

# Good Corporate Governance (GCG), Leverage, and Firm Size on Financial Performance in Food and Beverage

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## Abstract

This study is based on the importance of financial performance as an indicator of a company's success in managing resources and generating profits. Good financial performance reflects a company's ability to achieve operational objectives and increase firm value. Several internal factors, such as Good Corporate Governance (GCG), leverage, and firm size, are considered to influence financial performance. However, previous studies have shown inconsistent findings, indicating the need for further empirical investigation. This study aims to analyze the effect of GCG, leverage, and firm size on financial performance in food and beverage subsector manufacturing companies listed on the Indonesia Stock Exchange (IDX), Indonesia, during the 2023–2025 period. This research employs a quantitative approach with a causal research design. The data used are secondary data obtained from annual reports and financial statements published on the official website of the Indonesia Stock Exchange and the official websites of each company through documentation techniques using a documentation sheet as the research instrument. The sample consists of 58 companies with a total of 174 observations, selected using purposive sampling. The data were processed and analyzed using descriptive statistical analysis, classical assumption tests, and multiple linear regression analysis with the assistance of IBM SPSS Statistics 23. The results show that GCG has a significant negative effect on financial performance, with a regression coefficient of -0.122 and a significance value of 0.002. Leverage also has a significant negative effect, with a regression coefficient of -0.117 and a significance value of <0.001. Meanwhile, firm size has no significant effect on financial performance, with a significance value of 0.439. Simultaneously, GCG, leverage, and firm size have a significant effect on financial performance, with an F-value of 15.563 and a significance value of <0.001.

**Keywords:** *Financial Performance, Firm Size, Good Corporate Governance (GCG), Leverage, Return On Assets (ROA)*

## Introduction

Financial performance is one of the important indicators used to assess a company's success in managing its resources, generating profits, maintaining financial stability, and creating added value for shareholders (Syahrani et al., 2024). Financial performance also serves as a basis for management in evaluating the effectiveness of corporate strategies and becomes an important consideration for investors and creditors in assessing the prospects of business sustainability (Antikasari et al., 2020). In an increasingly competitive business environment, companies are required to improve operational efficiency, strengthen transparency, and implement good corporate governance in order to maintain sustainable financial performance (Ayuningtyas et al., 2022).

The food and beverage manufacturing subsector is one of the subsectors that plays an important role in the economy because it produces consumer goods that are essential for

society and generally has relatively stable demand (Prameswari et al., 2025). However, this subsector still faces several challenges, such as increasing production costs, fluctuations in raw material prices, market competition, and demands for operational efficiency, all of which may affect corporate profitability (Prameswari et al., 2025). Therefore, analyzing internal factors that influence financial performance is important to determine the extent to which companies are able to manage their resources and maintain competitiveness (Antikasari et al., 2020).

One internal factor that is assumed to influence financial performance is Good Corporate Governance (GCG). Good Corporate Governance refers to a corporate governance system that supports decision-making, risk management, and the achievement of corporate objectives effectively while taking into account the interests of stakeholders (Daffa et al., 2023; Novia et al., 2023). Effective implementation of GCG can improve the quality of supervision, reduce conflicts of interest between management and shareholders, and strengthen investor confidence in the company (Hidayat et al., 2021). In food and beverage companies listed on the Indonesia Stock Exchange, GCG mechanisms have been proven to be related to financial performance as measured by Return on Assets (ROA), although the influence of each GCG indicator may vary (Fazila et al., 2024).

In addition to GCG, leverage is also an important factor that may affect a company's financial performance. Leverage indicates the extent to which a company uses borrowed funds or debt to finance its assets and operational activities (Setiawan et al., 2022). The use of debt in an appropriate proportion can help companies increase business capacity and obtain tax benefits. However, excessive leverage may increase interest expenses, default risk, and reduce net income (Eftasari et al., 2025). Several studies have shown that leverage can have a negative effect on financial performance because the higher the company's debt burden, the greater the pressure on profitability and financial stability (Antikasari et al., 2020). Another factor that also influences financial performance is firm size. Firm size describes the scale of a company, which is generally measured by total assets, total sales, or number of employees (Idrus et al., 2025). Larger companies usually have stronger resources, broader access to funding, and more stable operational capabilities compared to smaller companies (Prameswari et al., 2025). However, a large firm size does not always guarantee improved financial performance if it is not supported by efficient asset management, cost control, and effective corporate governance (Antikasari et al., 2020).

Previous studies on the effect of GCG, leverage, and firm size on financial performance still show inconsistent findings. One study found that GCG variables as a whole have an effect on the financial performance of food and beverage companies, although each indicator, such as institutional ownership, independent board of commissioners, and audit committee, shows different directions of influence (Fazila et al., 2024). Another study showed that GCG has a positive effect on financial performance, leverage has a negative effect on financial performance, while firm size has no effect on financial performance (Antikasari et al., 2020). Meanwhile, leverage, firm size, and managerial ownership were found to have no significant effect on financial performance in food and beverage manufacturing companies. These differences in research findings indicate the existence of a research gap that needs to be re-examined, particularly in food and beverage manufacturing companies listed on the Indonesia Stock Exchange in the most recent period (Prameswari et al., 2025).

The novelty of this study lies in the use of the 2023–2025 research period, which represents the condition of companies during the post-pandemic economic recovery period. This study provides updated empirical data compared to previous studies that generally used periods

before or during the pandemic. Another novelty lies in examining the effect of Good Corporate Governance, leverage, and firm size simultaneously on financial performance in food and beverage manufacturing companies. Therefore, this study provides a more comprehensive overview of internal factors that influence corporate financial performance. In addition, this study focuses on financial performance as measured by Return on Assets (ROA), which reflects a company's ability to utilize its total assets to generate profits.

Based on the description above, this study aims to analyze the effect of Good Corporate Governance, leverage, and firm size on financial performance in food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period. This study is expected to provide theoretical contributions to the development of accounting and financial management studies, particularly regarding factors that influence corporate financial performance. Practically, the results of this study are expected to serve as consideration for corporate management, investors, creditors, and regulators in making decisions related to corporate governance, capital structure, and sustainable asset management.

Based on the theoretical explanation, research gap, and conceptual framework described above, the hypotheses of this study are formulated as follows:

H1: Good Corporate Governance has a significant effect on financial performance in food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period.

H2: Leverage has a significant effect on financial performance in food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period.

H3: Firm size has a significant effect on financial performance in food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period.

H4: Good Corporate Governance, leverage, and firm size simultaneously have a significant effect on financial performance in food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period.

## **Method**

This study employs a quantitative approach with a causal research design. The quantitative approach is used because the data analyzed are numerical, objectively measurable, and can be examined using statistical techniques to test the research hypotheses (Sugiyono, 2020). The causal research design is applied to analyze the cause-and-effect relationship between the independent variables and the dependent variable, namely the effect of Good Corporate Governance, leverage, and firm size on corporate financial performance. The data used in this study are secondary data obtained from the annual reports and financial statements of food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period. The data were obtained from the official website of the Indonesia Stock Exchange and the official websites of each company. Secondary data were selected because annual reports and financial statements provide relevant information for measuring the research variables, such as financial performance, the proportion of independent commissioners, leverage, and firm size.

The population of this study consists of all food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period, totaling 102 companies. The sampling technique used is purposive sampling, which is a sample selection technique

based on certain criteria in accordance with the objectives of the study (Damaris et al., 2022). The sample criteria in this study include food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period, companies that were not delisted during the research period, companies that published annual financial statements consecutively, and companies that did not experience losses during the research period. Based on these criteria, 58 companies were obtained as the research sample with a three-year observation period, resulting in a total of 174 observational data.

The research instrument used in this study is a documentation sheet developed based on the operational definitions of each research variable. The documentation sheet is used to record and classify data obtained from annual reports and financial statements, including net income, total assets, total debt, the number of independent commissioners, and the total number of commissioners. This instrument was designed to ensure that the data collection process was systematic, consistent, and in accordance with the measurement indicators used in the study. The dependent variable in this study is financial performance, which is proxied by Return on Assets (ROA). ROA is used to measure a company's ability to generate net income based on its total assets. The higher the ROA value, the better the company's ability to utilize its assets to generate profits. ROA is calculated using the following formula (Fitriana, 2024):

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%$$

The first independent variable in this study is Good Corporate Governance (GCG). GCG is proxied by the proportion of independent commissioners because this indicator reflects the effectiveness of the supervisory function over corporate management. The higher the proportion of independent commissioners, the stronger the independent supervisory function within the company. The proportion of independent commissioners is calculated using the following formula (Widyakto et al., 2025):

$$IC = \frac{\text{Number of Independent Commissioners}}{\text{Total Board of Commissioners}} \times 100\%$$

The second independent variable is leverage, which is proxied by the Debt to Asset Ratio (DAR). DAR is used to measure the extent to which a company's assets are financed by debt. The higher the DAR value, the greater the company's dependence on debt in financing its assets, which also indicates higher financial risk. DAR is calculated using the following formula (Febriana et al., 2021):

$$DAR = \frac{\text{Total Debt}}{\text{Total Assets}}$$

The third independent variable is firm size. Firm size describes the scale of a company based on the total assets it owns. In this study, firm size is measured using the natural logarithm of total assets because it can simplify large asset values and reduce extreme differences among companies. Firm size is calculated using the following formula (Rahayu, 2022):

$$\text{Firm Size} = \ln \text{Total Assets}$$

The validity test in this study is carried out through content validity by ensuring that each research indicator is consistent with the theoretical concepts and operational definitions used in previous studies. Because this study uses secondary data rather than questionnaire-based data, the validity of the data is determined by the accuracy, relevance, and credibility of the data

sources. Therefore, the data were collected only from official annual reports and financial statements published by the Indonesia Stock Exchange and the official websites of the companies. In addition, the measurement of each variable was adjusted to commonly used financial ratio formulas and indicators in previous empirical studies.

The reliability test in this study is conducted by ensuring consistency in the data collection and calculation process. Reliability is maintained by using the same measurement formula for all companies and all observation years. The data recorded in the documentation sheet were rechecked with the original annual reports and financial statements to minimize input errors and ensure consistency. Since the study does not use a questionnaire or perception-based instrument, reliability is not tested using Cronbach's Alpha, but through consistency of measurement, data verification, and repeated checking of the secondary data used in the analysis.

The data analysis technique used in this study is multiple linear regression analysis with the assistance of IBM SPSS Statistics 23. Before conducting regression analysis, descriptive statistical analysis is first carried out to describe the characteristics of the research data, such as minimum value, maximum value, mean, and standard deviation (Ghozali, 2018). Furthermore, classical assumption tests are conducted, consisting of the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test, to ensure that the regression model meets the basic assumptions of multiple linear regression analysis (Ghozali, 2018).

The normality test is conducted to determine whether the residual values in the regression model are normally distributed. The multicollinearity test is conducted to determine whether there is a strong relationship among the independent variables by examining the tolerance value and Variance Inflation Factor (VIF). The heteroscedasticity test is conducted to determine whether there is inequality in the variance of residuals in the regression model. The autocorrelation test is conducted to determine whether there is a correlation between error terms in a certain period and those in the previous period, particularly because this study uses observations over several years (Ghozali, 2018).

The multiple linear regression model in this study is formulated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Y = Financial Performance

$\alpha$  = Constant

$\beta_1, \beta_2, \beta_3$  = Regression Coefficients

X1 = Good Corporate Governance

X2 = Leverage

X3 = Firm Size

$\varepsilon$  = Error Term

Hypothesis testing is conducted using the t-test, F-test, and coefficient of determination. The t-test is used to examine the partial effect of each independent variable on financial performance, while the F-test is used to examine the simultaneous effect of Good Corporate Governance, leverage, and firm size on financial performance. A variable is considered to have a significant effect if the significance value is less than 0.05. The coefficient of determination is used to determine the extent to which the independent variables are able to explain variations in the dependent variable in the research model (Darma, 2021).

## Results

This section presents the results of data processing regarding the effect of Good Corporate Governance, leverage, and firm size on financial performance in food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period. The analysis was conducted using descriptive statistics, classical assumption tests, multiple linear regression analysis, coefficient of determination, and hypothesis testing both partially and simultaneously.

### Sample Selection Criteria

*Table 1. Sample Selection Criteria*

| No. | Criteria                                                                                                     | Number |
|-----|--------------------------------------------------------------------------------------------------------------|--------|
| 1   | Food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period | 102    |
| 2   | Companies delisted during the 2023–2025 period                                                               | (0)    |
| 3   | Companies that did not publish annual financial statements or were newly listed during the 2023–2025 period  | (23)   |
| 4   | Companies that experienced losses during the 2023–2025 period                                                | (21)   |
|     | Number of sample companies                                                                                   | 58     |
|     | Observation years                                                                                            | 3      |
|     | Number of observations                                                                                       | 174    |

Based on Table 1, the population of this study consisted of 102 food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period. After applying the purposive sampling criteria, 23 companies that did not publish consecutive annual financial statements or were newly listed during the research period and 21 companies that experienced losses were excluded from the sample. As a result, 58 companies met the research criteria. With an observation period of three years, the total number of observational data used in this study was 174 observations. This number of observations is considered sufficient to represent the condition of food and beverage manufacturing companies during the 2023–2025 period. Therefore, the selected sample is expected to provide relevant empirical evidence for analyzing the effect of Good Corporate Governance, leverage, and firm size on financial performance.

### Descriptive Statistics

*Table 2. Descriptive Statistics Results*

| Variable                  | N   | Minimum | Maximum | Mean    | Std. Deviation |
|---------------------------|-----|---------|---------|---------|----------------|
| Good Corporate Governance | 174 | 20.00   | 66.67   | 41.9878 | 9.33125        |
| Leverage                  | 174 | 2.84    | 264.17  | 42.1121 | 34.19765       |
| Firm Size                 | 174 | 14.43   | 31.08   | 21.9884 | 5.64125        |
| Financial Performance     | 174 | 0.01    | 34.24   | 8.2587  | 6.37944        |
| Valid N (listwise)        | 174 |         |         |         |                |

Table 2 shows that the number of data analyzed was 174 observations. Financial performance, proxied by ROA, has a minimum value of 0.01, a maximum value of 34.24, a mean value of 8.2587, and a standard deviation of 6.37944. Meanwhile, the GCG variable has a minimum value of 20.00, a maximum value of 66.67, a mean value of 41.9878, and a standard deviation of 9.33125. Leverage has a minimum value of 2.84, a maximum value of 264.17, a mean value of 42.1121, and a standard deviation of 34.19765. Firm size has a minimum value of 14.43, a maximum value of 31.08, a mean value of 21.9884, and a standard deviation of 5.64125.

## Normality Test

*Table 3. Kolmogorov-Smirnov Normality Test Results*

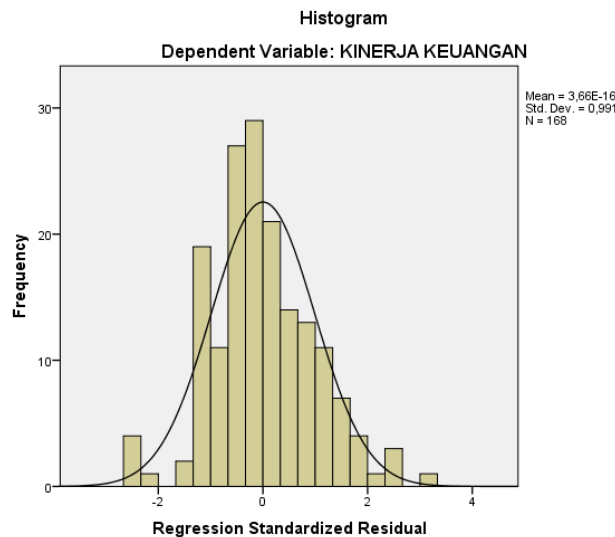
| Testing Stage          | N   | Test Statistic | Asymp. Sig. (2-tailed) | Description |
|------------------------|-----|----------------|------------------------|-------------|
| Before outlier removal | 174 | 0.113          | 0.000                  | Not normal  |
| After outlier removal  | 168 | 0.061          | 0.200                  | Normal      |

Based on Table 3, the results of the normality test before the removal of outliers showed a significance value of 0.000, which was less than 0.05. This indicates that the data were not normally distributed. After six outlier data were removed, the significance value increased to 0.200, which was greater than 0.05. Therefore, the residual data were declared normally distributed.

*Table 4. Removed Outlier Data*

| No. | Code | Company Name                    | Year |
|-----|------|---------------------------------|------|
| 37  | MLBI | Multi Bintang Indonesia Tbk     | 2023 |
| 57  | UNSP | Bakrie Sumatera Plantations Tbk | 2025 |
| 95  | MLBI | Multi Bintang Indonesia Tbk     | 2024 |
| 115 | UNSP | Bakrie Sumatera Plantations Tbk | 2023 |
| 153 | MLBI | Multi Bintang Indonesia Tbk     | 2025 |
| 173 | UNSP | Bakrie Sumatera Plantations Tbk | 2024 |

Table 4 shows six observational data that were removed because they were identified as outliers. After these data were removed, the number of observations used in the classical assumption tests became 168 observations. The removal of outliers was conducted to improve data distribution and minimize the possibility of bias in the statistical analysis. Therefore, the remaining data were considered more appropriate for further testing, including classical assumption tests and multiple linear regression analysis.



*Figure 1. Histogram Normality Test Result*

Figure 1 shows that the residual histogram pattern after outlier removal forms a curve that approaches a normal distribution. Visually, the residual data have met the normality assumption.

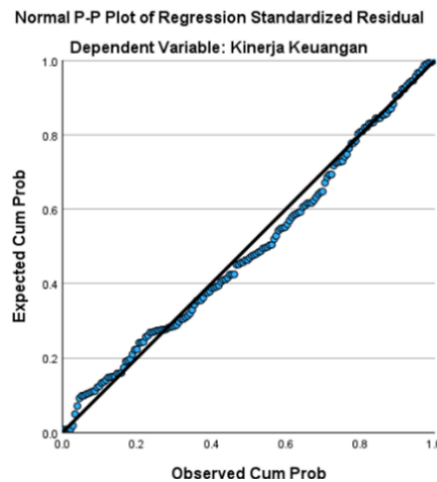


Figure 2. Normal Probability Plot Result

Figure 2 shows that the residual points are distributed around the diagonal line and follow the direction of the diagonal line. This result supports the conclusion that the residuals in the regression model are normally distributed.

### Multicollinearity Test

Table 5. Multicollinearity Test Results

| Variable                  | Tolerance | VIF   | Description          |
|---------------------------|-----------|-------|----------------------|
| Good Corporate Governance | 0.994     | 1.006 | No multicollinearity |
| Leverage                  | 0.984     | 1.016 | No multicollinearity |
| Firm Size                 | 0.990     | 1.010 | No multicollinearity |

Based on Table 5, the Good Corporate Governance variable has a tolerance value of 0.994 and a Variance Inflation Factor (VIF) value of 1.006. The leverage variable has a tolerance value of 0.984 and a VIF value of 1.016, while the firm size variable has a tolerance value of 0.990 and a VIF value of 1.010. All independent variables have tolerance values greater than 0.10 and VIF values less than 10. Therefore, the regression model does not experience multicollinearity, indicating that there is no strong correlation among the independent variables in this study.

### Heteroscedasticity Test

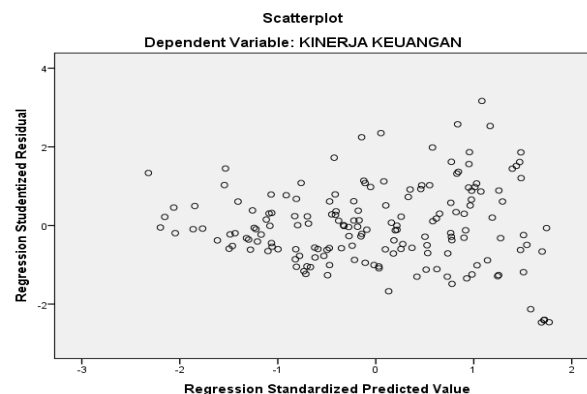


Figure 3. Scatterplot Heteroscedasticity Test Result

Figure 3 shows that the residual points are randomly distributed above and below zero on the Y-axis and do not form a specific pattern. Therefore, the regression model is declared free from heteroscedasticity.

## Autocorrelation Test

Table 6. Durbin-Watson Autocorrelation Test Results

| Testing Stage          | R     | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson | Description              |
|------------------------|-------|----------|-------------------|----------------------------|---------------|--------------------------|
| Before Cochrane-Orcutt | 0.472 | 0.223    | 0.209             | 4.91800                    | 1.673         | Autocorrelation occurred |
| After Cochrane-Orcutt  | 0.472 | 0.223    | 0.208             | 4.84533                    | 1.969         | No autocorrelation       |

Based on Table 6, the autocorrelation test was conducted in two stages, namely before and after applying the Cochrane-Orcutt method. Before applying the Cochrane-Orcutt method, the regression model had an R value of 0.472, an R Square value of 0.223, an Adjusted R Square value of 0.209, a standard error of the estimate of 4.91800, and a Durbin-Watson value of 1.673, indicating that the model was suspected of experiencing autocorrelation. After applying the Cochrane-Orcutt method, the R value and R Square value remained at 0.472 and 0.223, respectively, while the Adjusted R Square value changed to 0.208 and the standard error of the estimate decreased to 4.84533. The Durbin-Watson value increased to 1.969 and fell within the range of  $dU < d < 4 - dU$ . Therefore, the regression model was declared free from autocorrelation.

## Multiple Linear Regression Analysis

Table 7. Multiple Linear Regression Analysis And T-Test Results

| Variable                  | B      | Std. Error | Beta   | t      | Sig.   |
|---------------------------|--------|------------|--------|--------|--------|
| Constant                  | 15.688 | 2.086      |        | 7.520  | <0.001 |
| Good Corporate Governance | -0.122 | 0.039      | -0.217 | -3.128 | 0.002  |
| Leverage                  | -0.117 | 0.018      | -0.443 | -6.342 | <0.001 |
| Firm Size                 | -0.050 | 0.064      | -0.054 | -0.776 | 0.439  |

Based on Table 7, the multiple linear regression equation obtained is as follows:

$$Y = 15.688 - 0.122X_1 - 0.117X_2 - 0.050X_3 + \varepsilon$$

The t-test results show that Good Corporate Governance and leverage have a significant effect on financial performance because their significance values are less than 0.05. Meanwhile, firm size does not have a significant effect on financial performance because its significance value is greater than 0.05. These results indicate that changes in financial performance are more strongly influenced by Good Corporate Governance and leverage than by firm size in the research model.

## Coefficient of Determination

Table 8. Coefficient of Determination Test Results

| Model | R     | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------|----------|-------------------|----------------------------|---------------|
| 1     | 0.472 | 0.223    | 0.208             | 4.84533                    | 1.969         |

Table 8 shows an Adjusted R Square value of 0.208. This means that Good Corporate Governance, leverage, and firm size are able to explain 20.8% of the variation in financial performance, while the remaining 79.2% is explained by other variables outside the research model. This result indicates that financial performance is also influenced by other factors, such as liquidity, sales growth, operational efficiency, ownership structure, and macroeconomic conditions.

## Simultaneous Test

Table 9. F-Test Results

| Model      | Sum of Squares | df  | Mean Square | F      | Sig.   |
|------------|----------------|-----|-------------|--------|--------|
| Regression | 1096.115       | 3   | 365.372     | 15.563 | <0.001 |
| Residual   | 3826.782       | 163 | 23.477      |        |        |
| Total      | 4922.897       | 166 |             |        |        |

Based on Table 9, the F value is 15.563 with a significance value of <0.001. Since the significance value is less than 0.05, Good Corporate Governance, leverage, and firm size simultaneously have a significant effect on financial performance.

## Summary of Hypothesis Testing Results

Table 10. Summary of Hypothesis Testing Results

| Hypothesis | Statement                                                                                                            | Sig. Value | Result   |
|------------|----------------------------------------------------------------------------------------------------------------------|------------|----------|
| H1         | Good Corporate Governance has a significant effect on financial performance                                          | 0.002      | Accepted |
| H2         | Leverage has a significant effect on financial performance                                                           | <0.001     | Accepted |
| H3         | Firm size has a significant effect on financial performance                                                          | 0.439      | Rejected |
| H4         | Good Corporate Governance, leverage, and firm size simultaneously have a significant effect on financial performance | <0.001     | Accepted |

Based on Table 10, the hypothesis testing results indicate that H1, H2, and H4 are accepted, while H3 is rejected. H1, which examines the effect of Good Corporate Governance on financial performance, has a significance value of 0.002. H2, which examines the effect of leverage on financial performance, has a significance value of <0.001. Meanwhile, H3, which examines the effect of firm size on financial performance, has a significance value of 0.439, indicating that the effect is not statistically significant. Furthermore, H4 shows that Good Corporate Governance, leverage, and firm size simultaneously have a significant effect on financial performance, with a significance value of <0.001. Therefore, partially, Good Corporate Governance and leverage have a significant effect on financial performance, while firm size does not have a significant effect on financial performance.

## Discussion

### The Effect of Good Corporate Governance on Financial Performance

Based on the results of the t-test, the Good Corporate Governance variable has a significance value of 0.002, which is less than 0.05. This result indicates that Good Corporate Governance has a significant effect on financial performance. The regression coefficient value of Good Corporate Governance is -0.122, indicating that the direction of the effect is negative. Thus, the higher the proportion of Good Corporate Governance proxied by the independent board of commissioners, the more likely the company's financial performance is to decline. Good Corporate Governance is a corporate governance mechanism that aims to direct and control companies so that they operate transparently, accountably, responsibly, independently, and fairly (Nurhidayanti et al., 2023). The results of this study indicate that the presence of independent commissioners has not been able to optimally improve financial performance. This condition may occur because the supervisory function carried out by independent commissioners has not been fully effective in controlling management actions and reducing conflicts of interest between management and shareholders. In addition, the implementation of corporate governance mechanisms may also create additional costs, such as monitoring costs, compliance costs, and administrative costs, which potentially increase the company's expenses.

The implementation of corporate governance also strengthens transparency, accountability, and stakeholder trust, thereby supporting more effective organizational governance and improving the quality of corporate decision-making (Saputri et al., 2026). Stricter control mechanisms may also make the decision-making process more complex, thereby reducing the company's flexibility in responding to changes in the business environment.

The results of this study indicate that Good Corporate Governance has a significant effect on financial performance, but with a negative direction. This means that an increase in the proportion of independent commissioners does not necessarily improve financial performance if the supervisory function is not implemented effectively. This finding is in line with previous research stating that Good Corporate Governance has a significant effect on corporate financial performance (Nurhidayanti et al., 2023).

### ***The Effect of Leverage on Financial Performance***

Based on the results of the t-test, the leverage variable has a significance value of  $<0.001$ , which is less than 0.05. This result indicates that leverage has a significant effect on financial performance. The regression coefficient value of leverage is -0.117, indicating that the direction of the effect is negative. Thus, the higher the leverage proxied by the Debt to Asset Ratio, the more likely the company's financial performance is to decline. Leverage is a ratio that shows the extent to which a company uses debt to finance its assets and operational activities (Hasti et al., 2022). In this study, leverage is measured using the Debt to Asset Ratio because this ratio shows the proportion of a company's total assets financed by debt. The results show that leverage has a significant negative effect on financial performance. This indicates that the greater the proportion of debt to total assets, the greater the financial risk borne by the company.

The negative effect of leverage on financial performance may occur because a high level of debt usage increases interest expenses and principal repayment obligations. High financial expenses can reduce the company's net income, which in turn decreases Return on Assets as an indicator of financial performance. In addition, a high level of debt also indicates the company's dependence on external financing. This dependence may increase the risk of default, particularly when the company experiences declining revenue or faces unstable economic conditions. The results of this study show that an increase in the Debt to Asset Ratio can reduce corporate financial performance. Therefore, companies need to manage their capital structure optimally so that the use of debt remains at a level that supports operational activities without reducing financial performance. This finding is in line with previous research stating that solvency or leverage has a significant effect on corporate financial performance (Hasti et al., 2022).

### ***The Effect of Firm Size on Financial Performance***

Based on the results of the t-test, the firm size variable has a significance value of 0.439, which is greater than 0.05. This result indicates that firm size does not have a significant effect on financial performance. The regression coefficient value of firm size is -0.050, indicating a negative direction of effect, but this effect is not statistically significant. Thus, the size of a company is not a determining factor in increasing or decreasing corporate financial performance in this study. Firm size describes the scale of a company, which is generally viewed from the total assets owned by the company (Prasetya et al., 2024). The results of this study indicate that large total assets do not necessarily improve corporate financial performance. Companies with large assets are not always able to generate high profits if those assets are not managed

effectively and efficiently. Therefore, firm size cannot be used as a guarantee that a company has better financial performance.

The insignificant effect of firm size on financial performance may also be caused by higher operational complexity in large-scale companies. Large companies generally require higher management costs, monitoring costs, and operational costs, so the assets owned do not necessarily contribute optimally to increasing profits. In addition, large-scale companies tend to be more cautious in making decisions because their activities receive greater attention from investors, the public, and other related parties. The results of this study indicate that firm size, proxied by the natural logarithm of total assets, does not have a significant effect on financial performance. The success of a company in improving financial performance is more determined by management's ability to manage and utilize assets effectively, rather than merely by the amount of total assets owned. This finding is in line with previous research stating that firm size does not have a significant effect on corporate financial performance (Prasetya et al., 2024).

### ***The Effect of Good Corporate Governance, Leverage, and Firm Size on Financial Performance***

Based on the results of the F-test, the significance value obtained is  $<0.001$ , which is less than 0.05. This result indicates that Good Corporate Governance, leverage, and firm size simultaneously have a significant effect on financial performance. These three independent variables jointly play a role in explaining changes in the financial performance of food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period. The coefficient of determination shows an Adjusted R Square value of 0.208. This value indicates that Good Corporate Governance, leverage, and firm size are able to explain 20.8% of the variation in financial performance. Meanwhile, the remaining 79.2% is explained by other variables outside the research model.

This result shows that financial performance is not only influenced by one internal company factor but may be influenced by a combination of several factors, such as corporate governance, funding structure, and company scale. Financial performance is also influenced by contextual factors, including corporate governance quality, firm size, industry characteristics, and institutional conditions, which jointly determine the effectiveness of corporate policies in improving company performance (Abdullah et al., 2026). However, the ability of these three variables to explain financial performance remains limited. Other factors may also potentially influence financial performance, such as liquidity, sales growth, operational efficiency, ownership structure, company activity, and macroeconomic conditions.

## **Conclusion**

This study aimed to analyze the effect of Good Corporate Governance (GCG), leverage, and firm size on financial performance in food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period. Based on the results of multiple linear regression analysis, the research objectives and problem formulations have been answered. GCG has a significant negative effect on financial performance, with a regression coefficient of -0.122 and a significance value of 0.002. This indicates that the proportion of independent commissioners has not fully improved financial performance when the supervisory function is not carried out optimally. Leverage also has a significant negative effect on financial performance, with a regression coefficient of -0.117 and a significance value of  $<0.001$ , meaning that higher debt usage may reduce financial performance due to increasing financial burdens

and risks. Meanwhile, firm size does not have a significant effect on financial performance, with a regression coefficient of -0.050 and a significance value of 0.439. Simultaneously, GCG, leverage, and firm size have a significant effect on financial performance, with an F-value of 15.563 and a significance value of <0.001. The adjusted R-square value of 0.208 indicates that 20.8% of financial performance is explained by the independent variables, while 79.2% is influenced by other factors.

Theoretically, this study strengthens empirical evidence regarding the role of corporate governance and capital structure in financial performance. Practically, the findings can help management improve supervision and manage debt more efficiently. This study is limited to the food and beverage subsector, a short observation period, and three independent variables. Future research should expand the sector, extend the period, and add variables such as liquidity, sales growth, institutional ownership, audit quality, and dividend policy.

## Acknowledgment

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