Size on SOEs Financial Performance Moderated by Inflation Rate

The results of the study indicate that the Size of the Board of Directors (BS) does not have a significant effect on the financial performance of SOEs as measured by Return on Assets (ROA) and Return on Equity (ROE) when moderated by the Inflation rate (INF). With the moderating factor of the inflation rate, the results of the study are inconsistent with the research of Kyere & Ausloos (2021) and Mohd Ghazali (2020) which found that the Size of the Board of Directors had a positive and significant effect on ROA and ROE and the research of Aluoch (2021) which found that the moderation of macroeconomic factors, one of which was the inflation rate, had a positive and significant effect on increasing the relationship between Corporate Governance through one of which was the size of the board of directors on financial performance as measured by Return on Assets (ROA).

The high inflation rate factor has a strong impact on macroeconomic conditions, which can

affect the overall financial performance of SOEs. The macroeconomic condition factor of inflation is beyond the control of the Board of Directors. The composition of the Board of Directors with the right expertise and experience contributes more to the financial performance of SOEs than simply having a large Board of Directors, especially if there is no strong level of commitment shown by the Board of Directors that can increase the possibility of effectively overcoming various challenges that can threaten and hinder the company's performance. This is in line with research conducted by Aidoo et al. (2024) and Alajmi & Worthington (2023) which found that the Size of the Board of Directors (BS) had no effect on ROA and ROE.

The Influence of the Size of the Independent Board of Commissioners on the Financial Performance of SOEs Moderated by the Inflation Rate

The results of the study indicate that the Size of the Independent Board of Commissioners does not affect the financial performance of BUMN as measured by Return on Assets (ROA) and has a significant positive effect on Return on Equity (ROE) when moderated by the Inflation rate (INF). With the moderating factor of the Inflation rate (INF), the results of the study are inconsistent with the research conducted by Setyo Aji & Lenggogeni (2022) which found a positive and significant effect between the Size of the Independent Board of Commissioners (IC) and ROA but are still in line with research by and Susbiyani et al. (2023) which found a positive and significant effect between IC and ROE. This illustrates that the size of the Independent Board of Commissioners does not affect the financial performance of BUMN as measured by ROA with the moderating factor of the Inflation rate and on the other hand has a significant positive effect on ROE also with the moderating factor of the Inflation rate.

Based on the findings of this study, it can be explained that the size of the independent board of commissioners will not affect the company's performance if it is not balanced with the supervisory capabilities of independent commissioners whose competencies do not match the company's needs. An effective Independent Board of Commissioners can help SOEs manage risks associated with inflation, such as by implementing cost control strategies, price adjustments, or product diversification that can maintain or improve financial performance even in high inflation conditions.

In conditions of high inflation, SOEs need adaptive and responsive strategies. A competent Independent Board of Commissioners can provide the direction and supervision needed to implement strategies properly. SOEs with a strong Independent Board of Commissioners will be better able to maintain good financial performance in volatile economic conditions, because they can be more effective in managing risks and making strategic decisions. This is in line with research by Irma (2019) and Zakaria et al. (2022) which found that there was no influence between IC and ROA because the ability to effectively supervise by the independent board of commissioners had a greater impact on the financial performance of SOEs, especially in conditions of economic fluctuations such as inflation, than the size of the independent board of commissioners and research by Susbiyani et al. (2023) which found that there was a significant positive influence between IC and ROE, which confirms that the existence of an independent board of commissioners can encourage other members of the board of commissioners to supervise, provide advice, and review annual reports which will have a positive impact on the financial performance of SOEs.

The Influence of Audit Committee Size on SOEs Financial Performance Moderated by Inflation Rate

The results of the study indicate that Audit Committee Size (ACS) does not affect the financial performance of BUMN as measured by Return on Assets (ROA) and has a significant negative effect on Return on Equity (ROE) when moderated by the Inflation rate (INF). With the moderating factor of the Inflation rate, the results of the study are inconsistent with the research conducted by Tiesieh Tapang (2023) and Boachie (2023) which found a positive and significant

effect of Audit Committee Size on financial performance.

The results of this study indicate that ACS does not affect the financial performance of SOEs ROA with moderation of the inflation rate which can be explained that in conditions of high inflation rates it increases the complexity of financial and operational management. A larger audit committee size can provide more capacity in supervision, but without good quality supervision, its impact on ROA is limited. In conditions of low or stable inflation rates, the additional complexity of inflation is reduced. Effective supervision by the audit committee remains important, but the size of the audit committee may not be a dominant factor in influencing ROA. This is in line with research by Alajmi & Worthington (2023) and Setyo Aji & Lenggogeni (2022) which found that the size of the Audit Committee had no effect on the financial performance of ROA because an audit committee that was too large could not effectively carry out the role of supervision and risk assessment where in supervising the company's financial performance what is needed is competence and capability.

Meanwhile, this study found that ACS has a negative and significant effect on the financial performance of BUMN ROE with moderation in the inflation rate, which can be explained that in a high inflation situation, BUMN may require tighter and more efficient supervision. If the size of the audit committee is too large, the effectiveness of supervision can decrease due to coordination problems and the complexity of decision making, which are important in a volatile economic situation. High inflation increases operating costs, and if BUMN has to pay more to manage a large audit committee, profit margins will be further squeezed, and this can reduce ROE. In a high inflation situation, companies need to adapt quickly to economic changes. The large size of the audit committee can slow down the company's strategic response to these changes, which can affect overall financial performance and reduce ROE. The results of this study are in line with the results of the research by Al-Jalahma (2022) and Hassan Bazhair (2022) which found that the size of the Audit Committee has a negative and significant effect on the financial performance of the company's ROE because the efficiency of the audit committee tends to be lower when the audit committee consists of more members.

CONCLUSION

The following are some conclusions that can be made based on the results of the research and analysis: 1) The effect of Government Ownership on the financial performance (ROA and ROE) of BUMN was found to be negative and significant; 2) The effect of Institutional Ownership (IO) on the financial performance (ROA and ROE) of BUMN was found to be negative and significant; 3) The effect of the Size of the Board of Directors (BS) on the financial performance (ROA) of BUMN was found to be significant but negative, but on ROE it was found to have no effect; 4) The effect of the Size of the Independent Board of Commissioners (IC) on the financial performance (ROA) of BUMN was found to be negative and significant, while on ROE it was found to have no effect; 5) The effect of the Size of the Audit Committee (ACS) on the financial performance (ROA) of BUMN was found to be positive and significant, while on ROE it was found to have no effect; 6) With the moderating factor of the Inflation rate (INF), Government Ownership (GO) was found to have a negative and significant effect on the financial performance (ROA) of BUMN, while on ROE it was found to have no effect; 7) Institutional Ownership (IO) negatively and significantly affects the financial performance of SOEs for ROA and ROE due to the moderating factor of the Inflation rate (INF); 8) The Size of the Board of Directors (BS) does not affect the financial performance (ROA and ROE) of SOEs when moderated by the Inflation rate (INF); 9) With the moderating factor of the Inflation rate (INF), the Size of the Independent Board of Commissioners (IC) does not affect the financial performance (ROA) of SOEs, and conversely positively and significantly affects ROE; 10) The Size of the Audit Committee (ACS)

does not affect the financial performance (ROA) of SOEs with the moderating factor of the Inflation rate (INF), and conversely negatively and significantly affects ROE when moderated by the Inflation rate (INF).

CONCLUSION

For SOEs management, this research can contribute knowledge and things that can be of concern to management in carrying out every business process in BUMN with the implementation of good Corporate Governance so that in unstable macroeconomic conditions, such as high inflation rates, SOEs can still maintain and improve financial performance.

To improve SOEs financial performance, Government Ownership which has a negative and significant influence on ROA and ROE needs to be considered by SOEs because high government ownership can reduce efficiency due to the potential for excessive political and bureaucratic intervention. Management needs to increase transparency and accountability to ensure that business decisions are based on commercial, not political, considerations. In addition, SOEs is also required to play a role in social goals in addition to carrying out commercial functions. A clear separation between social responsibility and commercial goals can help avoid conflicts of interest and improve SOEs financial performance.

Institutional ownership that has a negative and significant effect on ROA and ROE requires SOEs management to develop an effective communication strategy with institutional shareholders, which includes clear and consistent communication about company performance, long-term strategies, and challenges faced. The interests of institutional shareholders may not be in line with the SOEs long-term goals, management can find ways to align the interests of institutional shareholders with the SOEs long-term strategy to avoid conflict.

For SOEs management, in this case shareholders, it is something that needs to be considered when the Size of the Board of Directors has a significant negative effect on ROA. To improve SOEs financial performance, there needs to be an evaluation and balance of the Size of the Board of Directors by considering the business process and size of the SOEs so that strategic decision-making can be faster and less complicated so that it is effective in responding to market changes and business opportunities that have an impact on financial performance. In addition, the large Size of the Board of Directors causes higher operational costs, such as salary/honorarium costs, bonuses, and other inherent benefits that can affect SOEs financial performance.

The size of the Independent Board of Commissioners that has a significant negative effect on ROA needs to be considered because the Independent Board of Commissioners has an important role in the implementation of Corporate Governance in SOEs. The role of the Independent Board of Commissioners needs to be improved in carrying out effective operational supervision and efficient use of assets in generating profits. The appointment of independent commissioners must be free from political factors, so that the professional competence they have can provide input to SOEs to improve financial performance.

The size of the Audit Committee that has a significant positive effect on ROA is something that needs to be maintained because a larger role of the Audit Committee can improve operational supervision, increase the efficiency of asset use, and ensure better compliance and risk management.

This study also provides knowledge and an overview of the inflation rate factors that need to be considered by SOEs which are able to moderate the influence of Government Ownership,

Institutional Ownership, Size of Independent Board of Commissioners, and Size of Audit Committee on SOEs financial performance as measured by ROA & ROE.

Government Ownership has a negative and significant effect on ROA with moderation by the inflation rate. This should be a concern for management because Government Ownership in SOEs can influence company policy. SOEs management needs to communicate and negotiate with the government to get support, such as subsidies or incentives, which can help overcome the negative impact of inflation.

Institutional Ownership that has a negative and significant effect on ROA and ROE with moderation by the inflation rate needs to be a management concern because Institutional Ownership in SOEs should be able to play an effective role in supervising and influencing strategic and financial decisions of SOEs in conditions of high inflation rates according to the authority it has.

The size of the Independent Board of Commissioners has a positive and significant effect on ROE with moderation of the inflation rate. This means that the Independent Board of Commissioners is effective in helping SOEs manage risks related to inflation, such as by implementing cost control strategies, price adjustments, or product diversification that can maintain or improve financial performance even in conditions of high inflation. In conditions of high inflation, SOEs needs an adaptive and responsive strategy. A competent Independent Board of Commissioners can provide the direction and supervision needed to implement strategies properly.

The size of the Audit Committee that has a significant negative effect on ROE with the moderation of the inflation rate needs to be considered by management. In a high inflation situation, SOEs may require tighter and more efficient supervision. If the size of the audit committee is too large, the effectiveness of supervision may decrease due to coordination problems and the complexity of decision making, which are important in a volatile economic situation. High inflation increases operating costs, and if SOEs have to pay more to manage a large audit committee, profit margins will be further squeezed, and this can reduce ROE. In a high inflation situation, companies need to adapt quickly to economic changes. A large audit committee size can slow down the company's strategic response to these changes, which can affect overall financial performance and reduce ROE.

The results of this study can contribute to investors in conducting analysis before investing in SOEs so that investors have an idea of the benefits of implementing Corporate Governance on SOEs financial performance, especially in economic conditions influenced by inflation rates. Good corporate governance increases transparency and accountability in SOEs management, so that investors are more confident that the company is managed well and responsibly. This reduces investment risk and increases investor confidence in BUMN. Investors will be more interested in SOEs that show stability in financial performance even though the inflation rate fluctuates.

Good corporate governance practices can increase the liquidity and value of SOE shares in the capital market. Investors will tend to invest in companies whose shares are liquid and whose value increases over time. Good corporate governance creates a positive perception in the market, which can boost stock prices. SOEs with strong corporate governance tend to have more stable and reliable dividend policies. Investors seeking a steady income from their investments will be attracted to SOEs that are able to provide consistent dividends, even in uncertain economic situations due to inflation.

The government can formulate more targeted policies to support the strengthening of corporate governance in SOEs that include stricter regulations, better supervision, and incentives for SOEs that implement good corporate governance. The government needs to continue to encourage the improvement of corporate governance in SOEs as part of a long-term strategy to ensure stable and sustainable financial performance, even in economic conditions affected by inflation. High inflation rates can erode the value of SOE assets and revenues. However, with good corporate governance practices, SOEs can manage inflation risks more effectively through wiser financial strategies, such as investment diversification and tighter cost management.

The government as a regulator and shareholder of SOEs which has the authority to exercise full control and supervision over SOEs is expected not to intervene excessively in SOEs business activities and SOEs is given the freedom to develop a business portfolio so that it can expand its business. The government must emphasize more on the commercial aspects of SOEs so that it can increase profitability even though SOEs is required to play a role in social goals and as an economic driver for Indonesia. The government is expected to free SOEs from political pressure, high control, bureaucracy, and conflicts of interest that can hinder SOEs financial performance.

SOEs with good and stable financial performance can make a positive contribution to national economic stability. The government can rely on SOEs as a solid pillar of the economy, especially in volatile economic situations due to inflation. With strong corporate governance, SOEs are better able to manage macroeconomic risks, including the negative impacts of inflation. The government can use SOEs as a tool to stabilize the economy through relevant policies, such as market intervention or price control.

SUGGESTION

The researcher has suggestions for further research based on the findings of the research results and discussions, as well as several limitations of the research: 1) The next research will not only focus on BUMNs listed on the Indonesia Stock Exchange for the 2018-2022 period, but will also increase the research period to a period of 10 (ten) years and include all BUMNs in Indonesia, BUMNs listed and not listed on the Indonesia Stock Exchange; 2) Future research is expected to explore other independent variables to further reveal other variables that can affect the financial performance of SOEs, such as Corporate Governance Disclosure Index (Abang'a et al., 2022), Board Expertise (Aidoo et al., 2024), Number of Board of Commissioners Meetings (Juliani et al., 2023), Audit Committee Expertise (Tiesieh Tapang, 2023; Alajmi & Worthington, 2022) and Audit committee independence (Alajmi & Worthington, 2023; Ayoob et al., 2023; Al-Jalahma, 2022; Tiesieh Tapang, 2023; Hassan Bazhair, 2022) as well as the addition of other macroeconomic moderating variables such as GDP growth, exchange rate, and interest rate (Aluoch, 2021); 3) Further research is expected to add measurements to BUMN financial performance in the form of Tobin's Q (Alajmi & Worthington, 2022; Kyere & Ausloos, 2021; Juliani et al., 2023; Hassan et al., 2023; Al-Jalahma, 2022), Net Profit Margin (Tiesieh Tapang, 2023), and Debt to Equity Ratio (Alajmi & Worthington, 2022).

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