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Impact of Good Corporate Governance on Financial Performance of State-Owned Businesses with Risk Management as A Moderating Variable

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Abstract

The objective of this study is to ascertain the impact of the six elements of good corporate governance on the financial performance of state-owned enterprises (SOEs), with risk management acting as a moderating variable. This study employs annual reports on state-owned enterprises (SOEs) listed in Appendix II of the Minister of State-Owned Enterprises Regulation Number PER/MBU/03/2021. The sampling technique employed was purposive sampling, with a research sample comprising 57 SOEs selected from all SOEs for the 2018-2022 period. The data were analyzed using panel data regression analysis with the STATA 17. The results indicated that the Shareholder Aspect had a positive and significant effect on the financial performance of SOEs. In contrast, the aspects of Commitment to Sustainable GCG Implementation, Board of Commissioners, Board of Directors, Disclosure and Transparency of Information, and other factors had no significant effect on the financial performance of SOEs. The findings indicate that risk management exerts a positive and significant influence on the relationship between the Board of Directors aspect and the financial performance of SOEs. Conversely, risk management exerts a negative and insignificant influence on the relationship between the Commitment to Sustainable GCG Implementation aspect, the Board of Commissioners, disclosure and transparency of information, and other factors and the financial performance of SOEs.

Keywords *GCG, SOEs, Risk Management, Financial Performance.*

INTRODUCTION

In accordance with Appendix II of the Regulation of the Minister of SOEs Number PER-4 / MBU //03/2021, dated March 29, 2021, concerning the Organization and Work Procedures of the Ministry of State-Owned Enterprises, there are 116 SOEs, which are grouped into 13 clusters/fields. SOEs designated as "red plate" companies are obliged to fulfil their designated role effectively in the implementation of Good Corporate Governance (GCG) and improvement of performance. The assessment of the implementation of GCG in SOEs employs criteria delineated in the Secretary of the Minister of SOEs' directive, Number SK-16/S.MBU/2012, dated June 6, 2012, concerning Indicators/Parameters for Assessment and Evaluation of the Implementation of Good Corporate Governance in SOEs.

In accordance with the aforementioned provisions, the parameters of assessment and evaluation of GCG implementation are grouped into six (6) aspects, including: (i) aspects of commitment to sustainable GCG implementation, (ii) aspects of shareholders and GMS, (iii) aspects of the Board of Commissioners, (iv) aspects of the Board of Directors, (v) aspects of disclosure and transparency of information, and (vi) aspects of other factors. The GCG mechanisms are reflected in the Board of Directors, the Board of Independent Commissioners, and the Audit Committee. The capacity of the Board of Directors to comprehend and direct the company's operations ultimately determines the organization's trajectory. The Board of Directors bears the responsibility for the oversight and governance of the company, with a duty to consider the interests of the shareholders.

This is evidenced by the results of Dewi and Tenaya's research (2017), which concluded that the Board of Directors exerts an effect on financial performance. This research is also consistent with the findings of Khoirunnisa and Karina (2021), which demonstrate a positive impact of the Board of Directors on financial performance. In accordance with the implementation of GCG, as stipulated in the Regulation of the Minister of SOEs Number PER-2/MBU/03/2023, "red plate" SOEs are obliged to implement risk management procedures in the conduct of their business activities. The current requirements for the implementation of risk management in state-owned enterprises (SOEs) have been streamlined through the issuance of the Decree of the Deputy for Finance and Risk Management of the Ministry of SOEs number SK-8/DKU.MBU/12/2023, dated December 6, 2023. This decree concerns the technical guidelines for the assessment of the risk maturity index (RMI) within SOEs.

The impetus for risk management implementation in state-owned enterprises (SOEs) is shaped by shifts in the external environment of these entities and their respective industries, which are characterized by high levels of dynamism. The implementation of risk management enables companies to respond to unforeseen threats, provide flexibility to overcome risks, and gain a competitive advantage through opportunities (Armeanu et al., 2017). The greater the degree of maturity in the implementation of risk management, the more effective the integration of risk management with all management systems in supporting company performance. In accordance with the stipulations set forth in the company's Risk Management implementation, as outlined in the Indonesian National Standard (SNI) ISO 31000:2018, risk management is defined as a systematic and collaborative process aimed at directing and regulating the company's actions in response to the potential risks associated with its business activities.

It is anticipated that the implementation of risk management will result in a reduction of potential losses to an absolute minimum, or, if this is not feasible, the utilization of risks as opportunities for the enhancement of profits and company performance. The data analysis and information from published annual reports, along with the results of risk management assessments in state-owned enterprises (SOEs), were used to inform this study. In general, SOEs have implemented risk management, but not all of them have conducted assessments or evaluations of potential improvements to address deficiencies or weaknesses in the implementation of risk management. The 9 best SOEs included in the Fortune Indonesia 100 Year 2023 report (kompas.com), excluding financial services SOEs (BNI, BRI, Mandiri, BTN, Taspen and Bukopin), PT Telkom and PT Indosat, were analyzed. The data obtained from the published Annual Report for the last five years, 2018-2022, revealed inconsistencies in the application of GCG practices to the company's ability to generate profits. The results of the assessment of GCG implementation in these SOEs indicate that the acquisition of "Good" and "Very Good" predicates has occurred, yet there has been a concurrent decrease in profits or even losses, as evidenced by the following table.

Table 1. GCG Implementation and SOEs Profits in 2018-2022 of the 9 best SOEs according to the Fortune Indonesia 100 Report 2023 (in billion).

No	SOEs		2018	2019	2020	2021	2022
1	Pertamina (USD)	Profit (Loss)	2,6	2,6	0,821	2,2	4,06
		GCG	Excellent	Excellent	Excellent	Excellent	Excellent
2	PLN (Rp)	Profit (Loss)	11.575	4.322	5.993	13.175	14.415
		GCG	Excellent	Excellent	Excellent	Excellent	Excellent
3	Pupuk Indonesia (Rp)	Profit (Loss)	4.195	5.965	1.841	5.181	18.510
		GCG	Excellent	Excellent	Excellent	Excellent	Excellent
4	Krakatau Steel (USD)	Profit (Loss)	(0,063)	(0,384)	0,055	0,054	(0,034)
		GCG	Excellent	Excellent	Excellent	Excellent	Excellent
5	PT Garuda Indonesia (USD)	Profit (Loss)	(0,23)	(0,04)	(2.48)	(4,17)	3,74
		GCG	Excellent	Good	Excellent	Excellent	Excellent
6	PT KAI (Rp)	Profit (Loss)	1,78	1,8	(2,85)	(0,55)	2,27
		GCG	Excellent	Excellent	Excellent	Excellent	Excellent
7	PT Wijaya Karya (Rp)	Profit (Loss)	2.073	2.621	322	214	12
		GCG	Excellent	Excellent	Excellent	Excellent	Excellent
8	PT PP (Rp)	Profit (Loss)	1.959	1.048	312	361	366
		GCG	Excellent	Excellent	Excellent	Excellent	Excellent
9	PT Jasa Marga (Rp)	Profit (Loss)	2.036	2.074	(42)	871	2.324
		GCG	Excellent	Excellent	Excellent	Excellent	Excellent

Source of Financial Statements: Data processed, 2024.

The implementation of GCG is associated with enhanced performance and sustainable business growth. GCG encompasses concepts that play a pivotal role in shaping the culture of transparency, responsibility, and awareness within the company (Al-ahdal et al., 2020). A lack of robust corporate governance can provide opportunities for management to take actions that have the potential to enrich and benefit themselves. The implementation of corporate governance creates adequate protection for interested parties in the company so as to provide confidence in the investment that has been invested (Lestari, 2013). The objective of this study is to ascertain the impact of the implementation of good corporate governance (GCG) on the financial performance of SOEs in Indonesia, with risk management serving as a moderating variable. The GCG variables are proxied by aspects of commitment to sustainable GCG implementation, aspects of shareholders and GMS/capital owners, aspects of the Board of Commissioners, aspects of the Board of Directors, aspects of disclosure and information disclosure, and other aspects. The moderating variables are Risk Management, which is measured by the Risk Maturity Index and Return on Equity (ROE), and the Return on Assets (ROA). These variables are used to measure the financial performance of the SOEs.

The primary issues that this study seeks to address are twofold: firstly, to ascertain whether the six aspects of good corporate governance (GCG) exert an influence on the financial performance of state-owned enterprises (SOEs), and secondly, to determine whether the implementation of risk management (RM) can serve to moderate the effect of the aforementioned six aspects of GCG on the financial performance of SOEs. The objective of this study is to ascertain the impact of six aspects of good corporate governance (GCG) implementation on the financial performance of state-owned enterprises (SOEs). It is hypothesized that the application of six aspects of GCG can affect the financial performance of SOEs, with risk management (MR) acting as a moderator. The findings of this research will serve as a valuable reference for the Ministry of SOEs in conducting evaluations for decision-making related to aspects of GCG implementation, risk management implementation, and financial performance in SOEs. For SOEs, the GCG guidelines can serve as a reference for the management and execution of business activities. These activities may pertain to the implementation of GCG aspects, the undertaking of risk management, and the enhancement of financial performance. Furthermore, for investors, it can serve as a factor in decision-making regarding investments in SOEs.

LITERATURE REVIEW

Agency Theory

The distinction between the ownership rights of shareholders (the principal) and the authority to manage the company (the agent) gave rise to the field of agency theory. This theory emerged concurrently with the growing prevalence of share ownership. In their 1976 work, Jensen and Meckling describe shareholders as principals and management as agents. They define management as a party that has been contracted by shareholders to act in the interests of those shareholders. Management is granted certain powers to oversee the company and make decisions that are in the best interests of the shareholders. Consequently, management is obliged to account for all its efforts to the shareholders.

Financial Performance

The assessment of corporate performance is primarily concerned with the evaluation of the company's financial position. This is achieved through the utilization of financial analysis, which employs data derived from financial statements and other pertinent reports. Financial analysis is typically employed by stakeholders to assess the financial health and performance of a company in relation to its stated objectives. As posited by Fatimah et al. (2017), financial performance is defined as a description of a company's financial condition over a specific period. This assessment is intended to ascertain whether the company has implemented financial management in accordance with established norms and regulations. In the context of state-owned enterprises (SOEs), the criteria for assessing the health level of SOEs are outlined in the Decree of the Minister of SOEs Number KEP-100 / MBU / 2002, dated June 4, 2002, regarding the Assessment of the Health Level of SOEs. The Decree of the Minister of SOEs is designed to assess the performance of SOEs over a specified period. This assessment will serve as a benchmark for determining the success of the company in carrying out its operational activities.

In this study, the proxy for company performance is the profitability ratio, specifically the return on equity (ROE). The Ministry of State-Owned Enterprises (BUMN) employs the return on equity (ROE) ratio to assess the efficiency of capital utilization by BUMNs, with the objective of generating profits for shareholders (in this case, the government). As outlined by Kashmir (2015), ROE is employed to assess net profit after tax with own capital. A higher ratio indicates a stronger company, while a lower ratio suggests a weaker company.

$$\text{ROE Formula} : \frac{\text{Profit After Tax X 100\%}}{\text{Total Equity}}$$

Good Corporate Governance

The governance of corporations is influenced by a number of factors, including their internal and external structures, infrastructure, and processes. The Law of the Republic of Indonesia Number 19 of 2003 concerning SOEs, and the Regulation of the Minister of SOEs Number PER-09 / MBU / 2012, both encourage and even require SOEs to implement ongoing improvements and enhancements to the quality of GCG implementation. SOEs are obliged to assess and evaluate the implementation of GCG on a periodic and continuous basis. In the event that deficiencies are identified in the implementation of GCG, it is expected that an action plan will be promptly established in the form of the necessary corrective action.

The Ministry of State-Owned Enterprises (SOEs) defines Good Corporate Governance (GCG) as a set of principles that underlie a process and mechanism for managing a company based on laws and regulations and business ethics. This definition is set forth in the Regulation of the Minister of SOEs No. PER-01.MBU/2011 dated August 1, 2011, which replaces the previous Regulation No. 117/M-MBU/2002 dated August 1, 2002. In implementing GCG, there are five basic principles, which are abbreviated as TARIF: transparency, accountability, responsibility, independence, and fairness.

The implementation of GCG in SOEs is subject to a set of criteria established by the Secretary of the Minister of SOEs (SK-16/S.MBU/2012) on June 6, 2012. These criteria pertain to the assessment and evaluation of the implementation of good corporate governance in SOEs. In accordance with the aforementioned provisions, the parameters of assessment and evaluation of GCG implementation are grouped into six distinct aspects. These aspects encompass the following: (1) aspects of commitment to the sustainable implementation of good corporate governance, (2) aspects of shareholders and GMS, (3) aspects of the board of commissioners, (4) aspects of the board of directors, (5) aspects of disclosure and transparency of information, and (6) aspects of other factors.

Risk Management

The International Organization for Standardization (ISO) 31000:2018 offers the following definition of risk: "The effect of uncertainty on goals." Every company has a target goal, but achieving it is not straightforward due to the numerous uncertainties that surround business practices, which can have both positive and negative effects. These uncertainties are collectively referred to as risks. The company's management team requires information regarding the level of maturity of the risk management implementation process in order to gauge the extent to which the various organs within the company have been able to effectively manage the various threats to the company in a manner that allows the company to achieve its desired outcomes. The level of corporate risk maturity is quantified through the Risk Maturity Index (RMI) Assessment, which is pertinent to the performance aspects of the company.

The objective of the RMI Assessment is to ascertain the quality and efficacy of risk management implementation in safeguarding and enhancing the value of the corporation. The results of the RMI Assessment are primarily intended to identify deficiencies and suggest corrective measures to enhance the effectiveness of risk management implementation.

METHOD

Population and Sample

The population under investigation in this study is identical to the unit being analyzed, namely 116 SOEs listed in accordance with Appendix II of the Regulation of the Minister of BUMN Number PER-4 / MBU //03/2021. The sampling technique employed is purposive nonprobability sampling. Sampling was conducted based on the following criteria:

Table 2. Sample Selection Results

No	Criteria	Number
1	SOEs listed in Appendix II of the Regulation of the Minister of SOEs Number PER-4/MBU/03/2021, which does not include 8 SOEs.	108
2	SOEs that do not publish annual reports consistently, for which information on research variables is not available, for the period 2018-2022.	51
3	SOEs that use different regulations in GCG assessment	8
4	Sample Quantity	57
	Total data/information observed (5 years: 2018-2022)	**285**

Source of Financial Statements: Author’s decision, 2024

Types and Sources of Research Data

The data utilized in this study are secondary in nature, comprising Financial Performance, Good Corporate Governance (GCG), and Risk Management. These data points were obtained from Annual Reports of state-owned enterprises (BUMN) and other pertinent and significant information sources. The data were then employed as a basis for formulating conclusions regarding the degree of fulfillment of GCG aspects, Risk Management, and the financial performance of state-owned enterprises (BUMN) over the period spanning 2018 to 2022.

Analysis Technique

The variables to be tested in this study consist of independent variables, namely Good Corporate Governance (GCG), which is comprised of the following aspects: commitment to the implementation of GCG on an ongoing basis, aspects related to shareholders and GMS/capital owners, aspects related to the Board of Commissioners, aspects related to the Board of Directors, aspects related to disclosure and disclosure of information, and other aspects. The dependent variable is the financial performance of SOEs (ROE). The moderating variable is risk management. The data were analyzed using a panel data approach and processed using STATA 17.

RESULT AND DISCUSSION

Descriptive Statistics

Descriptive statistics are employed to elucidate variables or indicators in the form of averages and standard deviations, which are subsequently derived from the results of data processing.

Table 3. Descriptive Statistics

Variable	Mean	Standard Deviation
Commitment to Sustainable GCG Implementation	92,329	5,898
Shareholders	91.895	6,234
Board of Commissioners	91,544	5,840
Board of Directors	91,004	5,477
Disclosure and Transparency of Information	85,527	11,750
Others	33,365	37,094
Risk Management	50,049	23,683
Financial Performance	0,696	52,477

Source: Data processed

Table 3 indicates that the average of the Commitment to Sustainable GCG Implementation aspect is 92.329, which is greater than the average of other aspects. The lowest average is found in the other aspects, which amounted to 33.365. In contrast, the average for risk management is 52.365. A comparison of the aspects and financial performance reveals that the standard deviation value is greater than the average, indicating that the data exhibits considerable variability and heterogeneity. With regard to risk management, the standard deviation value is smaller than the average value, which indicates that the sample diversity is limited and homogeneous.

The Panel Data Analysis Technique

Multicollinear Check

To mitigate the impact of multicollinearity, centering can be employed, which entails reducing each data point to its respective mean. The results of the multicollinearity check indicate that the Variance Inflation Factor (VIF) value of 2.36 is less than 5, suggesting that there is no multicollinearity between the variables. Consequently, the estimated parameters are deemed acceptable.

Outlier Data Check

Once it has been established that the data does not exhibit any problems with multicollinearity, the subsequent stage of statistical data analysis is to identify any outliers. To identify outliers, one may examine the standardized residual value. The standardized residual value is a standardized residual value where a value above ±3 indicates the presence of outlier data, as stated by Tabachnick and Fidell (2013). The results of processing with the STATA software indicate that four companies exhibit outlier data with high standardized residual values above ±3. Furthermore, the four companies were excluded from the model.

Selection of the Best Panel Data Regression Model

Chow Test

The test employs the Chow Test, which is distributed F. In the event that the p-value of the F statistic is less than 0.05, the optimal model is identified as FE. The results of the processing with the Chow Test yielded a statistical F value of 4.66 with a p-value of 0.000, which is less than 0.05. Therefore, the null hypothesis (H0) is rejected, and the alternative hypothesis (H1) is accepted. This indicates that the optimal model selection between the Common Effect (CE) and the Fixed Effect (FE) is the latter.

Hausman Test

The test employs the Hausmann test, which is Chi-square distributed. If the p-value is less than 0.05, then the null hypothesis is rejected and the alternative hypothesis is accepted. In accordance with the results of the Hausman test, the Chi-square value is 11.45 with a p-value of 0.5730, which is greater than 0.05. Therefore, the null hypothesis (H0) is accepted, and the optimal model is identified as the Random Effect (RE).

Lagrange LM Test

The test employs the Lagrange LM test, which is distributed according to the Chi-square distribution. If the p-value is less than 0.05, the optimal model is RE. The chi-square value derived from the LM test is 80.41, with a p-value of 0.000, which is less than 0.05. Therefore, the null hypothesis (H0) is rejected, and the best model is Random Effect (RE). The results indicate that the Random Effect (RE) model provides the most parsimonious explanation for the influence between variables.

Checking Autocorrelation and Heteroscedasticity in Random Effect Panel Data Regression

After knowing the best model is random effect, the next stage is the Heteroscedasticity and Autocorrelation test on the Random Effect model. The aim is to ascertain whether the Random effect model contains heteroscedasticity and autocorrelation. The autocorrelation test on panel data regression can be used by the Wooldridge test for autocorrelation in panel data. In STATA the xtserial command is used. Based on the results above, it can be seen that the value of the F statistic is 11.103 with a p-value of 0.0016 <0.05, so there is a serial correlation or autocorrelation between times in the company which indicates that the random effect model needs adjustment so that the estimated parameters match the conditions of the empirical data. in STATA this adjustment is by adding the robust option.

Table 4. Heteroscedasticity Test on Panel Data Regression

```
==============================================================================
                 * Panel Groupwise Heteroscedasticity Tests
==============================================================================
      Ho: Panel Homoscedasticity - Ha: Panel Groupwise Heteroscedasticity
  - Lagrange Multiplier LM Test     = 2.21e+05     P-Value > Chi2(56)   0.0000
  - Likelihood Ratio LR Test        = 358.2960     P-Value > Chi2(56)   0.0000
  - Wald Test                       = 1.03e+07     P-Value > Chi2(57)   0.0000
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Source: Data processed, 2024

The next step is to conduct a heteroscedasticity test using the Lagrange Multiplier LM Test. The resulting Chi-square p-value is 0.000, which is less than 0.05. This indicates that the null hypothesis (H0) should be rejected, or in other words, there is a problem with heteroscedasticity. In light of these findings, it is evident that the random effect model requires modification to align the estimated parameters with the empirical data conditions. In STATA, the aforementioned adjustment is accomplished by incorporating the robust option. The optimal model for elucidating the interrelationship between variables is the random effect (RE) model, provided that the conditions of heteroscedasticity and autocorrelation are met. In order to enhance the precision of the estimated model parameters and reduce the likelihood of bias, the robust option is incorporated.

Partial Test (T-Statistic Test)

The t-test is employed to assess the impact of the relationship between variables and to ascertain the strength and significance of the relationship between these variables.

Table 5. Random Effect Model with Robust

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xtreg  ROE KomGCG - MR MRKomGCG - MRAsp, re robust

Random-effects GLS regression                   Number of obs      =       265
Group variable: perusahaan                      Number of groups   =        53

R-sq:  within  = 0.1247                         Obs per group: min =         5
       between = 0.0376                                        avg =       5.0
       overall = 0.0774                                        max =         5

                                                Wald chi2(13)      =     39.80
corr(u_i, X)   = 0 (assumed)                    Prob > chi2        =    0.0001

                           (Std. Err. adjusted for 53 clusters in perusahaan)
------------------------------------------------------------------------------
             |               Robust
         ROE |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
      KomGCG |   .0258351   .5479491     0.05   0.962    -1.048125    1.099796
          PS |   .5078635   .2571669     1.97   0.048     .0038256    1.011901
       Dekom |   .1049499   .2584233     0.41   0.685    -.4015505    .6114503
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Dir	-.1312618	.0963232	-1.36	0.173	-.3200517	.0575281
Inform	-.0041373	.0984503	-0.04	0.966	-.1970962	.1888217
Asp	.0037807	.0560375	0.07	0.946	-.1060508	.1136121
MR	-.0588802	.069719	-0.84	0.398	-.1955269	.0777665
MRKomGCG	-.0271747	.0208333	-1.30	0.192	-.0680073	.0136579
MRPS	-.0214633	.0102331	-2.10	0.036	-.0415198	-.0014068
MRDekom	.0071567	.0164194	0.44	0.663	-.0250246	.0393381
MRDir	.066388	.0304611	2.18	0.029	.0066852	.1260907
MRInform	-.0033083	.0044251	-0.75	0.455	-.0119813	.0053647
MRAsp	-.0032565	.0017394	-1.87	0.061	-.0066656	.0001527
_cons	-39.11055	54.46864	-0.72	0.473	-145.8671	67.64602
sigma_u	17.451239					
sigma_e	18.996473					
rho	.45768016	(fraction of variance due to u_i)				

Source: Data processed, 2024

The results of processing the table above indicate that the Random Effect Model with Robust, which includes the Aspect of Commitment to GCG Implementation, Board of Commissioners, Board of Directors, Disclosure and Transparency of Information and Other Aspects, has a p-value above 0.05. This suggests that these aspects are not significant. Conversely, the Shareholder Aspect has a p-value below 0.05, indicating that it is significant. This indicates that the Shareholder Aspect exerts a positive and significant influence.

Furthermore, risk management is only capable of exerting a discernible and substantial moderating influence on the Board of Directors aspect, as evidenced by the regression coefficient value of 0.066 and the p-value of 0.029, which are both less than 0.05. With regard to the remaining four aspects, it is evident that risk management is unable to moderate.

Model Feasibility Results

R Square

The R-squared value explains the amount of variation in the dependent variable ROE that can be explained by the independent variables. Based on the processing, the total R square value is 0.0774 or 7.74% of the variation in ROE can be explained by the variable Aspects of Commitment to Sustainable GCG Implementation, Aspects of Shareholders and GMS / Capital Owners, Aspects of the Board of Commissioners, Aspects of Directors, Aspects of Disclosure and Openness of Information and Other Aspects.

F test statistics

The simultaneous test is useful to test whether including at least one independent variable in the model will affect ROE. Testing with Wald chi-square statistic, where the Wald chi-square value is 39.90 with a p-value of 0.0001 <0.05, then reject H0 or accept H1, which means that together the variable aspects of commitment to sustainable GCG implementation, aspects of shareholders and GMS / capital owners, aspects of the board of commissioners, aspects of directors, aspects of disclosure and openness of information and other aspects affect ROE.

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The Influence of Independent Variables on the Commitment to Sustainable GCG Implementation Aspect on the Financial Performance of SOEs

The results showed that the implementation of GCG, which is projected through the implementation of the commitment aspect of sustainable GCG implementation, has a positive but insignificant effect on the financial performance of BUMN as measured by return on equity (ROE). The commitment aspect of sustainable GCG implementation focuses on non-financial aspects such as the ethics of these SOEs to maintain the integrity and trust of stakeholders, the difference in implementation of each SOE that is more advanced than other SOEs, so it does not directly affect the financial performance of SOEs. This research is consistent with Djatmiko (2004), who suggests that companies in Indonesia have not been able to implement corporate governance due to internal constraints, namely the absence of a corporate culture that supports the realization of GCG principles, lack of commitment of managers and employees regarding GCG, and low level of understanding of managers and employees.

The influence of Shareholder and GMS/Capital Owner aspects on SOEs Financial Performance

The results indicated that the implementation of GCG, as projected through the shareholder aspect, had a positive and significant effect on the financial performance of state-owned enterprises (SOEs). The Ministry of BUMN is the majority shareholder and/or capital owner, with the government holding a controlling interest. This allows the government to influence the performance of BUMN. The findings of this study align with those of Putri (2021), who found that Good Corporate Governance, as projected by managerial and institutional ownership, has a significant impact on financial performance.

The influence of the Board of Commissioners aspect on the Financial Performance of SOEs

The results indicated that the implementation of GCG through the Board of Commissioners had a positive but insignificant effect on the financial performance of state-owned enterprises (BUMN). The higher the value of the GCG implementation indicators/parameters in the Board of Commissioners, the more positive the effect on the financial performance of BUMN. However, this effect is insignificant. This is due to the fact that the Board of Commissioners and its supporting organs are structured differently in SOEs. Additionally, the role of the Board of Commissioners is merely that of a liaison between shareholders and directors, which precludes it from directly influencing the financial performance of SOEs. The findings of this study are consistent with those of Khoirunnisa (2021), who discovered that the projected implementation of good corporate governance by an independent board of commissioners had a detrimental impact on company performance.

Influence of Board of Directors aspects on Financial Performance of SOEs

The results demonstrated that the implementation of GCG, as projected through the Board of Directors aspect, exhibited a negative and insignificant effect on the financial performance of SOEs. The larger shareholding owned by the government results in the board of directors being inclined to reduce the optimization of resources and to reduce agency costs due to differences in interests. Furthermore, every action taken by the board of directors must be reported to the government.

The findings of this study are consistent with those of Firlana (2021), who posited that the implementation of effective corporate governance by the Board of Directors has a detrimental impact on financial performance. This is contrary to the tenets of agency theory, which asserts that an elevated status of the agent (the Board of Directors) within a company will result in a reduction in resource management and agency costs due to the alignment of interests, thereby enhancing the company's financial performance (Maria, 2013).

The influence of disclosure and information disclosure aspects on the financial performance of SOEs

The results showed that Good Corporate Governance projected by aspects of disclosure and information disclosure had a negative and insignificant effect on the financial performance of BUMN. Aspects of disclosure and information disclosure are media that show the productivity / performance of the company, both positive and negative. The way disclosure and disclosure of information submitted by between SOEs is different so that the data presented to influence stakeholder perceptions and trust is inconsistent and difficult to measure quantitatively.

This is not consistent with the findings of Abdo and Fisher (2007), who demonstrated that there is a positive correlation between corporate governance reporting and financial performance in companies. Their research indicated that companies with high levels of disclosure tend to enhance the value of their companies, whereas those with low levels of disclosure tend to have diminished value. Hasturi (2005) also identified a significant relationship between transparency and company performance. This suggests that in order to achieve optimal company performance, management must implement the pillars of good corporate governance, one of which is transparency.

The Influence of Other Aspects on The Financial Performance of SOEs

The results indicated that the implementation of Good Corporate Governance (GCG) in conjunction with other factors exhibited a positive yet insignificant impact on the financial performance of state-owned enterprises (SOEs). This aspect exerts no influence on the financial performance of state-owned enterprises (SOEs), as it is the consequence of GCG management, rather than a reflection of the enterprise's productivity or performance.

This research is in accordance with Henri (2021), which asserts that the quality of GCG implementation outcomes is within an acceptable range. However, the presence of fraud has an adverse impact on the value of other factors.

Risk Management moderates the influence of the Commitment aspect of GCG Implementation Sustainable GCG implementation on SOE Financial Performance

The findings indicate that the risk management projections as outlined in the risk maturity index exerted a negative and insignificant influence on the moderating effect of the commitment aspect of sustainable GCG implementation on the financial performance of SOEs. This also demonstrates that risk management is not yet implemented optimally, with the current tendency being merely formal fulfillment. The findings of this study are consistent with those of Louis et al. (2023), who posit that Enterprise Risk Management (ERM) implementation is not associated with changes in company performance and does not mitigate the probability of bankruptcy.

Risk Management moderates the influence of Shareholders and GMS/Capital Owners' aspects of GCG implementation on SOE Financial Performance

The results demonstrated that the risk management projected by the risk maturity index exerted a negative yet statistically significant influence on the moderation of the impact of the shareholder aspect on the financial performance of state-owned enterprises (SOEs). In this context, risk management is implemented with a high degree of seriousness by the directors, given the considerable and significant influence exerted by shareholders and the General Meeting of Shareholders (GMS)/Capital Owners on the directors in question, both in a positive and negative manner.

This is because shareholders exert a considerable influence on financial performance, thereby enabling risk management to moderate the relationship between shareholder aspects of financial performance. An elevated Risk Maturity Index value will affect financial performance (ROE) and have an impact on other stakeholders. The findings of this study are consistent with those of Anis (2023), who posited that enterprise risk management is an effective strategy for enhancing organizational performance. The implementation of enterprise risk management by a company is positively correlated with an increase in that company's performance.

Risk Management moderates the influence of the Board of Commissioners aspect of GCG implementation on SOEs Financial Performance

The findings indicate that the risk management projections as outlined in the risk maturity index exert a positive yet inconsequential influence on the moderating effect of the Board of Commissioners on the financial performance of state-owned enterprises (SOEs). In this regard, the implementation of risk management is also suboptimal, given that the implementation of GCG does not invariably depend on the Board of Commissioners. Consequently, risk management does not always receive the requisite attention.

This research is in line with the results of research conducted by Paulina (2016), which states that risk management is unable to moderate the relationship between institutional ownership and financial performance. Additionally, it aligns with the findings of Gonzales (2020), which indicate that the implementation of Enterprise Risk Management (ERM) is not related to changes in company performance. Furthermore, the results of Mutaz (2022) support this conclusion, as they demonstrate that company performance is not influenced by the level of risk assessment.

Risk Management moderates the influence of the Board of Directors aspect of GCG implementation on SOE Financial Performance

The findings of the research indicate that the implementation of risk management strategies, as measured by the risk maturity index, significantly moderates the influence of various factors on the financial performance of state-owned enterprises (SOEs). In this context, the adoption of risk management practices is likely to be limited, given that the indicators are primarily determined by the directors themselves, who are likely to prioritize their own interests. This level of risk maturity reflects the extent to which the company is able to effectively manage the risks it faces and to exploit existing opportunities.

A company's risk maturity index value serves as a measure of the extent to which its risk management practices have reached a state of maturity. This implies that companies possess enhanced capacity to anticipate and address the risks they confront, thereby reducing potential losses and capitalizing on opportunities. The findings of this study align with those of Anis (2023), which asserts that effective risk management within companies can enhance their overall performance. The implementation of enterprise risk management by a company is associated with an increase in performance.

Risk Management moderates the influence of the Disclosure and Information Disclosure aspects of GCG implementation on SOEs's Financial Performance

The findings of the study indicate that the implementation of risk management as projected by the Risk Maturity Index (RMI) figures has a negative and insignificant effect on moderating the influence of aspects of information disclosure and openness on the financial performance of state-owned enterprises (SOEs). The aspect of disclosure and the disclosure of information has no effect on the financial performance of SOEs because it does not directly affect the company's productivity. Furthermore, it is only mandatory from shareholders, in this case the government.

Additionally, the Risk Maturity Index value has not been implemented, thus rendering risk management unable to moderate the influence of the disclosure aspect and the disclosure of information on the implementation of GCG on the financial performance of SOEs. This research is consistent with the findings of previous studies. For instance, Gonzales (2020) found that the implementation of Enterprise Risk Management (ERM) is not associated with changes in company performance. Similarly, Mutaz (2022) demonstrated that company performance is not influenced by the level of risk assessment.

Risk Management moderates the influence of other aspects on SOES's Financial Performance

The research results show that the implementation of risk management projected by the Risk Maturity Index (RMI) figures does not significantly moderate the influence of other aspects of factors on the financial performance of SOEs. This means that other factor aspects

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which have a positive value if the company practices GCG as a benchmark and a negative value if the company deviates from GCG management principles which have an impact on the financial performance of SOEs, have not been able to be moderated by the Risk Maturity Index (RMI) value. This research is consistent with the findings of previous studies. For instance, Gonzales (2020) found that the implementation of Enterprise Risk Management (ERM) is not associated with changes in company performance. Similarly, Mutaz (2022) demonstrated that company performance is not influenced by the level of risk assessment.

CLOSING

Consclussion

The research can be concluded from several points, which also serve as answers to the hypothesis of this research. These points include the implementation of commitment aspects to implement GCG in a sustainable manner, aspects related to the board of commissioners, aspects related to directors, aspects related to information disclosure, and other aspects. The findings indicate that these aspects do not exert an influence on the financial performance of SOEs. Conversely, the implementation of the shareholder and GMS/capital owner aspects has a positive and significant effect on the financial performance of SOEs.

The findings indicate that risk management has a positive and significant moderating effect on the influence of the directors' aspect on the financial performance of state-owned enterprises (SOEs), while risk management has a negative but not significant effect on moderating the influence of the commitment aspect for sustainable implementation of the good corporate governance (GCG) principles, the shareholder aspect, the disclosure and information openness aspect, and other aspects on the financial performance of the SOEs. The influence of risk management on the financial performance of state-owned enterprises (SOEs) is found to be positive but not statistically significant when considering the role of the Board of Commissioners.

Advanced Research

In light of the constraints of this research, the following recommendations for further inquiry are put forth: The observation period of the total sample in this study is limited to a period of five years. It is recommended that in future research, the sample observation period be extended to more than five years, with the inclusion of additional variables for the purpose of testing the company's financial performance. Other variables, such as solvency, liquidity, and activity ratios, can be employed in testing, as can operational and administrative aspects. Other variables that can influence the financial performance of state-owned enterprises (SOEs) beyond good corporate governance, such as the current ratio and capital structure, can also be included. The total sample of companies used is the state-owned enterprises (SOEs) listed in the Ministerial Decree, and it is expected that this will enable the observation of all state-owned enterprises and their subsidiaries.

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