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# The Effect of Good Corporate Governance on the Financial Performance with Capital Structure as a Moderating Variable at the Property and Real Estate Companies Listed on the Indonesia Stock Exchange

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## ABSTRACT

This research aims to determine the influence of Good Corporate Governance, which consists of institutional ownership, public ownership, audit committee, independence of the board of commissioners and independence of the board of directors on financial performance with capital structure as a moderating variable in property & real estate companies listed on the Stock Exchange Indonesia (BEI). This research uses a quantitative approach with secondary data as a sample of 12 property & real estate companies listed on the Indonesia Stock Exchange in 2019-2023. The sampling technique uses a purposive sampling method. The data analysis technique uses multiple linear regression analysis and residual tests for moderating variables carried out with the Eviews 10 program. The research results show that institutional ownership affects financial performance. Capital structure as a moderating variable can moderate public ownership of financial performance.

***Keywords:*** *good corporate governance, institutional ownership, public ownership, audit committee, independence of the board of commissioners, independence of the board of directors, financial performance, capital structure*

## INTRODUCTION

Analyzing a company's financial performance is one way to see financial statements. The purpose of financial statements is to provide information about the financial status of a business and changes in that position. Many people use this information to make choices, and one method of seeing a company's financial performance is to look at and evaluate the statements. Among the many considerations for investors, this is an important one.

Companies in the property and real estate industry face major challenges in making investment decisions, which can have a significant impact on the organization's capital structure. Investments, other operational operations, and other purposes require capital, an important component of every successful organization. An organization's capital structure can be defined as the ratio of total debt and foreign investment to its total capital (Musthafa, 2017).

Since 2020, the COVID-19 pandemic has had a significant financial impact on several companies. The most relevant here is the profit and loss statement that investors rely

on to determine how well a business performs.

Many businesses fail in cases like this because their leaders fail to manage the company's resources properly. Manufacturing companies in the property and real estate industry are among the many companies that have experienced a drastic decline in economic effectiveness or instability due to COVID-19. Therefore, given the COVID-19 pandemic, stakeholders are putting pressure on companies to improve their economic effectiveness. A study detailing the economic efficacy of property and real estate companies from 2018 to 2021 provides a good example.

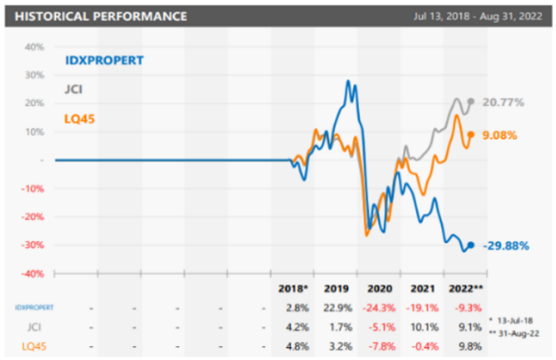


**Figure 1. Financial Performance 2018-2021 of Property and Real Estate**

Companies in the property and real estate sector saw the phenomenon of economic effectiveness from 2018 to 2021, as seen in the graph above. Before the COVID-19 pandemic, the company's financial effectiveness increased by 22.9% in 2018 and 2019. Then, from 2019 to 2020, when the COVID-19 pandemic began, there was a drastic decline of up to -24.3% due to several businesses experiencing a decline in product sales.

There is also a trend of bankruptcy of companies in the construction and investment sectors, especially FORZ and COWL. In 2022, the Central Jakarta District Court Decision declared PT Forza Land Indonesia Tbk (FORZ) bankrupt. FORZ submitted the latest economic effectiveness report for the third quarter 2020 in resolution no. 25/Pdt. Sus-Pembanalan Perdamaian/2022/PN. Niaga Jkt.Pst. As of the date of this financial report, FORZ has not paid its bills. As of September 30, 2020, FORZ had a total debt of IDR305 billion. Meanwhile, the total capital was only IDR596.7 billion as of September 30, 2020. In addition, PT Forza Properti Serpong, a subsidiary of FORZ involved in developing the One Azure Serpong apartment, is also in the process of bankruptcy.

A Central Jakarta, Indonesia court declared PT Cowell Development Tbk bankrupt in 2020. Due to creditor pressure, the property issuer (stock code COWL) filed for bankruptcy protection in court. On July 17, 2020, PT Multi Cakra Kencana Abadi petitioned the court to declare bankruptcy on behalf of Cowell, demanding a debt of IDR 53.4 billion—or around 1.93 per cent of the company's total debt. It triggered the bankruptcy verdict. COWL said the purpose of the debt was to cover the company's operating costs. Operating income and net sales for the first nine months of 2019 reached 236.94 billion Indonesian ringgit (IDR) for Cowell Development. Compared to the same period in 2018, the value fell 30.67% to IDR 341.74 billion. However, COWL's net loss improved from IDR 205.25 billion to IDR 25.89 billion due to a decrease in the cost of revenue. However, the company borrows bank loans of up to IDR 1.99 trillion. It includes short-term (Rp 220.77 billion) and long-term (Rp 1.7 trillion) bank debt.

The above events provide sufficient context to conclude that one of the real estate and property companies that has gone public on the IDX is experiencing problems. It all started with PT. Cowell Development and PT. Forzaland Indonesia Tbk's very large debt burden. It shows how dependent the business is on external sources. When a company's debt increases, its value decreases in the eyes of investors. It makes it difficult for the company to raise capital, reducing the possibility of achieving an optimal capital structure. Ultimately, leading management is important in determining the percentage of

capital structure needed to grow and maintain property and real estate companies. Management must make astute judgments when deciding on the company's capital structure to maximize the value of the company. Therefore, the business world must ensure its superior, effective, and efficient performance by building strong CG (GCG) and determining the best financial structure for its organization.

In addition, this study aims to see whether capital structure acts as a moderator between the two variables. Various financial reporting tools can affect economic effectiveness; researchers are interested in studying this potential based on phenomena and conditions. Therefore, researchers document this in a scientific article entitled: "The Effect of Good Corporate Governance on Financial Performance with Capital Structure as a Moderating Variable in Property & Real Estate Companies Listed on the Indonesia Stock Exchange".

## LITERATURE REVIEW

### Financial Performance

Fahmi (2020) stated that financial performance is an analysis carried out to see the extent to which a company has implemented the rules of financial implementation properly and correctly.

Companies use financial performance measurement to improve operational activities that they have carried out to be better and to be able to compete with other companies.

The company's ability to assess the overall efficiency of capital use, which is sensitive to everything that impacts financial conditions, can be done with the help of ROA (Return on Assets) and appropriate accounting standards. Business to build a reputation in the industry. It is the first stage in formulating an action plan.

ROA is a financial performance ratio used in this study. ROA measures the efficiency of a business by comparing net income to its total assets. Because ROA can calculate the company's overall financial performance, ROA is the most important ratio of existing profitability. Based on Du Pont's theory, the calculation of ROA is:

$$ROA = \frac{Net\ Profit}{Total\ Assets}\ x\ 100\%$$

### Good Corporate Governance

Sulistyowati (2017) stated that Good Corporate Governance is a method of corporate management that aims to improve performance, protect stakeholder interests, and strengthen compliance with legal requirements and industry ethical standards.

Corporate governance arises from agency problems, namely when there is a dispute between owners and managers. The problem with the agency in the relationship between capital owners and managers is that capital owners have difficulty ensuring that their money is not wasted on unprofitable or unproductive businesses. Therefore, Corporate governance is needed to reduce concerns between owners and managers. The goal of Corporate Governance is to increase value for shareholders.

According to Iskandar and Chamlao (2000) in Lastanti (2004), the mechanisms in GCG supervision are divided into two groups: internal and external. Internal mechanisms are a way to control a company by using internal structures and processes such as general meetings of shareholders, composition of the board of directors, composition of the board of commissioners and meetings with the board of directors. External mechanisms are ways to influence the company other than internal mechanisms, such as corporate control and market mechanisms.

**a. Institutional Ownership**

Institutional ownership is the ownership of company shares owned by institutions or institutions such as insurance companies, banks, investment companies, and other institutional ownership (Tarjo, 2008). Institutional ownership can be called institutional investors, often called

sophisticated investors, which means institutional investors are more precise and faster in predicting future profits than non-institutional investors. Institutional investors have access to more timely and relevant information sources that can find profit management activities quicker and easier than individual investors. The supervisory actions of institutional investors can affect managers' performance, who directly affect profit management and the company's financial performance. This institutional ownership is measured by the percentage indicator of the number of shares owned by institutions from the total number of company shares.

$$IM = \frac{\Sigma\ Shares\ Owned\ by\ Institutions}{\Sigma\ Shares\ Outstanding} x100\%$$

**b. Public Ownership**

According to (Hillary and Nicken, 2017:131), Public ownership is the proportion of share ownership owned by the public or society towards the company's shares. When the public owns a company, it will encourage the company to implement broader corporate social responsibility towards society and the environment to gain and increase trust and form of responsibility.

$$PO = \frac{\Sigma\ Shares\ Owned\ by\ Public}{\Sigma\ Shares\ Outstanding} x100\%$$

**c. Audit Committee**

The Indonesian Audit Committee Association (IKAI) defines an audit committee as a committee that works professionally and independently formed by the board of commissioners and, as such, its task is to assist and strengthen the function of the board of commissioners (or supervisory board) in carrying out the function of supervision over the financial reporting process, risk management, audit implementation and implementation of corporate governance in companies. Establishing an audit committee in a company aims to improve the effectiveness, accountability, transparency, and objectivity of the board of commissioners and board of directors. The purpose of the audit committee is to enable the board of commissioners to provide an independent assessment of the company's financial performance, strengthen the position of external auditors, create independence and objectivity of internal auditors in providing recommendations for improvement, improve the quality of financial reporting which results in increased public confidence, especially investors in the company.

$$AC = \frac{Audit\ Committee}{\Sigma\ Audit\ Committee} x100\%$$

**Independence of Board Commissioners**

The Board of Commissioners has a role in monitoring the Board of Directors' policies. This role of the commissioner is expected to minimize agency problems that arise between the board of directors and shareholders so that the performance produced by the company is in line with the planned objectives. The board of commissioners plays an important role in directing strategy, overseeing the company's running, and ensuring that managers improve the company's performance as part of the company's achievements. The board of commissioners is the core of corporate governance, which is tasked with ensuring the implementation of the company's strategy, supervising management in managing the company, and requiring accountability (Egon, 2000).

An independent board of commissioners generally has better management supervision, thus affecting the possibility of fraud in presenting financial reports by managers (Chtourou et al., 2001). In other words, the more competent the board of commissioners, the more it reduces the possibility of fraud in financial reporting. Independent commissioners are appointed because their experience is considered useful for the organization. They can

supervise the board of commissioners and how the board of directors runs the company. Independent commissioners are usually useful in resolving disputes between the board of directors or between shareholders and the board of commissioners. Independent commissioners are useful because they can be objective and have a low risk of conflict of interest.

$$IBC = \frac{Number\ of\ Independent\ Commissioners}{Number\ of\ board\ of\ commissioners} x100\%$$

**Independence of Board of Directors**

The Board of Directors is a company organ that has the authority and full responsibility for managing the company for the benefit of the company, following the intent and purpose of the company and representing the company, both inside and outside the court, under the provisions of the articles of association.

As stated in the Decree of Part III of the Indonesia Stock Exchange, prospective listed companies must meet several requirements, including having an Independent Director, whether they will list their shares on the main board or the development board. In Part III I.5.1 of Regulation Number A-1, it is stipulated that the Independent Director must consist of at least 1 (one) person from the ranks of members who can be selected in advance through the GMS before listing and begin to actively act as an independent director after the company's shares are listed.

$$IBD = \frac{Number\ of\ Independent\ Board\ of\ Directors}{Number\ of\ board\ of\ directors} x100\%$$

**Capital Structure**

According to KieuTrang et al. (2020), Capital structure is a financial concept that reflects the debt-to-equity ratio a business company uses. Therefore, an optimal capital structure is important in business operations. The debt measures capital structure to equity ratio (DER). DER is a ratio used to measure the level of debt usage against the total shareholder's equity owned by the company. From several views of these experts, it can be said that capital structure is a permanent expenditure that reflects the balance between long-term debt and equity, both from internal and external sources. A company's capital structure means the mix of sources of funds from which the company's assets are composed. Debt and equity are the main elements of the capital structure. Decisions about debt and equity allow companies to maximize the value of their shares and wealth. The right capital structure is necessary for the survival of the company and its financial success. Every company must find the optimal debt-equity mix. Much literature has been published on the determinants of capital structure. However, determining a company's optimal capital structure remains controversial. Also, the optimal capital structure and the factors determining it may differ by industry and country (Ashraf & Rezina, 2020).

For banks (creditors), the higher this ratio, the less profitable it will be because the greater the risk borne for possible failure in the company. However, for companies, the higher the ratio, the better. Conversely, with a low ratio, the higher the level of funding provided by the owner, the greater the safety margin for the borrower in the event of a loss or depreciation of the value of assets. This ratio also provides a general indication of the company's financial viability and risk.

The debt-to-equity ratio for each company is certainly different, depending on the characteristics of the business and the diversity of its cash flows. Companies with stable cash flows usually have a higher ratio than less stable cash flows. The formula for finding the debt-to-equity ratio can be used as a comparison between total debt and total equity as follows:

$$DER = \frac{Total\ Debt}{Total\ Equity}$$

**Previous Researcher Review**

Evidence of empirical research conducted by several researchers on the effect of

GCG implementation on financial performance with capital structure as a moderating variable. Farida (2013) conducted a study entitled The Effect of good corporate governance on economic performance in banking companies listed on the Indonesia Stock Exchange. This study's results show that two independent variables partially influence the company's financial performance, namely the size of the board of commissioners and the audit committee. Rahadian's (2014) research entitled The Influence of Good Corporate Governance on Company Capital Structure (Empirical Study of Manufacturing Companies Listed on the IDX in 2010-2012). The results of this study show that the variables Concentration, ownership, and managerial ownership have a positive and significant effect on capital structure. Meanwhile, the variables of the size of the board of directors and independent commissioners do not affect capital structure.

Research by Savestra et al. (2021) entitled The Role of Capital Structure as a Moderation in Strengthening Company Financial Performance. Based on the results of this study, Managerial Ownership does not affect financial performance. Institutional Ownership has a positive effect on financial performance. Capital structure cannot moderate managerial ownership and institutional ownership on financial performance.

Research by Wulandari (2022) entitled The Influence of Good Corporate Governance on Capital Structure with Company Size as a Moderator (Empirical Study of Property and Real Estate Sector Companies Listed on the IDX for the 2018-2021 Period). Based on the results of this study, Managerial Ownership and Board of Directors Size have a positive effect on capital structure, while Institutional Ownership does not affect capital structure. Fahlevi's (2023) research entitled The Effect of Foreign Ownership, Public Ownership, and BOPO on Financial Performance (Study of National Private Banking Companies with Foreign Exchange Listed on the IDX in the 2018-2021 period. The results of this study show that the public ownership variable has a positive and significant effect on financial performance.

## Framework

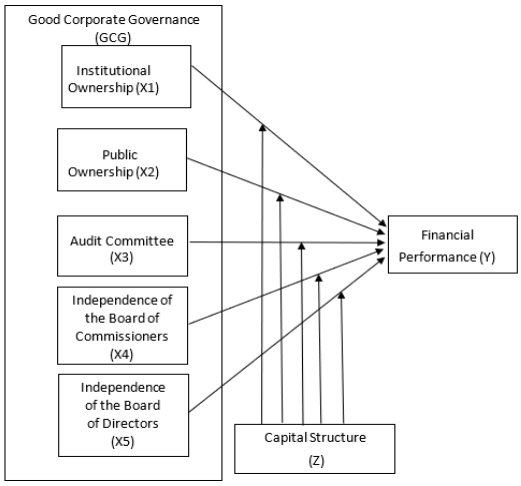


**Figure 2. Conceptual Framework**

H1: Institutional ownership has a positive effect on financial performance in Property & Real Estate Companies

H2: Public ownership has a positive effect on financial performance in Property & Real Estate Companies

H3: The audit committee has a positive effect on financial performance in Property & Real Estate Companies

H4: The independence of the board of commissioners has a positive effect on financial performance in Property & Real Estate Companies

H5: The independence of the board of directors has a positive effect on financial performance in Property & Real Estate Companies

H6: Capital structure can moderate the relationship between institutional ownership and financial performance in Property & Real Estate Companies

H7: Capital structure can moderate the relationship between public ownership and

financial performance in Property & Real Estate Companies

H8: Capital structure can moderate the relationship between the audit committee and financial performance in Property & Real Estate Companies

H9: Capital structure can moderate the relationship between the independence of the board of commissioners and financial performance in Property & Real Estate Companies

H10: Capital structure can moderate the relationship between the independence of the board of directors and financial performance in Property & Real Estate Companies

## MATERIALS & METHODS

This study is a causal research. This design is useful for analyzing the relationship between one variable and another or how a variable affects another variable (Umar, 2001). The independent variables used in this study are GCG, which has indicators of institutional ownership, public ownership, audit committee, independence of the board of commissioners, and independence of the board of directors, with the capital structure in this study as a moderating variable. Financial performance is proxied by the ROA ratio (return on assets) as the dependent variable.

The data used in this study are secondary. For the accuracy of the calculation and to reduce human error, a statistical tool is used, namely the Eviews program with Alpha 0.05.

The population in this study is all property & real estate companies listed on the IDX from 2019 to 2023. The data source used for this study is secondary data obtained through the Indonesian Capital Market Directory, the official IDX website. The study uses data from the financial statements of sample companies with a population of 92 companies. The data period year is 2019-2023. In this case, all populations are sampled so that 460 observations are obtained.

## RESULT

### A. Determining the Estimation Model

Three model estimation methods can be used in modelling using panel data regression: Common Effect Model, Fixed Effect Model, and Random Effect Model. These three models have assumptions that must be met to obtain the right model estimation. Several tests are carried out on the estimation model to determine the right model.

#### 1. Chow Test

The Chow test aims to determine the best model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM) in estimating panel data.

**Table 1. Chow Test Results**

Redundant Fixed Effects Tests
Equation: MODEL_FEM
Test cross-section fixed effects

| Effects Test | Statistic | d.f. | Prob. |
|---|---|---|---|
| Cross-section F | 3.871247 | (11,43) | 0.0006 |
| Cross-section Chi-square | 41.297699 | 11 | 0.0000 |

***Source: Eviews 10, 2024***

From the results of the Chow test, the probability value for the cross-section chi-square is 0.0000, whereas the value is below 0.05. So, the selected model is the Fixed Effect Model.

#### 2. Hausman Test

The Hausman test aims to determine the best model between the Fixed Effect Model (FEM) and the Random Effect Model (REM) in estimating panel data.

**Table 2. Hausmann Test Results**

Correlated Random Effects - Hausman Test
Equation: MODEL_REM
Test cross-section random effects

| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
|---|---|---|---|
| Cross-section random | 16.216139 | 5 | 0.0063 |

***Source: Eviews 10, 2024***

From the results of the Hausman test, the probability value for the random Cross section is 0.063, where the value is below 0.05. So the selected model is the Fixed Effect Model (FEM), so there is no need for a Lagrange Multiplier test.

**Table 3. FEM (Fixed Effect Model) Estimation Model**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.076748 | 0.021314 | 3.600774 | 0.0008 |
| X1 | -0.004785 | 0.001584 | -3.021636 | 0.0042 |
| X2 | -0.000250 | 0.002019 | -0.123596 | 0.9022 |
| X3 | 0.002886 | 0.004826 | 0.598027 | 0.5530 |
| X4 | 0.020411 | 0.023461 | 0.869985 | 0.3891 |
| X5 | -0.033790 | 0.043539 | -0.776079 | 0.4420 |
| Effects Specification | | | | |
| Cross-section fixed (dummy variables) | | | | |
| R-squared | 0.601039 | Mean dependent var | | 0.078534 |
| Adjusted R-squared | 0.452588 | S.D. dependent var | | 0.039658 |
| S.E. of regression | 0.029342 | Akaike info criterion | | -3.986056 |
| Sum squared resid | 0.037022 | Schwarz criterion | | -3.392658 |
| Log likelihood | 136.5817 | Hannan-Quinn criter. | | -3.753946 |
| F-statistic | 4.048748 | Durbin-Watson stat | | 1.554406 |
| Prob(F-statistic) | 0.000126 | | | |

***Source: Eviews 10, 2024***

## B. Classical Assumption Test

### Normality Test

According to Ghozali (2018), the normality test is carried out to evaluate whether the disturbance variables or residuals in the regression model follow a normal distribution. In this study, the researcher used the Jarque-Bera test. The Jarque-Bera test is a statistical test to determine whether the data is normally distributed. According to Gujarati (2013), detection is done by looking at Jarque Bera, which is asymptotic (a large sample based on the Ordinary Least Squares residual). The normality test for residuals can be carried out using the Jarque-Bera Test (JB test) with the following hypotheses:

a. H0: Residuals are normally distributed.
b. H1: Residuals are not normally distributed.

Using a significance level of 5% (0.05), if the p-value> real level (α), then H0 is accepted, meaning that the residual data is normally distributed. Conversely, if the p-value <real level (α), H1 is accepted, meaning that the residual data is not normally distributed.

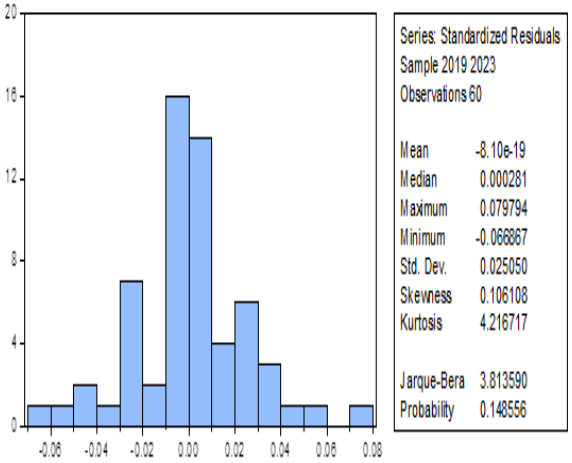


**Figure 3. Normality Test Results**
***Source: Eviews 10, 2024***

From the figure above, it can be seen that the Jarque-Bera value is 3.813590, and the probability value is 0.148556. Thus, the model in this study has a normally distributed residual because the probability value of 0.148556 is greater than 0.05, so H0 is accepted.

### Multicollinearity Test

The multicollinearity test determines whether a regression model finds a correlation between independent variables (Ghozali, 2016). The multicollinearity test aims to determine whether a regression model finds a correlation between the independent variables

The test can be conducted by looking at the regression model's Tolerance and Variance Inflation Factor (VIF) values . The multicollinearity test can be carried out using the Variance Inflation Factor (VIF) Test with the following hypotheses:

a. H0: No multicollinearity occurs
b. H1: Multicollinearity occurs

Using the level of significance:

1. If the VIF value> = 10 or the Tolerance value <0.01, multicollinearity is stated.
2. If the VIF value <10 or the Tolerance

value> 0.01, multicollinearity is stated.

**Table 4. Multicollinearity Test Results**

| Variable | Coefficient Variance | Uncentered VIF | Centered VIF |
|---|---|---|---|
| C | 0.000565 | 24.84951 | NA |
| X1 | 3.19E-06 | 1.314780 | 1.117714 |
| X2 | 5.33E-06 | 1.245089 | 1.128426 |
| X3 | 2.85E-05 | 17.08578 | 1.013534 |
| X4 | 0.000718 | 5.420537 | 1.174950 |
| X5 | 0.001830 | 8.526950 | 1.201581 |

***Source: Eviews 10, 2024***

Based on the results in the table above, it can be seen that all correlations between independent variables are below 10.00. This regression model has no multicollinearity between independent variables, so H0 is accepted.

**Autocorrelation Test**

The autocorrelation test aims to determine whether or not there is a correlation between members or observation data located in a row. The Durbin Watson (DW) test is carried out with the following hypotheses to detect the presence of autocorrelation:

a. H0: There is no autocorrelation.
b. H1: There is autocorrelation.

With the following levels of significance:

a. If the DW number is below -2, there is positive autocorrelation
b. If the DW number is between -2 and +2, there is no autocorrelation

If the DW is above +2, there is positive autocorrelation.

From Table 3 above, it can be seen that the Durbin-Watson value in the Fixed Effect Model (FEM) is 1.554406. This value is between -2 and +2, so there is no autocorrelation; thus H0 is accepted.

**Heteroscedasticity Test**

The heteroscedasticity test aims to test whether there is inequality of variance in the regression model from the residuals of one observation to another.

The researcher used the Breusch-Pagan test, a Lagrange multiplier test for heteroscedasticity in this study. This method is a simple calculation using R-Square ($R^2$) from several regressed equations. The hypotheses in this test are:

a. H0: There is no multicollinearity.
b. H1: There is multicollinearity.

The Breusch-Pagan-Godfrey test criteria are stated as follows:

1. If the significance probability value is > = 0.05, it can be concluded that there is no heteroscedasticity.
2. If the significance probability value is <0.05, then heteroscedasticity has occurred.

**Table 6. Heteroscedasticity Test Results**

Heteroskedasticity Test: Breusch-Pagan-Godfrey

| | | | |
|---|---|---|---|
| F-statistic | 0.770578 | Prob. F(5,54) | 0.5751 |
| Obs*R-squared | 3.995885 | Prob. Chi-Square(5) | 0.5500 |
| Scaled explained SS | 6.259369 | Prob. Chi-Square(5) | 0.2818 |

***Source: Eviews 10, 2024***

From the results of the table above, it can be seen that the significance probability value is 0.5751. This value is greater than 0.05, so there is no heteroscedasticity; thus H0 is accepted

**C. Hypothesis Answer**

**Simultaneous Effect (F-Test)**

The F test is a simultaneous regression relationship test that aims to determine whether all independent variables have an influence using the significant degree of the F value.

The criteria for testing the hypothesis using the F statistic are if the significant value of F <0.05, then the alternative hypothesis is accepted, which states that all independent variables simultaneously and significantly affect the dependent variable (Ghozali, 2018).

Based on the results of the panel data regression of the Fixed Random Effect (FEM) model in Table 3, the F Statistic probability value is 0.000126. This value is smaller than 0.05, so all independent variables simultaneously significantly affect

the dependent variable.

**Partial Effect (t-Test)**

The t-test is a statistical method used to determine whether each independent variable has a significant effect on the dependent variable. The partial test is used to evaluate the impact of each independent variable on the dependent variable. An independent variable is considered to significantly affect the dependent variable if its probability value is less than 0.05.

Based on Table 3 above, the probability value of each variable can be seen, which will be explained as follows:

a. The institutional ownership variable has a probability value of 0.0042. The value is <0.05. It shows that institutional ownership affects financial performance. So H1, which states that institutional ownership has a positive effect on economic performance, is accepted.
b. The public ownership variable has a probability value of 0.9022. The value is> 0.05. It shows that public ownership does not affect financial performance. So H2, which states that public ownership positively affects financial performance, is rejected.
c. The audit committee variable has a probability value of 0.5530. The value is > 0.05. It shows that the audit committee does not affect financial performance. So, H3, which states that the audit committee positively affects financial performance, is rejected.
d. The Board of Commissioners independence variable has a probability value of 0.3891. The value is >0.05. It shows that the independence of the Board of Commissioners does not affect financial performance. So H4, which states that the Board of Commissioner's independence positively impacts financial performance, is rejected.
e. The board of directors' independence variable has a probability value of 0.4420. The value is >0.05. It shows that the board of director's independence does not affect financial performance. So H5, which states that the board of director's independence positively impacts financial performance, is rejected.

**Determination Coefficient Test (R2)**

The determination coefficient test (R2) is a test conducted to measure the model's ability to explain how much influence the independent variables together (stimulus) influence the dependent variable, which can be indicated by the adjusted R-squared value (Ghozali, 2018).

From the results of Table 3 above, the R-squared value is 0.452588, which means that the independent variables in this study explain 45.25% of the dependent variable, namely financial performance. At the same time, the remaining 54.75% is influenced by other variables that are not measured in this regression model.

**The Effect of Constitutional Ownership on Financial Performance with Capital Structure as a Moderating Variable**

**Table 8. Results of the Constitutional Ownership Moderation Test**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.074975 | 0.007578 | 9.893381 | 0.0000 |
| X1 | -2.00E-06 | 0.003355 | -0.000596 | 0.9995 |
| Z | 0.009643 | 0.008361 | 1.153231 | 0.2549 |
| X1.Z | -0.002165 | 0.001219 | -1.776033 | 0.0825 |

***Source: Eviews 10, 2024***

The results in the table above show that the probability value of X1.Z is 0.0825, and the value is >0.05. It shows that capital structure cannot moderate the relationship between institutional ownership and financial performance. So, H6, which states that capital structure can moderate the relationship between institutional ownership and financial performance, is rejected.

### The Effect of Public Ownership on Financial Performance with Capital Structure as a Moderating Variable

**Table 9. Results of the Public Ownership Moderation Test**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.073270 | 0.007170 | 10.21845 | 0.0000 |
| X2 | 0.004718 | 0.002680 | 1.760297 | 0.0852 |
| Z | 0.009632 | 0.008297 | 1.160904 | 0.2518 |
| X2.Z | -0.006687 | 0.001955 | -3.421014 | 0.0013 |

***Source: Eviews 10, 2024***

From the table above results, it can be seen that the probability value of X2.Z is 0.013, and the value is <0.05. This value increased by 11.85% compared to before moderation. It shows that capital structure can positively moderate the relationship between public ownership and financial performance. So, H7, which states that capital structure can moderate the relationship between public ownership and financial performance, is accepted.

### The Influence of the Audit Committee on Financial Performance with Capital Structure as a Moderating Variable

**Table 9. Results of the Audit Committee Moderation Test**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.101725 | 0.027735 | 3.667714 | 0.0006 |
| X3 | -0.002687 | 0.007243 | -0.370938 | 0.7124 |
| Z | -0.046384 | 0.020993 | -2.209482 | 0.0323 |
| X3.Z | 0.007546 | 0.004269 | 1.767448 | 0.0839 |

***Source: Eviews 10, 2024***

The results in the table above show that the probability value of X3.Z is 0.0839, and the value is >0.05. It shows that the capital structure cannot moderate the relationship between the audit committee and financial performance. So, H8, which states that the capital structure can moderate the relationship between the audit committee and financial performance, is rejected.

### The Effect of Board of Commissioners Independence on Financial Performance with Capital Structure as a Moderating Variable

**Table 10. Results of the Board of Commissioners Independence Moderation Test**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.068072 | 0.015973 | 4.261811 | 0.0001 |
| X4 | 0.047736 | 0.038923 | 1.226407 | 0.2264 |
| Z | 0.009954 | 0.020456 | 0.486616 | 0.6289 |
| X4.Z | -0.050189 | 0.049522 | -1.013469 | 0.3163 |

***Source: Eviews 10, 2024***

The results in the table above show that the probability value of X4.Z is 0.3163, and the value is >0.05. It shows that capital structure cannot moderate the relationship between the Board of Commissioners' independence and financial performance. So H9, which states that capital structure can moderate the relationship between the Board of Commissioners' independence and financial performance, is rejected.

### The Effect of Board of Directors Independence on Financial Performance with Capital Structure as a Moderating Variable

**Table 11. Results of Board of Directors Independence Moderation Test**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.083977 | 0.018309 | 4.586737 | 0.0000 |
| X5 | 0.005916 | 0.057462 | 0.102949 | 0.9185 |
| Z | -0.006032 | 0.019272 | -0.313003 | 0.7557 |
| X5.Z | -0.010860 | 0.061509 | -0.176562 | 0.8606 |

***Source: Eviews 10, 2024***

The results in the table above show that the probability value of X5.Z is 0.8606, and the value is >0.05. It shows that capital structure cannot moderate the relationship between the board of director's independence and financial performance. So, H10, which states that capital structure can moderate the

relationship between the board of director's independence and financial performance, is rejected.

In this study, moderating testing with interaction testing was used. The following is the research equation using moderating variables:

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \beta 6X1.Z + \beta 7X2.Z + \beta 8X3.Z + \beta 9X4.Z + \beta 10X5.Z$$

$$Y = 0.076748 - 0.004785X1 - 0.000250X2 + 0.002886X3 + 0.020411X4 - 0.033790X5 - 0.0021656X6.Z - 0.006687X7.Z + 0.00754X8.Z - 0.050189X9.Z - 0.010860X10.Z$$

## CONCLUSION

Based on the results of the analysis and discussion, the conclusion of the study entitled "The Effect of Good Corporate Governance on Financial Performance with Capital Structure as a Moderating Variable in Property & Real Estate Companies on the Indonesia Stock Exchange is as follows:

1. Institutional Ownership (X1) affects financial performance with a probability value of 0.0042 <0.05. It also follows agency theory, where, according to agency theory, institutional ownership can reduce agency problems because its existence can optimize the supervision of manager performance. Institutional investors have more abilities and opportunities than individual investors.
2. Public ownership (X2) does not affect financial performance with a probability value of 0.9022>0.05. It is because there is a possibility that property & real estate companies during the 2019-2023 period manipulate or cover up their financial reports as a responsibility to the public to avoid easier disclosure of company information, especially disclosure of the company's financial reports
3. The Audit Committee (X3) does not affect financial performance with a probability value of 0.5530>0.05. It can happen because the large number of audit committees does not guarantee supervision of the company's financial performance, and the existence of an audit committee in the company is only a requirement that the company must have an audit committee of at least three people
4. The independence of the board of commissioners (X4) does not affect financial performance, with a probability value of 0.3891. The value is>0.05. It can happen because the small size or small proportion of the independence of the board of commissioners does not guarantee the good or bad function of supervision, management, and the company's decision-making process that supports improving the company's financial performance.
5. The independence of the board of directors (X5) does not affect financial performance, with a probability value of 0.4420. The value is>0.05. It can happen because the proportion of independent directors does not guarantee the good or bad function of supervision, management, and the company's decision-making process that supports improving its financial performance. The insignificant effect of the independence of the board of directors is caused by the proportion of the independence of the board of directors not being able to contribute to ensuring good business processes.
6. Capital Structure (Z) is not significant in moderating the effect of Institutional Ownership (X1) on financial performance (Y) with a probability value of 0.0825>0.05. It shows that the company's capital structure does not affect the increasing participation of institutional share ownership in improving its financial performance.
7. Capital Structure (Z) is significant in moderating the effect of Public Ownership (X2) on financial performance (Y) with a probability

value of 0.013 <0.05. This value increased by 11.85% compared to before moderation. It shows that capital structure can positively moderate the relationship between public ownership and financial performance

8. Capital Structure (Z) is not significant in moderating the influence of the audit committee (X3) on financial performance (Y), with a value of 0.0839>0.05. It shows that the capital structure of a company is not able to moderate the number of audit committees that are involved in the company's financial performance.
9. Capital Structure (Z) is not significant in moderating the influence of the independence of the board of commissioners (X4) on financial performance (Y), with a value of 0.3163>0.05. It can be interpreted that the capital structure in a company does not have an influence on the proportion of the independence of the board of commissioners in carrying out the functions of supervision, management, and the company's decision-making process that supports improving the company's financial performance.
10. Capital Structure (Z) is not significant in moderating the influence of the board of directors' independence (X5) on financial performance (Y), with a value of 0.8606 > 0.05. It can be interpreted that the capital structure in a company does not influence the proportion of the board of directors' independence in carrying out its duties, namely determining company policy in both the long and short term, being responsible for the company's development, and being a balancer for other directors.

## RESEARCH LIMITATIONS

Based on the results of the research that has been carried out, there are several limitations in this study, some of which are as follows:

1. The independent variables in this study only include five factors, namely institutional ownership, public ownership, audit committee, independence of the board of commissioners, independence of the board of directors, and the moderation variable of capital structure. In this study, the independent variables explain 45.25% of the dependent variable, namely financial performance. At the same time, the remaining 54.75% is influenced by other variables that are not measured in this regression model.
2. The type of company is still not varied, so it does not provide information that affects financial performance.
3. The data in this study is only limited to 2019-2023.

## SUGGESTIONS

Based on the conclusions and limitations of the research that have been explained previously, some suggestions that can be given are as follows:

1. For further research, it is recommended to develop this research by using other indicator variables as independent financial performance variables. It can increase the variation of results and provide a more comprehensive picture of the factors influencing financial performance.
2. This research can be expanded by using alternative measuring instruments at certain ratios so that the research is more up-to-date and can be compared with previous studies.
3. For further research, expanding the observation period and increasing the sample is recommended. By involving more samples and expanding the population coverage, this research can be more accurate and up-to-date, improving overall quality and results.

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