

# Analysis of the Influence of Good Corporate Governance on Financial Performance of Textile and Garment Subsector Companies Listed on the Indonesia Stock Exchange from 2022 to 2024

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## Abstract

This research seeks to evaluate how the board of directors, independent commissioners, and audit committees affect the financial performance of textile and apparel firms listed on the Indonesia Stock Exchange (IDX) throughout the 2022–2024 period. Data for the analysis were sourced from the official IDX portal ([www.idx.co.id](http://www.idx.co.id)). The study designates independent commissioners, audit committees, and institutional ownership as independent variables, while the dependent variable is the firms' financial performance, represented by the Return on Assets (ROA) indicator. The sample was determined using a purposive sampling technique, yielding 13 firms and 39 observations from the textile and apparel sector that met the established research criteria. Data processing involved classical assumption tests, followed by multiple linear regression analysis performed with SPSS version 31. The results reveal that independent commissioners, audit committees, and institutional ownership have impacts on the firms' financial performance.

*Keywords:* Good Corporate Governance, independent commissioners, audit committee, institutional ownership, ROA.

## A. INTRODUCTION

In recent years, Indonesia's textile and apparel (TPT) sector has encountered substantial difficulties, as evidenced by a decline in its contribution to the non-oil and gas manufacturing sector's GDP from 7.08% in 2019 to 5.97% in 2023. This downturn has been exacerbated by a sharp rise in layoffs, from 25,114 cases in 2022 to 64,855 cases in 2023, posing serious risks to both social and economic stability. One strategic approach to address these issues involves the adoption based on the core values of Good Corporate Governance (GCG), incorporating principles such as openness, accountability, fairness, and social responsibility. GCG plays a crucial role in enhancing investor confidence and supporting business sustainability, particularly in the textile sector, which is highly vulnerable to governance failures.

The enforcement of Good Corporate Governance (GCG) practices in Indonesia has gradually advanced, reflecting a slow yet consistent trajectory of improvement, as indicated by an increase in the national governance score from 33.6% in 2020 to 35.7% in 2023, although the country still ranks 12th in the Asian region. To strengthen GCG practices, the National Committee on Governance Policy, in collaboration with the Indonesian Senior Executive Association (ISEA), has developed a set of guidelines aimed at promoting more effective corporate governance. Effective GCG

implementation not only helps textile and garment companies avoid bankruptcy but also attracts investor interest through improved financial performance. The Return on Assets (ROA) ratio is regarded as a fundamental tool for assessing financial outcomes, as it illustrates how effectively a company leverages its assets to produce earnings. With robust governance and stable financial outcomes, companies are better positioned to secure long-term investments and ensure operational continuity amid the growing competitiveness of the industry.

## **B. LITERATURE REVIEW**

### **1. Agency Theory**

The concept agency theory was first articulated by Jensen and Meckling in their foundational publication in 1976. The theory underscores the misalignment of objectives between the owners of a company (principals) and its management (agents). As companies grow in scale, the direct involvement of owners in daily operations becomes increasingly limited. Consequently, owners delegate operational oversight to professional managers to ensure the company remains profitable. According to agency theory, individuals act based on their self-interest. Principals are motivated to establish contractual arrangements that enhance their welfare by improving the company's profitability. Conversely, agents seek to optimize their performance both economically and intellectually which includes efforts to secure funding, obtain loans, or negotiate favorable compensation contracts.

This theory seeks to elucidate the contractual relationship between the involved parties and to mitigate the costs associated with information asymmetry and uncertainty. To address these issues, the implementation of Good Corporate Governance (GCG) principles becomes essential in minimizing the risk of managerial opportunism or self-enrichment. GCG plays a critical role in ensuring that companies are managed transparently, in compliance with applicable regulations, and subject to effective oversight. For shareholders, GCG provides assurance that their investment capital is being managed efficiently and will yield adequate returns. However, implementing such mechanisms may also incur agency costs that burden the company. Therefore, efficient monitoring is required to minimize the potential for conflicts of interest between owners and managers.

### **2. Good Corporate Governance**

According to the Forum for Corporate Governance in Indonesia (FCGI), Good Corporate Governance (GCG) constitutes a structured set of principles, directives and rules that regulate the interactions among shareholders, management, business actors, lenders, regulatory authorities, workforce members, and a broad spectrum of both internal and external parties with vested interests. GCG serves as a framework for directing and controlling corporate activities (Fatchan & Trisnawati, 2018).

Effective implementation of GCG can foster a management system that is clean, transparent, and professional, thereby enhancing investor confidence and interest. The primary objective of GCG is to minimize agency-related problems and provide

assurance to shareholders and investors that their rights are protected and respected. A solid understanding and awareness of GCG principles can promote transparency within the company, ultimately increasing investor appreciation of information that is conveyed clearly and comprehensively as a basis for evaluating corporate performance and business prospects.

### **3. Independent Commissioners**

The presence of independent commissioners constitutes an essential element within the Good Corporate Governance structure, tasked with overseeing corporate operations and offering strategic counsel and guidance to the company's governing board. In this role, the supervisory board acts as the representative of shareholders in monitoring the management's execution of corporate governance. To fulfill their responsibilities, commissioners must maintain independence meaning they must not be directly involved in the company's operational activities and are required to remain objective and act solely in the best interest of the company, free from the influence of any conflicting interests (Cholillah & Trisnawati, 2024).

### **4. Audit Committee**

The audit committee holds a pivotal function in supporting the supervisory board in monitoring and evaluating the effectiveness pertaining to the firm's management practices. Its presence is considered an effective oversight mechanism, as it not only helps reduce corporate costs but also enhances the quality of disclosed information. The responsibilities assigned to the audit committee underscore its strategic position in supervising the organization's financial framework, in which the degree of openness in reported information heavily depends on the committee's effectiveness in performing its duties (Salsabilla et al., 2022).

### **5. Institutional Ownership**

Institutional ownership denotes the percentage of a firm's equity held by large-scale investment entities such as banks, insurance companies, and mutual funds relative to the total shares available on the market. Institutional ownership allows for professional monitoring of investment development, thereby ensuring a high level of managerial oversight and reducing the potential for fraudulent activities (Trilestari & Pertiwi, 2023). Improved managerial performance contributes to the presentation of transparent and accurate financial reports, as institutional investors closely monitor management to prevent misconduct and enhance accountability (Rachman & Handayani, 2023).

### **6. Financial Performance**

According to Septariza (2019:10), financial performance reflects a company's financial condition as assessed through various financial analysis methods. The results of such analyses provide insights into whether a company is in a healthy or critical state and indicate the level of performance achieved within a specific period. This type

of evaluation is essential for optimizing the use of resources in response to changing business environments and emerging challenges. On the other hand, Nurostika (2024) defines financial performance as the outcome achieved by a company, represented by figures in financial statements, which demonstrate the efficiency of operations based on the company's objectives, standards, and benchmarks. Meanwhile, Kasmir (2021) describes financial performance as the process of evaluating how effectively a company manages its financial system in accordance with the principles and regulations stipulated in the Financial Accounting Standards (SAK). Kasmir (2021) further notes that financial performance analysis serves multiple purposes and benefits, including the following.

- a. To assess the effectiveness of management in optimizing the use of corporate resources.
- b. To identify the financial strengths and weaknesses of the company.
- c. To project the company's financial condition in the future.
- d. To serve as a reference for decision-making by stakeholders such as investors, creditors, management, and other interested parties.

### **C. METHOD**

The research targets as its population all textile and apparel firms in Indonesia that are publicly traded on the Indonesia Stock Exchange (IDX), as identified through their financial statements and other pertinent data relevant to the researcher during the 2022–2024 period. A purposive sampling method was employed to select the sample, wherein predetermined criteria were utilized to assess the inclusion of eligible textile and apparel companies registered on the Indonesia Stock Exchange (IDX). The following criteria were applied:

- a. Textile and apparel firms that were officially listed as issuers on the Indonesia Stock Exchange (IDX) throughout the 2022–2024 period.
- b. Firms that regularly submitted their financial statements via the IDX platform during the 2022 to 2024 timeframe.
- c. Companies that supplied comprehensive and pertinent data necessary to fulfill the analytical needs of this research

This study primarily utilizes secondary data as its main source. The data were obtained from textile and garment firms registered on the Indonesia Stock Exchange (IDX), utilizing data sourced from the official IDX website ([www.idx.co.id](http://www.idx.co.id)) and the respective companies' official portals that met the research criteria. The collected data include the companies' financial statements for the period 2022 to 2024, which were retrieved from these official sources to obtain the necessary supplementary information.

According to Sugiyono (2021), research variables are attributes or characteristics of an object whether individuals, activities, or entities that can be observed and serve as the focus of a study to be analyzed in order to derive results and conclusions. This research employs Independent Commissioners ( $X_1$ ), Audit Committee ( $X_2$ ), and Institutional Ownership ( $X_3$ ) as the independent variables,

whereas the dependent variable (Y) is represented by Return on Assets (ROA), which serves as a proxy for the firm’s financial performance.

The analytical techniques employed This study employs several analytical methods, including descriptive statistics, classical assumption testing—comprising normality, multicollinearity, heteroscedasticity, and autocorrelation assessments—followed by multiple linear regression analysis and hypothesis evaluation using the F-test, t-test, and coefficient of determination (R<sup>2</sup>).

## D. RESULTS AND DISCUSSION

### 1. Descriptive Statistical Analysis

Descriptive statistics serve as a foundational approach analytical technique that includes metrics including the average, minimum, maximum, and standard deviation. In this research employed descriptive statistics derived from 13 textile and garment companies that met the specified criteria and had published annual reports. The detailed results are as follows:

**Table 1 Descriptive Statistical Analysis Results**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Independent Commissioners	39	,250	,667	,40882	,100240
Audit Committee	39	1,000	3,000	2,87179	,469013
Institutional Ownership	39	,067	,972	,70005	,272189
Valid N (listwise)	39				

Source: Processed SPSS data, 2025

The descriptive examination of textile and apparel firms publicly traded listed on the Indonesia Stock Exchange (IDX) within the timeframe 2022–2024 reveals that the minimum value for the Independent Commissioners variable was 0.250, while the maximum value reached 0.667. The mean was recorded at 0.40882, accompanied by a standard deviation of 0.100240. The relatively low standard deviation compared to the mean indicates that the data distribution for Independent Commissioners is narrow and relatively stable around the average value, suggesting that the data are sufficiently representative.

The descriptive analysis of information obtained from textile and apparel firms registered on the IDX between 2022 and 2024 shows that the Audit Committee variable had the values ranging between 1.000 and 3.000, with an average value of 2.87179, with a dispersion measure of 0.272189. The standard deviation, being relatively low in proportion to the mean suggests that the Audit Committee data are tightly clustered around the central value, indicating a strong degree of uniformity and reliability.

Descriptive statistical results derived from textile and apparel firms registered on the Indonesia Stock Exchange (IDX) throughout the 2022–2024 timeframe reveal that the Institutional Ownership variable ranged ranging between 0.067 and a peak value of 0.972. The average value recorded was 0.70005, accompanied by a standard deviation of 0.272189. The comparatively low standard deviation in relation to the

mean implies that the data distribution is relatively narrow and stable around the average, reflecting a sufficient level of consistency and reliability.

## 2. Normality Test

This study employed the One-Sample Kolmogorov-Smirnov test to assess the normality of the data distribution, aiming to verify whether the dataset conforms to a normal distribution pattern. The dataset is regarded as conforming to a normal distribution when the significance level (p-value) exceeds 0.05. The findings derived from the analysis, processed using SPSS software, are presented as follows:

**Table 2 Normality Test**  
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		39
Normal Parameters <sup>a,b</sup>	Mean	,0000000
	Std. Deviation	1,72260584
Most Extreme Differences	Absolute	,172
	Positive	,172
	Negative	-,135
Test Statistic		,172
Asymp. Sig. (2-tailed)		,077 <sup>c</sup>

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.

Source: Processed SPSS data, 2025

Referring to the outcomes from the Normality Test results presented in Table 2, the p-value was found to be 0.77. Since this value exceeds the threshold of 0.05, it may be inferred that the dataset in this research adheres to a normal distribution.

## 3. Multicollinearity Test

A multicollinearity assessment was performed to identify potential intercorrelations among the independent variables within the regression framework. If significant correlations exist between the independent variables, it may indicate multicollinearity, which can compromise the accuracy of the model and is considered an undesirable condition. In this test, the criteria used are that the acceptable criteria require a Tolerance score greater than 0.01 and a Variance Inflation Factor (VIF) below 10.

**Table 3 Results of the Multicollinearity Test**  
Coefficients<sup>a</sup>

Model		Collinearity Statistics	
		Tolerance	VIF
1	Independent Commissioners	,939	1,064
	Audit Committee	,875	1,142
	Institutional Ownership	,913	1,095

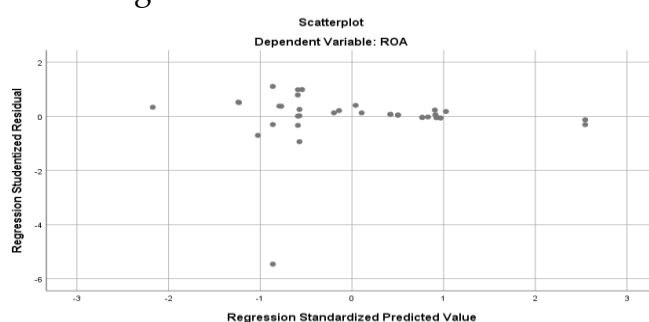
a. Dependent Variable: ROA

Source: Processed SPSS data, 2025

Drawing on the Multicollinearity Test outcomes displayed in Table 3, all variables exhibit tolerance levels greater than 0.01, with the Variance Inflation Factor (VIF) scores under 10. These findings indicate the absence of multicollinearity issues among the independent variables examined in this research.

#### 4. Heteroscedasticity Test

A heteroscedasticity assessment was performed to examine whether variations exist in the residuals' variance across different observations. In this study, the test was performed using two methods: the scatterplot and the Glejser test, both aimed at determining whether heteroscedasticity exists within the dataset. The heteroscedasticity test findings are outlined as follows:



**Figure 1 Results of the Heteroscedasticity Test (Scatterplot)**

The outcomes of the heteroscedasticity assessment employing the scatterplot approach, as illustrated in the preceding figure, indicate that the residual points are randomly dispersed around the zero axis, both above and below it. The absence of a clear pattern or systematic relationship suggests that heteroscedasticity is not present in the model. Therefore, it may be inferred that the regression framework meets the assumption of homoscedasticity.

**Table 4 Results of the Heteroscedasticity Test (Glejser)**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,153	8,455		,373	,711
	Independent Commissioners	-21,775	10,973	-,326	-1,984	,055
	Audit Committee	2,876	2,429	,201	1,184	,244
	Institutional Ownership	1,058	4,099	,043	,258	,798

a. Dependent Variable: ABS\_RES

Source: Processed SPSS data, 2025

Drawing upon the outcomes of the heteroscedasticity analysis conducted with the Glejser method, the significance levels are greater than the 0.05 threshold, indicating the absence of heteroscedasticity, indicating the absence of any systematic association between the residuals and the dependent variable. These results confirm that the regression model adheres to the assumption of homoscedasticity according to the Glejser test

### 5. Autocorrelation Test

The autocorrelation test aims to identify potential correlations between residuals from one period and those from the preceding period within a linear regression framework (Ghozali, 2021:162). This test uses the Durbin-Watson (D-W) statistic as a reference for decision-making, based on the following criteria:

- a. A D-W value less than -2 indicates positive autocorrelation.
- b. A D-W value between -2 and 2 suggests no autocorrelation.
- c. A D-W value greater than 2 indicates negative autocorrelation.

**Table 5 Results of the Autocorrelation Test**

Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,250 <sup>a</sup>	,062	-,018	7,780453	1,843

a. Predictors: (Constant), Institutional Ownership, Independent Commissioners, Audit Committee

b. Dependent Variable: ROA

Source: Processed SPSS data, 2025

Referring to the autocorrelation test outcomes shown in Table 5, the Durbin-Watson statistic is reported at 1.843, which lies within the permissible interval of -2 to +2. This indicates that the regression framework applied in this research is free from autocorrelation.

### 6. Multiple Linear Regression Analysis

Multiple linear regression is a statistical approach used to analyze the simultaneous influence of several independent variables on one dependent variable. The findings from the multiple linear regression analysis are outlined as follow:

**Table 6 Results of the Multiple Linear Regression Analysis**

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2,036	2,409		-,845	,404
	Independent Commissioners	-1,194	,072	-,933	-16,572	,000
	Audit Committee	-,253	,703	-,021	-,360	,721
	Institutional Ownership	2,725	1,211	,132	2,251	,031

a. Dependent Variable: Y1

Source: Processed SPSS data, 2025

The resulting multiple linear regression equation is as follows:  $Y = - 2,036 - 1,194KOI - 0,253KA + 2,725KPI$ . The intercept coefficient of -2 suggests that when all independent variables (X) are held at zero, the predicted value of the dependent variable, Return on Assets (ROA), will be -2. The estimated coefficient for the Independent Commissioners variable ( $X_1$ ) is -1.194, indicating that a 1% increase in Independent Commissioners, assuming all other independent variables remain constant or are equal to zero, is associated with a 1.194% reduction in financial performance, as measured by (ROA). The estimated coefficient for the Audit Committee variable ( $X_2$ ) is -0.253. This indicates that an increment of 1% in Audit Committee, holding the other independent variables held constant, corresponds to a

0.253% reduction in financial performance (ROA). The regression coefficient for Institutional Ownership ( $X_3$ ) is 2.725, indicating that a 1% increase in Institutional Ownership, assuming the other independent variables remain unchanged, will improve financial performance (ROA) by 2.725%.

7. t-Test

**Table 7 Results of the t-Test**  
Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2,036	2,409		-,845	,404
	Independent Commissioners	-1,194	,072	-,933	-16,572	,000
	Audit Committee	-,253	,703	-,021	-,360	,721
	Institutional Ownership	2,725	1,211	,132	2,251	,031

a. Dependent Variable: ROA

Source: Processed SPSS data, 2025

The t-test results reveal that the Independent Commissioners variable ( $X_1$ ) produced a t-statistic of  $-16.572$  with a significance level of  $0.000$ . Given that this p-value is lower than the  $0.05$  threshold, it may be inferred that Independent Commissioners exert a significant impact on the company’s financial performance (ROA). Hence, the first hypothesis ( $H_1$ ), which states that Independent Commissioners significantly affect financial performance, is accepted.

In contrast, The Audit Committee variable ( $X_2$ ) produced a t-statistic of  $-0.360$  with a significance level of  $0.721$ , exceeding the  $0.05$  threshold. These findings indicating that the Audit Committee does not exert a significant influence on the firm’s financial performance (ROA), leading to the rejection of the second hypothesis ( $H_2$ ).

Meanwhile, the Institutional Ownership variable ( $X_3$ ) shows a t-value of  $2.251$  with a significance level of  $0.031$ , which is below the  $0.05$  threshold. This finding suggests that Institutional Ownership positively and significantly influences financial performance (ROA). Accordingly, the third hypothesis ( $H_3$ ), asserting that institutional ownership influences financial performance, is accepted.

8. F Test

The F-test is employed to simultaneously evaluate the collective influence of all independent variables on the dependent variable. The results of the F-test are presented as follows:

**Table 8 Results of the F Test**  
ANOVA<sup>a</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1075,021	3	358,340	93,547	,000 <sup>b</sup>
	Residual	134,070	35	3,831		
	Total	1209,091	38			

a. Dependent Variable: Y1

b. Predictors: (Constant), Institutional Ownership, X11, Audit Committee

Source: Processed SPSS Data, 2025

The F-test results show a p-value of 0.000, which is lower than the 0.05 threshold. Additionally, the F-statistic is recorded at 93.547. These findings suggest that, collectively, the variables Independent Commissioners, the Audit Committee, and Institutional Ownership jointly have a significant impact on the firm’s financial performance.

**9. R<sup>2</sup> Test (Coefficient of Determination)**

The coefficient of determination (R<sup>2</sup>) is used to assess the extent to which the independent variables explain variations in the dependent variable. An R<sup>2</sup> value approaching 1 (or 100%) signifies a strong explanatory power of the independent variables in explaining the dependent variable. In contrast, an R<sup>2</sup> value that deviates substantially from 1 indicates a weak effect of the independent variables on the dependent variable is considered weak.

**Table 9 Results of the R<sup>2</sup> Test**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,943 <sup>a</sup>	,889	,880	1,95719

a. Predictors: (Constant), Institutional Ownership, X11, Audit Committee

Source: Processed SPSS data, 2025

The R<sup>2</sup> test findings indicate an R Square value of 0.880, signifying that 88% in the dependent variable is explained by the independent variables incorporated into the model. The remaining 12% is attributable to external factors beyond the scope of this research, including the board of directors, managerial ownership, and foreign ownership.

**E. CONCLUSION**

Independent Commissioners have been demonstrated to exert a notable impact on the financial outcomes of textile and apparel manufacturing companies publicly listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 timeframe. The Audit Committee demonstrates no meaningful impact on the financial outcomes of firms operating in the same sub-sector throughout the research period. Institutional Ownership also does not exhibit a notable impact on the financial performance of textile and garment manufacturing firms listed on the Indonesia Stock Exchange (IDX) between 2022 and 2024.

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