



THE INFLUENCE OF GOOD CORPORATE GOVERNANCE MECHANISMS AND PROFIT MANAGEMENT (Empirical Study on Agricultural Sector Companies Listed on the Indonesia Stock Exchange in 2015-2018)

Febi Siswanti¹, Achmad Hizazi², Rico Wijaya³

^{1,2,3} Accounting Study Program, Faculty of Economics and Business,
Universitas Jambi, Jambi, Indonesia

Corresponding author email: febisiswanti6@gmail.com

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Abstract

The purpose of this study is to determine the effect of Good Corporate Governance Mechanisms and Earnings Management on Company Performance. This study utilizes companies from the agricultural sector listed on the Indonesia Stock Exchange (IDX) for the period from 2015 to 2018. The sampling technique used is purposive sampling. The sample used in this study comprises 52 observations. The data analysis technique used in this study is ordinary least squares. The results of this study indicate that the size of the audit committee affects company performance. Meanwhile, Institutional Ownership and Earnings Management have a positive effect on Company Performance. Overall, these findings emphasize the importance of designing corporate governance mechanisms that not only comply with regulations but also effectively enhance firm value. Future research could further investigate the long-term consequences of these governance practices and explore additional variables that may moderate the relationship between governance mechanisms, earnings management, and company performance.

Keywords: Company Performance; Corporate Governance; Earnings Management

INTRODUCTION

Company performance can be assessed based on company profitability. To increase company profitability, it is necessary to implement good corporate governance by implementing Good Corporate Governance (GCG) (Rumapea, 2017). The implementation of effective corporate governance mechanisms is key to a company's success in generating profits and competing in the era of globalization. Companies with good corporate governance attract the attention of investors and creditors, enabling them to minimize risk in decision-making and thereby improve the company's performance (Fadillah, 2018).

PT. Bumi Teknokultura Unggul Tbk ([BTEK](https://www.btektbk.co.id/)) achieved very positive results throughout the first three months of 2018. Citing the financial report published on the Indonesia Stock Exchange (IDX), the company engaged in agricultural biotechnology, Forest Management Rights (HPH),

Industrial Plantation Forests (HTI) and trading was able to record sales figures of Rp 208.21 billion in the first quarter of 2018, up 101.94% compared to sales figures in the first quarter of 2017 which were recorded at Rp103.34 billion. This quite fantastic increase in revenue has made the company's performance generally relatively better, although the company also posted a series of increases in expenses, such as the cost of goods sold which increased 92% to IDR 169 billion from the previous quarter of I-2017 of IDR 88.2 billion. Although the cost of goods sold increased significantly, the company's operating expenses decreased by 1.81% to IDR 8.53 billion.

Another factor that can attract investors and potential investors in making decisions is profitability to improve company performance. The profitability chosen in this study is ROA or Return On Asset. ROA itself is the ratio where a company can generate profit from its assets, so the greater the ROA a company has, the greater the company can generate profit from the assets owned by the company. Carolina (2014) also states that ROA is a ratio to measure management's ability to generate income through asset management. ROA is measured by comparing net profit before tax to total assets. Companies with high ROA levels will be more attractive to investors than companies with lower profitability because investors and potential investors will assess the company's performance in terms of its operational performance.

The following are some of the results of previous research conducted by Musfialdi (2014). He conducted research with the results that the independent board of commissioners had a significant influence on company performance, the audit committee and institutional ownership did not have a considerable influence on company performance. Meanwhile Rizqi et al. (2019), in their research entitled *The Influence of Good Corporate Governance and Ownership Structure on Company Performance*, found that independent commissioners, audit committees and institutional ownership partially did not have a significant influence on company performance. Santoso et al. (2017) with the title *The Influence of Earnings Management and Company Size on Company Performance with Audit Quality as a Moderating Variable (Study on Manufacturing Companies Listed on the IDX for the 2011-2014 Period)* found that earnings management has a positive but insignificant effect on company performance. Another study conducted by Epi (2017) on the *Influence of Company Size, Managerial Ownership Structure and Earnings Management on the Performance of Property and Real Estate Companies Listed on the Indonesia Stock Exchange* showed that earnings management had no effect on company performance.

Some of the studies above, can be seen some contradictory differences in research results between one study and another. Therefore, researchers are interested in re-testing the factors that influence company performance. The difference between this study and previous studies lies in the variables and proxies used, as well as the population studied. This study yields several important

consequences for management decision-making processes and corporate governance in agricultural firms listed on the Indonesia Stock Exchange. However, managers and stakeholders should exercise caution, as earnings management practices might pose risks to long-term sustainability and credibility. Overall, this study emphasizes the importance of designing corporate governance mechanisms that not only comply with regulations but also effectively enhance firm performance.

THEORETICAL OVERVIEW

Agency Theory

The concept of agency theory is based on agency problems that arise when the management of a company is separated from its ownership. Agency theory was first introduced by Jensen and Meckling, in 1976. Agency theory is a basis for the emergence of the concept of good corporate governance and the basis used to understand corporate governance. (Putra, 2015). Agency theory implies the existence of information asymmetry between managers as agents and shareholders as principals. Information asymmetry is a situation where managers have access to information on the company's prospects that are not owned by parties outside the company. Information asymmetry arises when managers know more about the company's internal information and future prospect than shareholders and other stakeholders. Information asymmetry between agent and principal can trigger managers to perform dysfunctional behavior (Musfialdi, 2014).

Good Corporate Governance

The issue of corporate governance began to emerge, especially in Indonesia after Indonesia experienced a prolonged crisis period since 1998. Many parties say that the length of the improvement process in Indonesia is due to the very weak corporate governance applied in companies in Indonesia. Corporate governance refers to the governance framework in a well-managed company, encompassing a series of relationships among company management, the board of directors, shareholders, and other stakeholders (Fadillah, 2018).

The Corporate Governance mechanism consists of three essential elements: the structure, system, and process used by organs within a company to direct and control the company's operations, ensuring they run in accordance with expectations. Structure has a very fundamental role in its implementation (Fadillah, 2018). The Corporate Governance Structure serves as the fundamental framework for company management, providing the basis for distributing rights and responsibilities to stakeholders. And other stakeholders, as well as rules and procedures for decision-making in corporate relations (Hartono, 2014). This study uses three structures of good corporate governance mechanisms that aim to reduce agency conflicts, namely the Board of Commissioners, Audit Committee, and Institutional Ownership.

Earnings Management

Earnings management is a common phenomenon that occurs in many companies. The issue of earnings management is crucial because the impact of management behavior on modifying accounting policies that affect published financial statements can mislead users in their decision-making. In addition, the difference in interests between agents and principals explained in agency theory shows a tendency for management to publish financial statements as desired by management (Epi, 2017). Khaiyat (2012) states that earnings management occurs when managers have discretionary behavior related to accounting numbers, with or without restrictions, and this behavior can be adopted to maximize firm value. Similarly, Santoso (2017) defines earnings management as deliberate behavior aimed at altering external financial statements to obtain personal gains for managers. However, the description most often used by researchers in this field is that earnings management is “the manipulation of a company's financial statements by managers based on their own judgment, with the aim of confusing users about the company's true economic situation, or to influence contracts that can rely on financial statements.” (Santoso 2017).

Company Performance

The company is a form of entity where there is a unity of various functions and operational performance that work systematically to achieve certain goals. The goal of a company is the goal that all interested parties in the company (stakeholders and shareholders) want to achieve. To achieve these goals, interested parties in the company must work together systematically to produce optimal performance (Hadi, 2018). Performance is a description of the level of achievement of the results of the implementation of an operational activity (Kasih, 2014). Performance appraisal here is a method and process of assessing the performance of a person or group of people or work units within a company or organization in accordance with established performance standards or objectives. In realizing the vision and mission of the organization, the company needs to have a measure to measure how the achievement of goals and objectives in a certain period of time. Thus, performance as a description of the achievement of the results of the implementation of an operational activity is important in realizing the vision and mission of the organization (Kasih, 2014).

Hypothesis Development

The relationship between the Board of Commissioners and company performance

The board of commissioners is tasked with supervising and providing input to the company's board of directors. The main function of the board of commissioners is to supervise the completeness and quality of information on the performance of the board of directors. The influence of the size of the board of commissioners on company performance is also a separate debate, (Handayani, 2017) states that research on the size of the board of commissioners on company performance has mixed

results. In his research, arguments from Yermack (1996), Sundgren and Wells (1998), and Jensen (1993) were mentioned, which stated that the more personnel who become board of commissioners can result in worse performance of the company. This is because with the increasing number of members of the board of commissioners, this body will have difficulty in carrying out its role, including difficulties in communication and coordination between members of the board of commissioners. The more members of the board of commissioners, the supervision of the board of directors is much better, the input or options that the board of directors will get will be much more. For that, research is still needed that can prove the effect of the size of the board of commissioners on company performance in Indonesia. Based on the description, the next research hypothesis that is put forward is as follows:

H1: The board of commissioners has a positive influence on the company performance

The Relationship between the Audit Committee and Company Performance

The Audit Committee has a separate task in assisting the Board of Commissioners to fulfill its responsibility in providing overall supervision. Because the audit committee's task is to assist the board of commissioners, the more members of the audit committee, the better the supervision carried out and it is expected to minimize management's efforts to manipulate data problems related to finance and accounting procedures, so that the company's financial performance will also increase. The results of Kusumastuti's (2013) study support this, which states that the size of the audit committee has a positive and significant influence on the company's financial performance. Based on this description, the following research hypothesis is put forward:

H2: The audit committee has a positive effect on the company performance

The Relationship between Institutional Ownership and Company Performance

Institutional ownership can be interpreted as the proportion of outstanding shares owned by other institutions outside the company such as banks, insurance companies, investment companies, pension funds and others at the end of the year, measured as a percentage. Institutional ownership is one of the factors that can affect the company's performance Eriandani (2013). With the high institutional investors will encourage an increase in more optimal supervision of management performance because in general the institution has its own investment division so that it creates a greater and tighter supervision effort which can then prevent opportunistic behavior of managers so that the interests between managers and owners can be aligned this can have a positive impact on company performance. Based on the description, the next research hypothesis that is put forward is as follows:

H3: Institutional ownership has a positive effect on the company performance

The Relationship between Earnings Management and Company Performance

Executives are more likely to manage earnings through real earnings management than through accrual earnings management, because accrual earnings management manipulation is more likely to attract auditors, investors and regulators (government agencies). The tradeoff between accrual earnings management and real earnings management is that management decisions to manage earnings through real actions will precede decisions to manage earnings through accruals. The result is that real manipulation is positively associated with the costs of accrual manipulation. Earnings management can affect corporate profits which in turn can affect corporate performance (Gunny, 2005 and Theresia, 2005). Real earnings management will have a negative impact on future operating performance. Real earnings management actions in the short term will indeed show good company performance, but in the long term it will harm the company. Rahmawati (2006) tested the effect of real earnings management and accrual earnings management on company performance. The results of her study showed that real earnings management affects company performance but not so with accrual earnings management. Based on the description, the following research hypothesis is put forward:

H4: Earnings management has a positive effect on the company performance

RESEARCH METHOD

Objects of Research, Data Types, and Data Sources

This study was conducted to provide an overview of which companies have good Governance Mechanism responses and to see the effect of Earnings Management on companies listed in the agricultural sector on the Indonesia Stock Exchange for the 2015-2018 period using the Multiple Linear Regression Method. The data to be taken in this study is secondary data that obtained from observations of companies listed in the agricultural sector on the Indonesian Stock Exchange for the period 2015-2018. The data used in this study are complete annual published financial data as of December 31 during 2015, 2016, 2017, and 2018 which are used to calculate the proportion of the board of commissioners (Board Size), Number of audit committees (Audit Committee), Institutional Ownership and Earnings Management which have a simultaneous effect on company performance in agricultural sector companies on the Indonesia Stock Exchange in 2015-2018.

Operational Definition and Sample Measurement

Good Corporate Governance

Independent variables are variables that influence or cause changes or the emergence of dependent variables (Indriantoro, 2016). The independent variables in this study are the proportion of the board of commissioners, the number of audit committees, institutional ownership, and earnings management in the agricultural sector on the Indonesia Stock Exchange.

Proportion of the Board of Commissioners (Board Size)

The proportion of the board of commissioners is one of the mechanisms of corporate governance. Companies that have implemented corporate governance are required to have a board of commissioners. An independent board of commissioners can act as a mediator in disputes between internal managers and provide advice and oversee the policies of the board of directors. The board of commissioners plays a role in carrying out the supervisory function, the composition of the board can influence management in preparing financial reports so that a quality profit report can be obtained. The greater the number of members of the board of commissioners, the easier it will be to control the CEO and the supervision carried out will be more effective. Associated with the disclosure of corporate social responsibility, the pressure on management will also be greater to disclose it (Fadillah 2018).

Audit Committee

The Audit Committee is a committee formed by the Board of Commissioners. The Audit Committee is formed to assist the company in improving the quality of financial reports and increasing the effectiveness of internal and external audits. The audit committee has the task of assisting and strengthening the function of the board of commissioners (or supervisory board) in carrying out the oversight function over the financial reporting process, risk management, audit implementation and implementation of corporate governance in companies (Fadillah 2018).

Rahmawati (2017) stated that the audit committee is considered an effective tool for implementing a monitoring mechanism, so that it can reduce agency costs and improve the quality of corporate information disclosure. The existence of the audit committee also functions to assess the activities and audit results of internal auditors and external auditors.

Institutional Ownership

Institutional ownership is one of the factors that can affect company performance. The existence of ownership by institutional investors will encourage more optimal supervision of management performance, because share ownership represents a source of power that can be used to support or vice versa against management performance Musfaldi (2014). Meanwhile, according to Kusumawati (2011) stated that the existence of large institutional ownership will result in greater supervision by institutional shareholders. The greater the institutional share ownership in a company also has an impact on the magnitude of supervision carried out by the institution on management performance so that the agency costs incurred by the company are getting smaller.

Earnings Management

Earnings management in this study is proxied using discretionary accruals. Discretionary accrual (DA) is an abnormal accrual rate that comes from management policies to engineer profits according to what they want. In this study, discretionary accruals as a proxy for earnings

management are measured using the Modified Jones Model, because this model has the smallest standard error of ε it (error term) from the regression results of the estimated total actual value compared to other models. Dechow (1995) has evaluated several models to detect and measure earnings management based on accruals. The model used to calculate the number of discretionary accruals is the modified Jones model (Khaiyat, 2012). The Jones model modified by Dechow, Sloan, and Sweeney (1995) is designed to reduce the tendency of Jones model errors, when discretionary is applied to income. Changes in income are adjusted for changes in receivables, because in sales income there are certainly some that come from credit sales. Reduction of the value of receivables to show that the income received is truly net income (Dechow et al, 1995) As done by Jones (1991), the calculation is done by calculating total accrual profit, then separating nondiscretionary accrual (reasonable accrual profit level) and discretionary accrual (abnormal accrual profit level) (Khaiyat, 2012). Total accrual is the difference between net income and cash flow operations which is formulated as follows:

1. Calculating total accruals using the cash flow approach

$$TA_{it} = NI_{it} - CFO_{it} \dots\dots\dots (1)$$

Accrual (TA_{it}) itself is also the sum of nondiscretionary *accrual*. Discretionary accrual with the following equation:

2. $TA_{it} = NDA_{it} + D_{ait} \dots\dots\dots (2)$

Total accruals were then formulated by Jones (1991) which was modified by Dechow et al (1995) as follows:

3. Determining the regression coefficient of total accruals

$$TA_{it}/A_{it} = \beta_1(1/A_{it-1}) + \beta_2(\Delta REV_{it}/A_{it-1} - \Delta REC_{it}/A_{it-1}) + \beta_3(PPE_{it}/A_{it-1}) + \varepsilon_{it} \dots\dots\dots (3)$$

The calculation for nondiscretionary accruals according to the modified Jones model is then formulated as follows:

4. Determining nondiscretionary accruals.

$$NDA_{it} = \alpha_1(1/A_{it-1}) + \beta_1(\Delta REV_{it}/A_{it-1} - \Delta REC_{it}/A_{it-1}) + \beta_2(PPE_{it}/A_{it-1}) \dots\dots\dots (4)$$

Descriptions of variable TA_{it} is total accruals of company i in year t , NI_{it} is Net profit of company i in year t , CFO_{it} is Operating cash flow of company i in year t , NDA_{it} is Nondiscretionary accruals of firm i in year t , ΔREV_{it} is revenue of company i in year t minus income year $t-1$, ΔREC_{it} is receivables of company i in year t minus receivables of year $t-1$, PPE_{it} is fixed assets of company i in year t , A_{it-1} is total assets of company i in year t , β is Regression coefficient, ε_{it} is error term of company i in year t

Company Performance

According to Indriantoro (2016), the dependent variable is a variable that is the result of the

independent variable. The dependent variable in this study is company performance which is a measure of accounting performance and market performance. Accounting performance measures are performance based on accounting reports in this case the profitability ratio. The profitability ratio measures the company's ability to generate profits using sales, assets or capital during a certain period and also provides an overview of the level of management effectiveness in carrying out its operational activities. In this study, the ratio used is return on assets (ROA). Return on Assets is a sub-variable of the profitability ratio, Astuti (2017) states that "profitability is the ability of a company to generate profits." This ratio is important for management to evaluate the effectiveness and efficiency of company management in managing all company assets to generate profits. The greater the ROA, the more efficient the use of company assets or in other words, with the same amount of assets, greater profits can be generated, and vice versa. Meanwhile, according to Prawirosentono (2019), performance is the work results that can be achieved by a person or group of people in an organization according to their respective authorities and responsibilities, in an effort to achieve the goals of the organization concerned legally, without violating the law and in accordance with morals and ethics. In this study, the equation used to calculate ROA (Return on Asset) Situmorang (2015):

$$\text{Return on Asset} \equiv \frac{\text{Laba Bersih}}{\text{Total Aset}} \dots\dots\dots (5)$$

Data Analysis Methods

Hypothesis testing of this study using Multiple linear regression analysis is used to test the effect of two or more independent variables on the dependent variable. The independent variables in this study are the proportion of the board of commissioners (Board Size), the number of audit committees (Audit Commite), institutional ownership (Institutional Ownership) and earnings management (Earnings Management). While the dependent variable is company performance. This study examines the Indonesian stock exchange, in the agricultural sector listed from 2015-2018.

The regression model is formulated with the following equation:

$$y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} \varepsilon \dots\dots\dots (6)$$

The description of variable Y_{it} is *Return on Assets* (ROA), X_{1it} is Proportion of board of commissioners X_{2it} is Number of audit committees, X_{3it} is Institutional ownership, X_{4it} is Earnings management, α is Constant, $\beta_1 \dots \beta_4$ is Regression coefficient of each variable, ε is Error term (error).

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistical analysis this study aims to provide an overview or description of data viewed through the average (mean), standard deviation, maximum, minimum of each study. Descriptive statistical testing in this study is presented with the company performance variable

(Y) which is proxied by (ROA) Return On Assets as the dependent variable, (X1) proportion of the board of commissioners (Board Size), (X2) Number of Audit Committees (Audit Committee), (X3) Institutional Ownership and (X4) Earnings Management as Independent Variables.

The results of the descriptive statistical analysis using SPSS software version 23 are as follows:

Tabel 1
Descriptive Statistics

Variable	Obs	Mean	Min	Max	Stdev
DK_{it}	52	0.36	0.12	0.60	0.08
KA_{it}	52	3.25	2.00	6.00	0.94
KI_{it}	52	0.50	0.03	2.99	0.54
ML_{it}	52	0.52	0.47	1.81	0.43
ROA_{it}	52	0.23	0.11	0.46	0.09

Descriptions: DK_{it} = Variable Board Size Company i-year t; KA_{it} = Variable number of Audit Committees Company i-year t; KI_{it} = Variable Institutional Ownership Company i-year t; ML_{it} = Variable Earnings Management Company i-year t; ROA_{it} = Variable Return on Asset Company i-year t.

Source: Processed by researchers (2019)

Table 1 above shows that the number of data (n) is 52, of these 52 data have minimum, maximum, average and standard deviation values. Descriptive statistics that have been described in Table 4. explain the number of observations for the variable Proportion of the Board of Commissioners (Board Size) which is proxied by the size of the board of commissioners is 52 observations obtained from 14 companies with a period of 4 years known to have a minimum value of 0.120 and a maximum value of 0.600. The average value of the variable Proportion of the Board of Commissioners (Board Size) is 0.367 with a standard deviation value of 0.086.

The number of observations for the variable Number of Audit Committees (Audit Committee) which is proxied by the Number of Audit Committees (Audit Committee) which is 52 observations obtained from 14 companies with a period of 4 years is known to have a minimum value of 2,000 and a maximum value of 6,000. The average value of the Number of Audit Committees (Audit Committee) is 3,250 with a standard deviation value of 0,947. The number of observations for the Institutional Ownership Variable proxied by the Number of Institutional Ownership, which is 52 observations obtained from 14 companies with a 4-year period, is known to have a minimum value of 0.030 and a maximum value of 2,996. The average value of Institutional Ownership is 0.504 with a standard deviation value of 0,546.

The number of observations for the Earnings Management variable proxied by the number of discretionary accruals (Dait), which is 52 observations obtained from 14 companies with a 4-year period, is known to have a minimum value of 0,047 and the maximum value is 1,812. The average value of Earnings Management is 0.526 with a standard deviation value of 0.439. The number of observations The descriptive statistics that have been described in Table 4.1 explain the number of observations for the company performance variable proxied by (ROA) Return On Assets as the

dependent variable, is 52 observations obtained from 14 companies with a 4-year period known to have a minimum value of 0.116, the maximum value is 0.468, and the average value is 0.230. with a standard deviation value of 0,092.

Classical Assumption Test Results

The researcher checked for autocorrelation and heteroscedasticity issues in the regression results prior to testing the data. By choosing cross-section weights and white cross-sections in EViews, the researcher has solved the issues of non-constant variance and autocorrelation in the error, allowing the standard error to be automatically controlled. The return model's Durbin Watson value falls between 2 and 3, indicating that there are no autocorrelation issues with the regression results. Multiple Linear Regression analysis with panel data (pooled data), which comprises cross section and time series data, is the data analysis model employed in this work. Common Effect/PLS was employed for panel data analysis based on the findings of the Chow and Hausman tests.

Regression Results

The t-statistic test aims to determine the significance of the influence of the independent variable on the dependent variable. The decision-making criteria are if the calculated $t > t$ table and the level of significance ($\text{sig.} = 5\%$) < 0.05 then the independent variable partially influences the dependent variable. The results of the calculation of the influence proportion of board of commissioners, number of audit committees, institutional ownership, and earnings management on company performance presented in the table below.

Table 2
Regression Results

<i>Variable</i>	<i>Hypothesis</i>	<i>Dependent Variable: ROA_{it}</i> (1)
<i>INTERCEPT</i>		0.28*** (4.29)
<i>DK_{it}</i>	+/-	-0.12 (-0.89)
<i>KA_{it}</i>	+/-	-0.02** (-1.90)
<i>KI_{it}</i>	+/-	0.06*** (3.12)
<i>ML_{it}</i>	+	0.05*** (2.12)
<i>Total Obs.</i>		52
<i>Prob>F</i>		4.29
<i>Adjusted R²</i>		0.20
<i>Descriptions: DK_{it} = Variable Board Size Company i-year t; KA_{it} = Variable number of Audit Committees Company i-year t; KI = Variable Institutional Ownership Company i-year t; ML = Variable Earnings Management Company i-year t; ROA = Variable Return on Asset Company i-year t.</i>		
*** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$.		

The Influence of the Number of Board of Commissioners on Company Performance

The effect of Good Corporate Governance Mechanisms, in this case the size of the board of commissioners, the number of audit committees, institutional ownership and earnings management. The results of the determination test that have been carried out show that the percentage of the effect of the independent variables simultaneously on earnings management shows that the adjusted R square value is 0.235 or 23.5%. The Board of Commissioners is a corporate body that usually consists of independent board members from outside the company who assess the company's performance on a large scale (Sholikhah, 2018). The results of Hypothesis H1 in this study are supported by research conducted by Hadi (2018), Fadillah (2018), Anggraini (2019), which states that the proportion of the board of commissioners does not have a significant effect on company performance. These results indicate several things This is because the number of board of commissioners in each company is not optimal in supervising the company's performance in generating profits by using all of assets (Fadillah, 2018), thus the more personnel who become board of commissioners can result in worse performance owned by the company. This is because the more members of the board of commissioners, this body will have difficulty in carrying out its role, including difficulties in communication and coordination between members of the board of commissioners, Wijaya (2019).

The results of this study are not in line with the research conducted by Gunawan (2018), Ningsih (2019), Sari (2019), which states that the number of board of commissioners has positive effect on Company Performance. The high number of independent commissioners is not a guarantee that the company's performance will improve, so the market considers the existence of independent commissioners is not a factor that is taken into consideration in appreciating Company Performance. The greater the number of independent commissioners in a company, the more it will improve Company Performance, Musfialdi (2014).

The Influence of the Number of Audit Committees on Company Performance

The results of the third hypothesis testing in this study are the influence of the number of audit committees on company performance. Based on table 4.8, the t-value of the variable number of audit committees on company performance is as big as -1,086 with a significance value of 0,283 at a significance level of 0.05 ($\alpha = 5\%$). Therefore, it can be concluded that the significance value is $0.05,283 > 0.05$. The results explain that the number of audit committees does not affect the company's performance, which is rejected.

The Audit Committee was formed to assist the company in improving the quality of financial reports and increasing the effectiveness of internal and external audits, Fadillah (2018), Audit committee data in agricultural sector companies for the period 2015-2018 is still relatively small. The audit committee variable has a minimum value of 2,000, a maximum value of 6,000, and an

average value of 3.28571. The results of this study are supported by research conducted by Fadillah (2018), Malavia (2017), and Musfaldi (2014). This shows that the large number of audit committees is not a guarantee to improve Company Performance. The audit committee functions to improve the quality and credibility of financial reports so as not to provide information that can mislead shareholders in making investment decisions. Thus, the results of this study can prove that auditor quality cannot act as a Corporate Governance mechanism that can improve Company Performance. Musfaldi (2014).

The influence of institutional ownership on company performance

The results of testing the fourth hypothesis in this study are the influence of institutional ownership on company performance. Based on table 4.8, the value t-count of 3,872 with a significance value of 0,000 at a significance level of 0.05 ($\alpha = 5\%$). Therefore, it can be concluded that the significance value is $0.05,000 < 0.05$. The results explain that institutional ownership has an effect on company performance and are stated to be accepted. Institutional ownership is the ownership of shares by the government, financial institutions, legal entities, foreign institutions, trust funds and other institutions at the end of the year. Alim (2016), Institutional ownership data in agricultural sector companies for the period 2015-2018 is still very small. The institutional ownership variable has a minimum value of 0.030, a maximum value of 2.996, and an average value of 0.55198. The results of this study are supported by research conducted by Waluya (2019), Destriana (2016) and Rahmawati (2017), who stated that high institutional share ownership cannot guarantee maximum monitoring of manager performance because the information asymmetry that occurs in the company causes managers and shareholders to tend to act in their own interests, thus ignoring improvements in company performance (Handayani (2017).

The influence of earnings management on company performance

The results of the fifth hypothesis testing in this study are the influence of earnings management on company performance. Based on table 4.8, the value t-count of 2,039 with a significance value of 0,047 at a significance level of 0.05 ($\alpha = 5\%$). Therefore, it can be concluded that the significance value is $0.05,047 < 0.05$. The results explain that institutional ownership has an effect on company performance and are stated to be accepted. Earnings management can be interpreted as a management action that affects reported profits and provides benefits to the company Epi (2017). Data on earnings management in agricultural sector companies for the period 2015-2018 is still very small. The earnings management variable has a minimum value of 0.047, a maximum value of 1.812, and an average value of 0.53788.

The results of this study are supported by research conducted by Epi (2017), Santoso et al. (2017), who stated that Earnings management (DA) practices or the tendency to manipulate earnings

cannot affect company performance, because good company performance (ROA) will reduce the risk of earnings manipulation practices. Earnings management is also an action of managers in choosing or determining an accounting policy or a real action that affects profits so that it can achieve certain goals for the profits that will be reported.

CONCLUSION

This study examines the effect of Good Corporate Governance that measured by proportion of the board of commissioners, audit committee size, institutional ownership, and earnings management on the performance of agricultural sector companies on the Indonesia Stock Exchange in 2015-2018. The proportion of the Board of Commissioners has no effect on the company performance. The number of boards of commissioners in each company that is not optimal plays an important role in supervising the company's performance. This is because with the increasing number of board of commissioners, this body will experience difficulties in carrying out its role, including difficulties in communication and coordination between members of the board of commissioners.

The number of Audit Committees has negative effects on the company performance. the negative effect of audit committee size on company performance suggests that simply increasing the number of audit committee members does not necessarily improve firm outcomes. Instead, firms should focus on enhancing the quality and effectiveness of the audit committee rather than its size. The audit committee functions to improve the quality and credibility of financial reports so as not to provide information that can mislead shareholders in making investment decisions. Institutional Ownership has positive affect on the company performance. the positive influence of institutional ownership indicates that higher institutional investor involvement can contribute to better company performance, possibly through stronger monitoring and governance mechanisms. This implies that companies should encourage and maintain a higher level of institutional ownership to improve transparency and accountability.

Earnings Management has positive affect on the company performance. Thus, the complex role that discretionary accruals may play in short-term financial outcomes. However, managers and stakeholders should exercise caution, as earnings management practices might pose risks to long-term sustainability and credibility. For future research should add more research samples from all companies listed on the Indonesia Stock Exchange to obtain more representative results in representing each existing business sector and obtaining more company samples, as well as increase the observation period, because the longer the observation time interval, the greater the opportunity to obtain more accurate and reliable information. Future research also could further investigate the long-term consequences of these governance practices and explore additional moderating variables

that might affect the relationship between governance mechanisms, earnings management, and company performance.

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