

The Effect of Good Corporate Governance, Institutional Ownership, and Capital Structure on Corporate Financial Performance in Energy Sector Companies Listed on the Indonesia Stock Exchange

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ABSTRACT

The energy sector in Indonesia was one of the strategic sectors that contributed significantly to the national economy; however, the financial performance of companies in this sector tended to fluctuate due to external pressures such as changes in global commodity prices, declining export demand, and increasing operational costs. These conditions caused instability in corporate earnings and profitability, which created uncertainty for investors and other stakeholders. Financial performance served as an important indicator in assessing a company's ability to manage its resources and sustain business continuity. Therefore, it was necessary to analyze internal corporate factors that were presumed to influence financial performance in a more controlled and sustainable manner. This study aimed to analyze the effect of Good Corporate Governance, Institutional Ownership, and Capital Structure on Corporate Financial Performance in energy sector companies listed on the Indonesia Stock Exchange. Good Corporate Governance was measured using the Corporate Governance Index, Institutional Ownership was measured by the proportion of shares owned by institutions to total outstanding shares, and Capital Structure was measured using the Debt to Equity Ratio (DER). Corporate Financial Performance was proxied by Return on Assets (ROA). This study examined both the simultaneous and partial effects of the independent variables on the dependent variable. This study used a quantitative approach with an associative research design. The population consisted of 91 energy sector companies listed on the Indonesia Stock Exchange. The sampling technique used non-probability sampling with a purposive sampling method based on predetermined criteria. The data were analyzed using panel data regression, with model selection conducted through the Chow Test, Hausman Test, and Lagrange Multiplier Test. Hypothesis testing was performed using the F-test, t-test, and the Coefficient of Determination (R^2). The findings were expected to provide empirical evidence regarding the influence of corporate

governance, ownership structure, and capital structure on the financial performance of energy sector companies.

INTRODUCTION

A company's financial performance is a primary indicator used to assess its success in managing resources effectively and efficiently to generate profit and sustain business continuity. It also reflects the firm's ability to generate returns, maintain operational stability, and fulfill its obligations to stakeholders (Sedovandara & Mahardika, 2023). From an external perspective, financial performance plays a strategic role for regulators as a tool to evaluate compliance and industry stability, for investors as a basis for investment decision-making, and for creditors as an indicator of the firm's capacity to meet its debt obligations. Therefore, financial performance serves not only as an internal managerial measure but also as an important signal to various stakeholders. The significance of financial performance can further be explained through theoretical frameworks that underlie the relationship between firms and their stakeholders.

In line with its importance to multiple parties, Stakeholder Theory explains that companies are accountable not only to shareholders but also to all stakeholders involved in their operations. Oduro et al. (2025) define Stakeholder Theory as a conceptual framework emphasizing that a company's sustainability depends on its ability to meet the interests of various stakeholders, including investors, creditors, governments, employees, and society. In this context, financial performance represents a form of corporate accountability to stakeholders, as it reflects the effectiveness of resource management and the firm's ability to create economic value. Therefore, companies are required to maintain the stability and quality of their financial performance to preserve stakeholder trust. However, empirical evidence shows that maintaining stable financial performance is not an easy task, particularly in the energy sector.

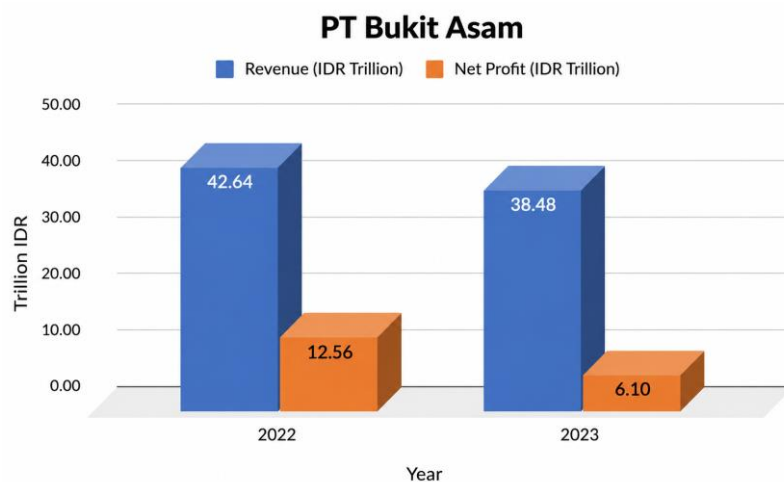


Figure 1. Revenue and Net Profit of PT Bukit Asam Tbk

Source: Processed by the author

Despite the strengthening of regulations and reporting transparency, challenges in achieving stable financial performance remain a major issue in the energy sector. PT Bukit Asam Tbk (PTBA), one of Indonesia's major listed energy or coal companies, reported a significant decline in net profit in 2023 compared to 2022. PTBA's revenue in 2023 was recorded at IDR 38.48 trillion, decreasing from IDR 42.64 trillion in 2022. Consequently, net profit in 2023 amounted to only IDR 6.10 trillion, representing a decline of approximately 51.4% compared to the 2022 net profit of IDR 12.56 trillion (Hema, 2024). This decline was primarily driven by external pressures, including falling global coal prices and increasing cost of revenue (Hema, 2024). This condition indicates that even large companies in the energy sector continue to face external uncertainties, meaning that financial performance cannot be assumed to be stable.

In addition to PTBA, PT Adaro Energy Indonesia Tbk (ADRO) also experienced financial pressure in 2023. ADRO recorded a 34.16% decline in net profit in 2023 compared to 2022 (Natalia, 2024). Profit for the year was reported at US\$1.64 billion (approximately IDR 25.3 trillion), lower than the US\$2.49 billion recorded in 2022. This decline occurred alongside decreasing net revenue and increasing cost of revenue (Nabhani, 2024). Furthermore, ADRO's total coal sales in 2023 amounted to US\$6.31 billion (approximately IDR 99.41 trillion), reflecting a 20.39% decrease compared to 2022 (Saumi, 2024). The decline in revenue and profitability among major energy companies demonstrates that external pressures—such as commodity price fluctuations, declining export demand, and rising operational costs—have a tangible impact on financial performance in the energy sector. This situation highlights the sector's high vulnerability to external shocks, thereby necessitating stronger internal corporate management mechanisms.

To strengthen corporate governance mechanisms and maintain financial performance stability, regulators have established various provisions related to governance and reporting transparency. The Financial Services Authority (Otoritas Jasa Keuangan) issued Regulation No. 21/POJK.04/2015 on the Implementation of Corporate Governance Guidelines for Public Companies, which requires companies to uphold the principles of transparency, accountability, responsibility, independence, and fairness. Additionally, Regulation No. 29/POJK.04/2016 on Annual Reports of Issuers or Public Companies mandates the submission of comprehensive and accurate annual reports containing financial information. These regulations aim to improve the quality of information disclosure, enabling stakeholders to objectively assess a company's condition and performance. Accordingly, financial performance is not only important from a managerial perspective but also carries regulatory implications. Therefore, appropriate indicators are required to measure financial performance comprehensively.

In this study, financial performance is measured using a profitability ratio, namely Return on Assets (ROA). Qomariah & Nursaid (2025) explain that ROA measures a company's ability to generate profit from its total assets, thereby reflecting the efficiency of

resource utilization. The use of this ratio allows for the evaluation of financial performance from the perspective of operational efficiency and return generation. Thus, ROA is considered relevant to represent financial performance in this study.

Based on empirical phenomena and the urgency of strengthening internal corporate mechanisms, this study identifies three variables that are presumed to influence financial performance: Good Corporate Governance, Institutional Ownership, and Capital Structure. These variables represent aspects of governance, ownership structure, and corporate financing policies that theoretically have the potential to affect the stability and quality of financial performance. In the context of the energy sector, which is vulnerable to external pressures, strengthening internal factors becomes a crucial strategy to mitigate risks and ensure business sustainability. Therefore, the following discussion elaborates on each independent variable in greater detail.

The first discussion focuses on Good Corporate Governance (GCG) as an internal corporate mechanism that plays a role in maintaining the quality of managerial decision-making. GCG refers to a system of control and supervision designed to ensure that company management acts in accordance with the interests of shareholders and other stakeholders (Ferriswara et al., 2022). The implementation of sound governance is believed to minimize agency conflicts, enhance transparency, and strengthen accountability in corporate management. In relation to financial performance, effective GCG implementation can promote operational efficiency and more rational decision-making, thereby improving profitability. In this study, GCG is measured using the Corporate Governance Index (CGI), as described by Ahmar et al. (2024), which represents the quality level of corporate governance based on structured indicators. Although theoretically GCG is expected to have a positive effect on financial performance, empirical findings remain inconsistent.

This inconsistency is reflected in previous studies examining the effect of Good Corporate Governance on financial performance. Simanjuntak et al. (2025) and Silvianti et al. (2023) found that GCG has a positive and significant effect on financial performance, indicating that sound governance enhances managerial oversight, reduces opportunistic behavior, and strengthens investor confidence, ultimately improving profitability. However, contrasting findings were reported by Primasari & Prasasti (2024) and Ferriswara et al. (2022), who found that GCG has a negative effect on financial performance. This negative effect may be attributed to the high costs of governance implementation or the formalistic application of GCG that does not yield tangible improvements in efficiency. These differing results indicate a research gap that warrants further investigation, particularly in the energy sector, which is characterized by high risk and operational complexity.

The second variable analyzed in this study is Institutional Ownership. Institutional ownership refers to the proportion of a company's shares held by institutions such as banks, insurance companies, pension funds, and other investment entities (Murti & Faradisyyi, 2023). The presence of institutional investors is believed to enhance the quality of managerial

oversight, as institutions generally possess greater resources and expertise in monitoring management. In the context of financial performance, increased institutional ownership has the potential to reduce inefficient managerial practices and promote more professional corporate management. In this study, institutional ownership is measured by the proportion of shares held by institutions relative to total outstanding shares, as described by Machado et al. (2025). Although theoretically institutional ownership is expected to strengthen company performance, empirical findings show mixed results.

Several studies indicate that institutional ownership has a positive effect on corporate financial performance. Ciurel & Dobrescu (2025) and Anggara & Muid (2021) found that a higher proportion of institutional ownership enhances managerial oversight, thereby improving efficiency and profitability. These findings suggest that institutions function as effective control mechanisms in reducing agency conflicts. However, studies by Zairin et al. (2025) and Murti & Faradisyi (2023) report a negative effect of institutional ownership on financial performance. This negative impact may occur when institutions prioritize short-term interests or promote policies that emphasize stability over profit growth. These differing results highlight an inconsistency that opens opportunities for further research, particularly in energy sector companies characterized by diverse ownership structures.

The third variable examined in this study is capital structure, which reflects the composition of corporate financing between debt and equity. Capital structure represents a strategic decision that influences both risk and return (Fauzi et al., 2022). The optimal use of debt can provide benefits such as tax savings and increased investment capacity; however, excessive debt may elevate the risk of financial distress or bankruptcy. In relation to financial performance, an appropriate capital structure is believed to enhance profitability through efficient leverage. This study employs the Debt to Equity Ratio (DER) as a proxy for capital structure, as explained by H. T. T. Nguyen et al. (2025), which measures the proportion of total debt relative to total equity. Although capital structure theory provides a strong theoretical foundation, empirical findings regarding its effect on financial performance remain inconsistent.

Several studies show that capital structure has a positive effect on financial performance. Morina et al. (2025) and Cindy & Keristin (2025) found that proportional use of debt can enhance investment capacity and increase profit potential through optimal leverage effects. These findings indicate that efficient utilization of external financing sources can strengthen corporate profitability. However, studies by D. H. Nguyen & Truong (2026) and Fauzi et al. (2022) reveal a negative effect of capital structure on financial performance. This negative relationship arises when high levels of debt increase interest expenses and financial risk, thereby suppressing company profits. These contrasting findings demonstrate inconsistencies in prior research that require further empirical investigation, particularly in the energy sector, which is characterized by high capital requirements and operational risks.

Therefore, examining the impact of capital structure on financial performance in energy sector companies is essential.

Based on the overall discussion, it can be concluded that financial performance plays a strategic role in ensuring corporate sustainability and remains a primary concern for stakeholders, especially in the energy sector, which is highly vulnerable to commodity price fluctuations and external pressures. The decline in profits experienced by PT Bukit Asam Tbk and PT Adaro Energy Indonesia Tbk illustrates that financial performance stability is influenced not only by external factors but also requires the strengthening of internal corporate mechanisms. Meanwhile, prior studies examining the effects of Good Corporate Governance, Institutional Ownership, and Capital Structure on financial performance have yielded inconsistent results. This inconsistency provides a clear rationale for further research to obtain more specific empirical evidence, particularly in Indonesian energy sector companies. Therefore, this study is conducted under the title: “The Effect of Good Corporate Governance, Institutional Ownership, and Capital Structure on Corporate Financial Performance in Energy Companies Listed on the Indonesia Stock Exchange.”

RESEARCH METHOD

This study is a quantitative research with descriptive and verificative approaches using a deductive approach. The descriptive approach is used to describe the condition of Good Corporate Governance, Institutional Ownership, Capital Structure, and Corporate Financial Performance, while the verificative approach is applied to test the effect of independent variables on the dependent variable through hypothesis testing based on empirical data. This study uses panel data obtained from the financial statements of energy sector companies listed on the Indonesia Stock Exchange for the period 2020–2024. The research strategy employed is a case study with the unit of analysis being energy sector companies, using a purposive sampling technique based on specific criteria, resulting in 52 companies with a total of 260 observations. Data were collected through documentation and observation techniques of official annual reports and financial statements, then quantitatively processed using operational definitions of variables such as the Corporate Governance Index, institutional ownership ratio, Debt to Equity Ratio, and Return on Assets. The research stages were carried out systematically, starting from problem identification, literature review, development of the conceptual framework, operationalization of variables, hypothesis formulation, research design development, sample determination, data collection, to data analysis and conclusion drawing.

RESULT AND DISCUSSION

Classical Assumption Test Results

Multicollinearity Test Results

In this study, multicollinearity testing was conducted using the Variance Inflation Factor (VIF) method. The decision rule for this test is that if the Centered VIF value of each

independent variable is less than 10, the regression model is considered free from multicollinearity problems. Conversely, if the Centered VIF value exceeds 10, the regression model is considered to exhibit multicollinearity.

Table 1. Multicollinearity Test Results

Variance Inflation Factors			
Date: 06/04/26 Time: 09:17			
Sample: 1 223			
Included observations: 223			
Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.001469	286.2323	NA
X1	0.001595	277.4731	1.011701
X2	7.42E-05	4.003837	1.028138
X3	2.55E-09	1.067834	1.025053

Source: Processed data by the author (2026)

The multicollinearity test results show that the Good Corporate Governance (X1) variable has a Centered VIF value of 1.011701, the Institutional Ownership (X2) variable has a Centered VIF value of 1.028138, and the Capital Structure (X3) variable has a Centered VIF value of 1.025053. All of these Centered VIF values are far below the maximum threshold of 10. These results indicate that there is no high correlation among the independent variables in the research model.

Heteroskedasticity Test Results

In this study, heteroskedasticity testing was carried out using the White Heteroskedasticity Test to detect the presence or absence of heteroskedasticity symptoms in the panel data regression model used. The decision rule for this test is that if the probability value is greater than 0.05, the regression model is considered free from heteroskedasticity. Conversely, if the probability value is less than 0.05, the regression model is considered to exhibit heteroskedasticity.

Table 2. Heteroskedasticity Test Results

Heteroskedasticity Test: White			
Null hypothesis: Homoskedasticity			
F-statistic	1.651010	Prob. F(9,213)	0.1026
Obs*R-squared	14.54222	Prob. Chi-Square(9)	0.1043
Scaled explained SS	299.9846	Prob. Chi-Square(9)	0.0000

Source: Processed data by the author (2026)

The results of the White Heteroskedasticity Test show that the Prob. Chi-Square (Obs*R-Squared) value is 0.1043. This value is greater than the significance level of 0.05 ($0.1043 > 0.05$). These results indicate that the regression model used in this study does not exhibit heteroskedasticity. In other words, the residual variance in the regression model is constant and satisfies the homoskedasticity assumption.

Panel Data Regression Model Selection Results

Chow Test Results

This test was conducted to determine whether there are differences in characteristics among companies that need to be accommodated in the regression model. The decision rule for the Chow Test is based on comparing the Prob. Cross-section F value with a significance level of 5% (0.05). If the Prob. Cross-section F value is less than 0.05, H_0 is rejected and the selected model is the Fixed Effect Model (FEM). Conversely, if the Prob. Cross-section F value is greater than 0.05, H_0 is accepted and the selected model is the Common Effect Model (CEM).

Table 3. Chow Test Results

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	5.198979	(49,170)	0.0000
Cross-section Chi-square	204.201609	49	0.0000

Source: Processed data by the author (2026)

The Chow Test results show a Cross-section F value of 5.198979 with a Prob. Cross-section F value of 0.0000. This probability value is smaller than the 0.05 significance level ($0.0000 < 0.05$). Thus, H_0 is rejected and H_1 is accepted, indicating that the selected model based on the Chow Test is the Fixed Effect Model (FEM).

Hausman Test Results

The Hausman Test was conducted by comparing the Prob. Cross-section Random value with a significance level of 5% (0.05). The decision rule is that if the Prob. Cross-section Random value is less than 0.05, H_0 is rejected and the selected model is the Fixed Effect Model (FEM). Conversely, if the Prob. Cross-section Random value is greater than 0.05, H_0 is accepted and the selected model is the Random Effect Model (REM).

Table 4. Hausman Test Results

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	11.981816	3	0.0074

Source: Processed data by the author (2026)

The Hausman Test results indicate a Chi-Square Statistic value of 11.981816 with a Prob. Cross-section Random value of 0.0074. This probability value is lower than the 0.05 significance level ($0.0074 < 0.05$). Therefore, H_0 is rejected and H_1 is accepted, indicating that the appropriate model based on the Hausman Test is the Fixed Effect Model (FEM). These results suggest that there is a correlation between the individual effects of the firms and the independent variables used in the study; thus, the Fixed Effect Model is considered more appropriate than the Random Effect Model.

Panel Data Regression Model Results

Based on the results of the panel data regression model selection conducted through the Chow Test and Hausman Test, the most appropriate model for this study is the Fixed Effect Model (FEM). This model is selected because it is able to accommodate differences in the characteristics of each firm included in the research sample, which cannot be directly observed. The use of the Fixed Effect Model allows for variations in intercepts across firms, thereby producing more accurate estimations in accordance with the characteristics of the panel data used. Furthermore, the panel data regression model is employed to examine the direction and magnitude of the influence of Good Corporate Governance, Institutional Ownership, and Capital Structure on Corporate Financial Performance in energy sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period.

Table 5. Random Effect Model Results

Dependent Variable: Y				
Method: Panel Least Squares				
Date: 06/04/26 Time: 09:19				
Sample: 2020 2024				
Periods included: 5				
Cross-sections included: 50				
Total panel (unbalanced) observations: 223				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.365157	0.420609	0.868164	0.3865
X1	-0.249336	0.432371	-0.576672	0.5649
X2	-0.084253	0.068543	-1.229193	0.2207
X3	-0.007701	0.003107	-2.478474	0.0142
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.642340	Mean dependent var	0.058607	
Adjusted R-squared	0.532938	S.D. dependent var	0.104110	
S.E. of regression	0.071151	Akaike info criterion	-2.244072	
Sum squared resid	0.860610	Schwarz criterion	-1.434296	
Log likelihood	303.2140	Hannan-Quinn criter.	-1.917171	
F-statistic	5.871372	Durbin-Watson stat	2.203250	
Prob(F-statistic)	0.000000			

Source: Processed data by the author (2026)

Based on the estimation results using the Fixed Effect Model (FEM), the following panel data regression equation is obtained:

$$Y = 0.365157 - 0.249336X_1 - 0.084253X_2 - 0.007701X_3 + e$$

Description:

Y = Corporate Financial Performance

X₁ = Good Corporate Governance

X₂ = Institutional Ownership

X₃ = Capital Structure

e = error term

Based on the panel data regression equation, the interpretation of each regression coefficient can be described as follows:

1. The constant value of 0.365157 indicates that when Good Corporate Governance, Institutional Ownership, and Capital Structure are assumed to be constant or equal to zero,

the Corporate Financial Performance is estimated to be 0.365157. This value represents the baseline level of Corporate Financial Performance before being influenced by the independent variables included in the study.

2. The regression coefficient of Good Corporate Governance (X_1) of -0.249336 indicates that every one-unit increase in Good Corporate Governance will decrease Corporate Financial Performance by 0.249336 units, assuming Institutional Ownership and Capital Structure remain constant. The negative sign of the coefficient indicates that Good Corporate Governance has a negative relationship with Corporate Financial Performance.
3. The regression coefficient of Institutional Ownership (X_2) of -0.084253 indicates that every one-unit increase in Institutional Ownership will decrease Corporate Financial Performance by 0.084253 units, assuming Good Corporate Governance and Capital Structure remain constant. The negative coefficient indicates that Institutional Ownership has a negative relationship with Corporate Financial Performance.
4. The regression coefficient of Capital Structure (X_3) of -0.007701 indicates that every one-unit increase in Capital Structure will decrease Corporate Financial Performance by 0.007701 units, assuming Good Corporate Governance and Institutional Ownership remain constant. The negative sign indicates that Capital Structure has an inverse relationship with Corporate Financial Performance.

Hypothesis Testing Results

Simultaneous Hypothesis Testing (F-Test)

The decision rule for the F-test is based on comparing the Prob. F-statistic value with a significance level of 5% (0.05). If the Prob. F-statistic is less than 0.05, then $H_{0\ 1}$ is rejected and H_{a1} is accepted. Conversely, if the Prob. F-statistic is greater than 0.05, then $H_{0\ 1}$ is accepted and H_{a1} is rejected. Based on the Fixed Effect Model (FEM) estimation results presented in Table 4, the Prob. F-statistic value is 0.0000. This value is lower than the 0.05 significance level ($0.0000 < 0.05$), thus $H_{0\ 1}$ is rejected and H_{a1} is accepted. This result indicates that Good Corporate Governance, Institutional Ownership, and Capital Structure simultaneously have a significant effect on Corporate Financial Performance in energy sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period. Furthermore, this result also indicates that the regression model is statistically significant overall and is therefore appropriate for examining the partial effects of each independent variable through the t-test.

Coefficient of Determination (R^2) Results

Based on the Fixed Effect Model (FEM) estimation results in Table 4, the Adjusted R-Squared value is 0.515789 or 51.5789%. This indicates that 51.5789% of the variation in Corporate Financial Performance can be explained by Good Corporate Governance, Institutional Ownership, and Capital Structure included in the model. The remaining 48.4211% is explained by other factors outside the model that are not included in this study. Thus, it can be concluded that the regression model has a fairly good ability to explain

variations in Corporate Financial Performance in energy sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period.

Partial Hypothesis Testing (t-Test)

The t-test is conducted to examine the individual effect of each independent variable on the dependent variable. The test uses a 5% (0.05) significance level. The decision rule is that if the probability value is less than 0.05, then H_0 is rejected and H_a is accepted; conversely, if the probability value is greater than 0.05, then H_0 is accepted and H_a is rejected. In this study, the variables tested are Good Corporate Governance, Institutional Ownership, and Capital Structure on Corporate Financial Performance.

1. Based on the partial test results, Good Corporate Governance has a probability value of 0.5649, which is greater than the 0.05 significance level ($0.5649 > 0.05$). Therefore, $H_{0\ 2}$ is accepted and H_{a2} is rejected. This result indicates that Good Corporate Governance does not have a significant effect on Corporate Financial Performance in energy sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period.
2. Institutional Ownership has a probability value of 0.2207, which is also greater than 0.05 ($0.2207 > 0.05$). Therefore, $H_{0\ 3}$ is accepted and H_{a3} is rejected, indicating that Institutional Ownership does not significantly affect Corporate Financial Performance in the studied companies.
3. Capital Structure has a probability value of 0.0142, which is less than 0.05 ($0.0142 < 0.05$). Thus, $H_{0\ 4}$ is rejected and H_{a4} is accepted, indicating that Capital Structure has a significant effect on Corporate Financial Performance. In addition, the regression coefficient for Capital Structure is negative (-0.007701), indicating that its effect on Corporate Financial Performance is negative.

Discussion

The Effect of Good Corporate Governance, Institutional Ownership, and Capital Structure on Corporate Financial Performance

Based on the results of the simultaneous significance test (F-test), the Prob. F-statistic value is 0.0000, which is lower than the significance level of 0.05. This result indicates that $H_{0\ 1}$ is rejected and H_{a1} is accepted. Therefore, it can be concluded that Good Corporate Governance, Institutional Ownership, and Capital Structure simultaneously affect the Financial Performance of companies in the energy sector listed on the Indonesia Stock Exchange during the 2020–2024 period.

This finding suggests that corporate financial performance is not influenced by a single factor but rather by a combination of interrelated internal factors. Good Corporate Governance plays a role in establishing sound governance practices, Institutional Ownership enhances managerial oversight, and Capital Structure determines corporate financing policies. Collectively, these variables influence the company's ability to achieve optimal financial performance.

This result is consistent with Stakeholder Theory, which states that companies must create value for all stakeholders, including shareholders, creditors, investors, government, employees, customers, and society. In this context, Good Corporate Governance, Institutional Ownership, and Capital Structure are factors that influence a company's ability to meet stakeholder expectations. Proper governance improves transparency and accountability, institutional investors strengthen managerial monitoring, and an appropriate capital structure supports financial stability and operational sustainability. In energy sector companies, which are characterized by high capital intensity and risk, the integrated management of these three aspects is essential to maintain stakeholder trust and enhance financial performance.

The Effect of Good Corporate Governance on Corporate Financial Performance

Based on the partial significance test (t-test), the Good Corporate Governance variable has a probability value of 0.5649, which is greater than the significance level of 0.05. This indicates that $H_{0\ 2}$ is accepted and H_{a2} is rejected. Therefore, Good Corporate Governance does not significantly affect the Financial Performance of energy sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period.

This finding implies that the level of Good Corporate Governance, as measured by the Corporate Governance Index (CGI), has not significantly influenced changes in financial performance during the study period. The absence of a significant effect suggests that the implementation of Good Corporate Governance does not necessarily lead to immediate improvements in financial performance. This may occur because governance practices are generally oriented toward strengthening oversight systems, enhancing transparency, and ensuring regulatory compliance. The benefits of Good Corporate Governance often require a longer time to be reflected in improved profitability.

Additionally, financial performance in the energy sector is influenced by various external factors such as market conditions, commodity price fluctuations, operational efficiency, and business strategies. From the perspective of Stakeholder Theory, Good Corporate Governance represents an effort to fulfill stakeholder expectations through transparency, accountability, responsibility, independence, and fairness. However, fulfilling these expectations does not always produce short-term financial gains. Instead, its impact is often reflected in improved corporate reputation and long-term sustainability.

This finding is consistent with previous studies that report no significant relationship between Good Corporate Governance and financial performance. It indicates that governance mechanisms alone are insufficient to improve profitability without effective implementation and value-creating decision-making.

The Effect of Institutional Ownership on Corporate Financial Performance

Based on the t-test results, Institutional Ownership has a probability value of 0.2207, which exceeds the significance level of 0.05. Thus, $H_{0\ 3}$ is accepted and H_{a3} is rejected, indicating that Institutional Ownership does not significantly affect Financial Performance.

This suggests that a higher proportion of institutional ownership does not necessarily improve managerial monitoring effectiveness. Although institutional investors are theoretically expected to provide better oversight due to their resources and expertise, in practice, not all institutions actively engage in corporate decision-making. As a result, high institutional ownership does not always translate into improved efficiency or financial performance.

From the Stakeholder Theory perspective, institutional investors are important stakeholders; however, their presence does not guarantee active monitoring. In the energy sector, institutional investors often prioritize long-term investment stability rather than direct involvement in operational decisions. Therefore, their influence on financial performance may be indirect and not immediately observable.

This finding aligns with prior research indicating that Institutional Ownership does not significantly influence financial performance. It suggests that strategic decisions are primarily determined by management and business conditions rather than ownership structure alone.

The Effect of Capital Structure on Corporate Financial Performance

Based on the t-test results, Capital Structure has a probability value of 0.0142, which is lower than the significance level of 0.05. This indicates that H_{04} is rejected and H_{a4} is accepted, meaning that Capital Structure significantly affects Financial Performance. The panel data regression results show a coefficient of -0.007701, indicating a negative relationship.

This means that a higher Capital Structure, as proxied by the Debt to Equity Ratio (DER), tends to reduce Financial Performance. The negative effect indicates that increased reliance on debt raises financial obligations, including interest and principal payments, thereby reducing net income. Conversely, companies that manage an optimal balance between debt and equity tend to achieve more stable financial conditions and better profitability.

According to Stakeholder Theory, excessive reliance on debt increases financial risk, potentially raising concerns among stakeholders, particularly investors and creditors. In the energy sector, high capital requirements often encourage firms to use debt financing. However, excessive debt can increase financial pressure, especially during periods of commodity price volatility, global market instability, or regulatory changes.

This finding is consistent with previous studies showing a negative relationship between Capital Structure and Financial Performance. It indicates that excessive leverage without adequate revenue generation can reduce profitability. Therefore, companies must carefully manage their capital structure to minimize financial risk while maximizing value creation and financial performance.

CONCLUSION

Based on the results of data analysis and discussion regarding the effect of Good Corporate Governance, Institutional Ownership, and Capital Structure on Corporate Financial

Performance in energy sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period, it can be concluded that, simultaneously, all three variables significantly influence Corporate Financial Performance. This is indicated by the Prob. F-statistic value of 0.0000, which is lower than the significance level of 0.05, suggesting that the research model is capable of explaining the relationship between the independent and dependent variables collectively.

However, partially, Good Corporate Governance and Institutional Ownership do not show a significant effect on Corporate Financial Performance, as indicated by their respective probability values of 0.5649 and 0.2207, both of which exceed the 0.05 significance level. On the other hand, Capital Structure is proven to have a negative and significant effect on Corporate Financial Performance, with a probability value of 0.0142, which is lower than 0.05, and a regression coefficient of -0.007701. This indicates that the higher the level of debt usage in a company's financing structure, the more likely its financial performance will decline due to the increasing financial burden borne by the company. Conversely, companies with lower debt levels tend to exhibit better financial performance. Thus, it can be concluded that Capital Structure is the most influential factor in this study, while Good Corporate Governance and Institutional Ownership have not been able to provide a significant contribution to improving Corporate Financial Performance in the energy sector during the observed period.

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