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THE EFFECT OF GOOD CORPORATE GOVERNANCE ON PROFITABILITY

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Abstract:
This study aims to analyze the influence of the board of directors, audit committee, independent commissioners, and risk management committee on profitability. The study was conducted using quantitative methods through panel data regression analysis to examine the influence of independent variables on the dependent variable. The data used was sourced from the financial statements of non-cyclical consumer industry companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange in 2021-2023. The sample size was 52 non-cyclical consumer industry companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange in 2021-2023, obtained from population elimination using a purposive sampling method. Panel data regression was performed using the Eviews application. The results of this study indicate that of the four hypotheses, only hypothesis 3 is accepted because the results indicate that independent commissioners have a significant positive effect on profitability. Hypothesis 4 is not accepted because the results indicate that the audit committee has a significant negative effect on profitability. Hypotheses 1 and 4 are not accepted because the results indicate that the board of directors and risk management committee have no effect on profitability. The results of this study are expected to broaden readers' insight and become evaluation material and a basis for decision-making by several parties.
Keywords:
Profitability, Board of Directors, Audit Committee, Independent Commissioner, Risk Management Committee

BACKGROUND

The COVID-19 pandemic that has swept the globe has had a significant impact on the global economy, including Indonesia. However, since 2021, Indonesia has gradually experienced economic recovery, with relatively stable, albeit fluctuating, growth. (Kementerian Koordinator Bidang Perekonomian Republik Indonesia, 2021) Data shows national economic growth in 2021 of 3.69%, increasing to 5.03% in 2023, indicating that recovery efforts are yielding positive results amid external challenges such as the emergence of new COVID-19 variants and other global pressures. Government policies are considered a key factor in this recovery. (Kementerian Koordinator Bidang Perekonomian Republik Indonesia, 2023).

The industrial sector plays a crucial role in the recovery process, particularly the non-cyclical consumer sector, characterized by stable product demand despite economic turmoil. This sector includes the food and beverage subsector, whose basic needs make it more resilient

to economic cycles, attracting investor interest and contributing significantly to national economic stability. The stability and competitiveness of this sector are greatly influenced by companies' ability to implement good corporate governance (Utama *et al*. 2023).

Good corporate governance (GCG) is considered capable of minimizing the risk of irregularities, increasing investor confidence, and maintaining company profitability amidst a dynamic business environment. Effective GCG practices are not merely implemented as a formality but must be implemented substantively. The case of PT Mayora Indah Tbk, which regularly distributes dividends and successfully maintains positive performance, demonstrates the correlation between strong governance and company profitability. Conversely, weak GCG implementation can have negative impacts, as experienced by several companies—both during the 1997 economic crisis and during the pandemic, when declining performance led to a decline in investor confidence (Kusumandari, 2017).

Indonesian regulations, such as those issued by the Financial Services Authority (OJK), regulate GCG structures, including the establishment of a board of directors, independent commissioners, an audit committee, and a risk management committee. Previous empirical research has explored the influence of these four GCG components on profitability, but the results have shown inconsistencies—including those related to the effectiveness of the board's membership, the oversight function of independent commissioners, and the substantive role or formality of the audit and risk management committees.

Profitability, which in many studies is measured by Return on Assets (ROA), is a key indicator for assessing a company's success in efficiently managing resources. However, in the context of Indonesia's dynamic economy and the challenges of the non-cyclical consumer industry, there is limited research specifically addressing the effectiveness of these four main pillars of GCG on profitability, including a more in-depth look at the role of the risk management committee.

This, research on GCG implementation and its relationship to profitability in the non-cyclical consumer sector in Indonesia is highly relevant. This study is expected to provide empirical and practical contributions regarding the importance of good governance as a primary foundation for maintaining and improving corporate profitability, while also providing strategic considerations for investors and stakeholders in making current and future business decisions.

THEORETICAL FRAMEWORK

Agency Theory

According to Jensen and Meckling (1976), agency theory is a principle used to explain problems in the relationship between business actors and their agents. Generally, the relationship occurs between shareholders (acting as business owners) and company executives (acting as agents). This theory views management as something that needs to be monitored by stock investors, who are required to work diligently. This theory is fundamentally based on the fact that managers and owners have mutual interests, and managers act as agents who consistently strive to maximize personal wealth by assisting company owners (Maqhfirah & Syafruddin, 2023).

A company's profitability can be influenced by the effectiveness of good corporate governance. When agency relationships are well managed with careful oversight and high transparency, companies gradually achieve better productivity and higher profitability. This is because management is more motivated to reduce decisions detrimental to stock investors and lower agency costs that can lead to lower profits. Therefore, the use of agency theory in good corporate governance practices is crucial not only to consider the interests of stock investors but also to improve overall financial productivity (Wongsakulchai & NaRanong, 2024).

Agency theory plays a role in good corporate governance, particularly in the relationship between shareholders (principals) and management (agents). This theory explains that when there are conflicts of interest between the two parties, management may not always align with the interests of stock investors. This study uses variables to measure good corporate governance, namely the board of directors, audit committee, independent commissioners, and risk management committee. These variables function as oversight mechanisms to monitor and ensure that management does not become a primary factor in the interests of shareholders. Implementing good governance principles is considered to save costs and increase transparency and accountability in business operations (Wardoyo, 2022).

Board of Directors

The board of directors is a group of individuals with a crucial role in the company's structure, specifically its oversight function. The board of directors is elected by shareholders as their representatives within the company (Lumbaranja, 2021). According to agency theory, the effectiveness of the board of directors in carrying out its functions and duties can minimize conflicts of interest between management and owners, thereby increasing conflicts of interest between management and stakeholders. With effective oversight of the board of directors, management will act in accordance with shareholder interests, positively impacting profitability.

Several previous studies conducted by (Al-Kake et al., 2019; Sutisna, 2020; Al-Farooque & Buachoom, 2020; Khatib & Nour, 2021; Wongsakulchai & NaRanong, 2024) have shown that the board of directors has a positive and significant impact on profitability. These studies indicate that the board of directors plays a central role in decision-making and managing company operations, which directly impact profitability. A larger board of directors will optimize oversight and management of company resources.

H1: The Board of Directors has a positive and significant impact on profitability.

Audit Committee

An audit committee is a group of professionals who carry out their duties and functions independently. The audit committee is formed to provide internal oversight regarding stakeholder reviews, audit implementation, and financial reporting (Al-Farooque & Buachoom, 2020). The audit committee plays a crucial role in assisting the board of commissioners in overseeing and improving the quality of the company's financial reporting. Under agency theory, the audit committee performs its duties under the supervision of the board of commissioners. The audit committee holds meetings to ensure the company has implemented

internal controls, internal and external audit processes, and implemented good corporate governance. During these meetings, the audit committee discusses the company's compliance with regulations and guidelines, makes recommendations regarding the appointment of the company's auditors, and maintains the principles of transparency and accountability in the company's financial reports.

Several previous studies conducted by (Al-Kake et al., 2019; Al-Farooque & Buachoom, 2020; Itan & Khelen, 2022) have shown a positive and significant effect on profitability. These studies indicate that the audit committee plays a crucial role in assisting the board of commissioners in overseeing and improving the quality of the company's financial reporting. More frequent audit committee meetings will improve communication and oversight effectiveness, ultimately boosting investor confidence. Audit committees can enhance communication and optimize oversight, thereby helping to detect errors.

H2: Audit committees have a positive and significant impact on profitability.

Independen Commissioners

Independent commissioners are a group of individuals who have no relationships or affiliations with directors, other committee members, or stakeholders, enabling them to optimally carry out their duties in the best interests of the company (Mardjono & Chen, 2020). In agency theory, the presence of non-executive directors on the board of directors can provide greater oversight and protection of shareholder interests. Several previous studies have shown that independent commissioners contribute to increased company profitability through more objective oversight and the protection of shareholder interests.

Several previous studies conducted by (Al-Kake et al., 2019; Budikasi et al., 2022; Septiana & Aris, 2023; Nuridah et al., 2023; Iza & Edastami, 2024) have shown that independent commissioners have a positive and significant impact on profitability. These research findings suggest that independent commissioners are a crucial component of a company, helping to enhance objectivity and oversight. A higher proportion of independent commissioners will ensure that the supervisory and control functions of management are implemented in line with the company's objectives of increasing profitability.

H3: Independent commissioners have a positive and significant impact on profitability.

Risk Management Committee

A risk management committee is a group of individuals who carry out duties and responsibilities under the board of commissioners. It is responsible for monitoring and managing company risks (Alduneibat, 2023). Agency theory suggests that a risk management committee is associated with lower environmental risks due to the monitoring process carried out by the risk management committee, which makes work more conducive to meeting shareholder interests. A larger number of risk management committee members can have numerous positive impacts, such as improving the committee's function and effectiveness, increasing independence, gender diversity, and enhancing the skills and knowledge of directors. Furthermore, they can contribute relevant ideas, opinions, suggestions, and

recommendations related to the risks faced by the company and allow for the inclusion of external, independent members.

Several previous studies conducted by (Aldhamari et al., 2020; Alduneibat, 2023) have shown that the risk management committee has a positive and significant impact on profitability. These studies suggest that the existence of a risk management committee will have a positive and significant impact on profitability by improving risk oversight in optimally identifying, managing, and mitigating risks.

H4: The risk management committee has a positive and significant effect on profitability.

METHOD

This study used a population of non-cyclical consumer goods companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange between 2021 and 2023. Based on available data, the population was 70 companies.

This study employed purposive sampling as the sampling method. Purposive sampling is a technique for determining samples based on relevant considerations (Sugiyono, 2019). Therefore, the sample in this study met several specific criteria. The following criteria were selected by the researcher in determining the sample:

1. Non-cyclical consumer industry companies in the food and beverage sub-sector that were consistently listed on the Indonesia Stock Exchange from 2021 to 2023.
2. Non-cyclical consumer industry companies in the food and beverage sub-sector that issued annual reports consecutively for the 2021-2023 period.

Based on the established criteria, 69 non-cyclical consumer industry companies met these criteria. Fifty-two of these companies will be used as research samples, with a total of 156 observations. Data from the sample companies is attached.

This study employed a quantitative method. Secondary data can be obtained through various sources of information, both published and unpublished, from within and outside the company. Available data comes from previous researchers, websites, and the internet. In this study, secondary data was obtained from company annual reports available on each company's website and the official website of the Indonesia Stock Exchange (www.idx.co.id). In this study, the documents are financial reports of non-cyclical consumer industry companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange for 2021-2023. The company data used by the researcher is sourced from www.idnfinancials.com, then checked and accessed on the official website of the Indonesia Stock Exchange, (www.idx.co.id). If the financial reports are not listed on the IDX, the researcher can obtain them through the official website of each company.

The dependent variable in this study is profitability. Its measurement uses Return On Assets (ROA), which is calculated by dividing profit after tax by total assets (Budikasi, et al., 2022). The independent variables in this study include: The Board of Directors is proxied by the number of board members (Lumbaranja, 2021), the audit committee is measured by the number of audit committee meetings in one year (Khatib & Nour, 2021), Independent Commissioners are calculated by dividing the number of independent board members by the total board members (Maqhfirah & Syafruddin, 2023), the Risk Management Committee is categorized as a dummy variable, if there is a Risk Management Committee in the company it is given a value of 1 and if there is no Risk Management Committee in the company it is given a code of 0

(Alduneibat, 2023). The analysis used in this study is panel data regression analysis with the following equation:

$$Yit = \beta0 + \beta1X1it + \beta2X2it + \beta3X3it + \beta4X4it + \varepsilon it$$

Description :
ROA = Return On Asset
X1 = Board of Directors
X2 = audit committee
X3 = Independent Commissioners
X4 = Risk Management Committee
β0 = constant
β1, β2, β3, β4 = regression coefficient
Ɛ = Error

RESULT

Descriptive Statistical Test

This research involved data collection and processing. The collected data was processed using the Eviews application by the researcher, yielding the following results. This study began with a descriptive statistical analysis to identify the characteristics of the data. In this study, the researchers conducted a descriptive statistical analysis on the data before the outlier, which initially consisted of 156 samples, and after the outlier, which consisted of 132 samples. The descriptive statistical results after the outlier are as follows:

	DD	**KA**	**KI**	**KMR**	**Y**
Mean	5.053030	5.204545	0.614478	0.090909	**0.061136**
Median	5.000000	4.000000	0.535714	0.000000	**0.061000**
Maximum	11.00000	14.00000	1.000000	1.000000	**0.213000**
Minimum	2.000000	0.000000	0.333333	0.000000	**-0.148000**
Std. Dev.	2.123350	2.300808	0.263229	0.288575	**0.064225**
Jarque-Bera	132	132	132	132	**132**
Probability	DD	KA	KI	KMR	**Y**
Observations	5.053030	5.204545	0.614478	0.090909	**0.061136**

Based on the results of the descriptive statistical tests in Table, each variable used in the study can be analyzed as follows:

1. The Profitability variable (Y) after the removal of outliers experienced a significant increase in terms of data stability. The average profitability increased to 0.0611. This means that the average ratio of profit after tax to total assets was 0.0611 in non-cyclical consumer industry companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange in 2021-2023. The standard deviation value was 0.0642, which illustrates that the variability value of independent commissioners in non-cyclical consumer industry companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange in 2021-2023 experienced high variability. The maximum value of this variable is 0.213 owned by the company PT Triputra Agro Persada Tbk, which means that every Rp1 of assets owned by the company will generate Rp0.21 in profit. Meanwhile, the lowest value for this variable was -0.148, held by PT Andira Agro Tbk in 2023.

2. The Board of Directors variable (X1), after removing outliers, showed an average of 5.05, indicating that the average number of board members in non-cyclical consumer food and beverage sub-sector companies listed on the Indonesia Stock Exchange in 2021-2023 was 5. The standard deviation of the board of directors was 2.1233, which is lower than the average, indicating that the board of directors of non-cyclical consumer food and beverage sub-sector companies listed on the Indonesia Stock Exchange in 2021-2023 experienced low variability. The median value was 5.00, with a maximum value of 11, indicating that the largest number of board members was 11, found in Indofood CBP Sukses Makmur Tbk, Indofood Sukses Makmur Tbk. Meanwhile, the lowest value for this variable is 2, meaning the minimum number of board members is 2, found in several companies such as PT Andira Agro Tbk, Bumi Teknokultura Unggul Tbk, PT Wahana Interfood Nusantara Tbk, and PT Morenzo Abadi Perkasa Tbk.
3. The Audit Committee variable (X2) after removing outliers shows an average of 5.20, meaning the average number of audit committee meetings in non-cyclical consumer industry companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange in 2021-2023 was 5. The standard deviation of the audit committee is 2.3008, which is lower than the average, indicating that audit committees in non-cyclical consumer industry companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange in 2021-2023 experienced low variability. The median value of this variable is 4.00 and the maximum value is 14, held by PT Sawit Sumbermas Sarana Tbk in 2023, indicating that the number of audit committee meetings during that year was 14. Meanwhile, the lowest value was 0 for PT Jaya Swarasa Agung Tbk in 2021, indicating no audit committee meetings were held because the audit committee had just been formed that year.
4. The Independent Commissioner variable (X3), after eliminating outliers, shows an average of 0.614, meaning that the average ratio of independent commissioners to total independent commissioners in non-cyclical consumer industry companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange in 2021-2023 is 0.614, with a standard deviation of 0.2632, indicating low variability in independent commissioners in non-cyclical consumer industry companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange in 2021-2023. The median value is 0.535. The maximum value is 1.000, meaning the largest proportion of independent commissioners is 1.00, held by several companies such as PT Sawit Sumbermas Sarana Tbk and PT BISI International Tbk. Meanwhile, the minimum value is 0.333, meaning the smallest proportion of independent commissioners is 0.333, also held by several companies such as PT Budi Starch & Sweetener Tbk and PT Sariguna Primatirta Tbk.
5. The Risk Management Commitment variable (X4) shows an average value of 0.0909, meaning that an average of approximately 9% of non-cyclical consumer industry companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange in 2021-2023 have a risk management committee. The standard deviation value of the risk management committee is 0.021, which is lower than the average value. This indicates that the risk management committee in non-cyclical consumer industry companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange in 2021-2023 experiences low variability. The maximum value of 1 is held by PT Tunas Baru Lampung Tbk, PT Sampoerna Agro Tbk, PT Budi Starch & Sweetener Tbk, and PT Austindo Nusantara Jaya Tbk. Meanwhile, the lowest value of 0 is held by the other sampled companies. In this variable, a dummy score is used, namely a value of 1 if

having a risk management committee and a value of 0 if not having a risk management committee.

Hausman Test Results

Test Summary	Prob.
Cross-section random	0.2814

Based on table, It can be seen that the random cross-section value is 0.2814 exceeding the significance value of 0.05, so it can be concluded that the Random Effect Model is more appropriate to use compared to the Fixed Effect Model.

Lagrange Multiplier Test Results

	Cross-section
Breusch-Pagan	0.000172 (0.9895)

The results obtained show that the cross-section probability value in Breusch-Pagan is 0.9895 < alpha (0.05), so it can be concluded that the Random Effect Model is more appropriate to use compared to the Common Effect Model.

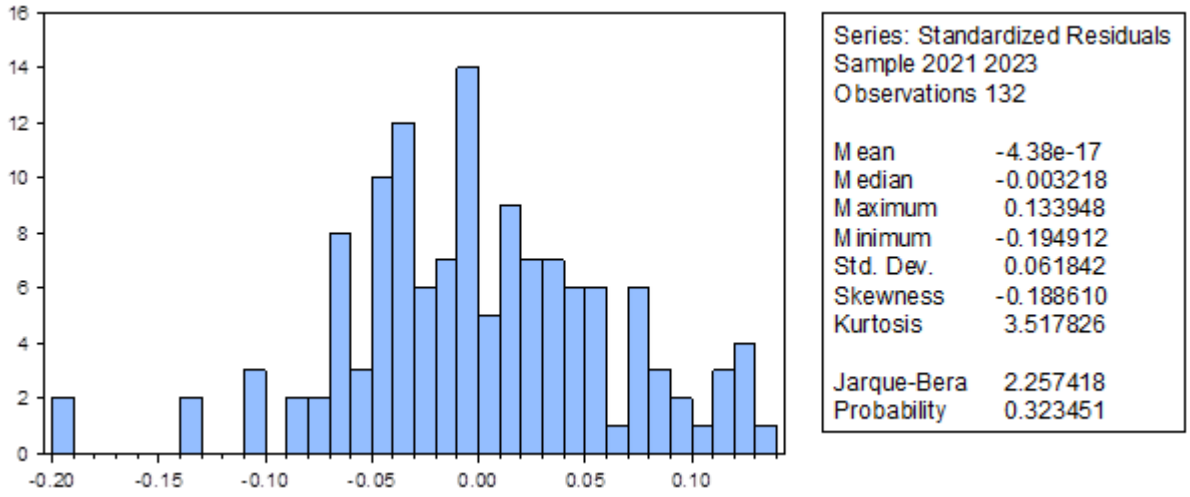
Normality Test Result

Obstacles in meeting the assumption of data normality are usually caused by the presence of outliers (Sihombing et al., 2023). Normalizing previously abnormal data to normal can be done through outliers or data transformation. In this study, the researchers used the outlier method to normalize the data. In statistics, detecting outliers can be done by looking at the absolute standardized value. Before conducting a normality test for outlier data, a model selection test is necessary. The following are the results of the model selection test for outlier data:

Uji Pemilihan Model	**Hasil Uji**	**Keterangan**
Uji Hausman	0.0784	REM
Uji Lagrange Multiplier	0.0000	REM

The model selection test on the data after the outliers concluded that the Random Effects Model was more appropriate. After that, the researcher could proceed to the normality test. After removing the outliers using the balanced panel technique, the research sample was reduced to 132, with 24 companies over a 3-year period. The results of the normality test after the outliers are presented in Figure.

International Journal of Current Economics & Business Ventures, 5 (2) 2025, 257-274
International Journal of Current Economics & Business Ventures
https://scholarsnetwork.org/journal/index.php/ijeb



Based on the image, namely the results of the normality test after outliers, it can be seen that the JB probability value is 0.323 < alpha (0.05), so it can be concluded that the data used has been normally distributed.

Autocorrelation Test Results

The autocorrelation test is conducted by observing the Durbin-Watson value and comparing it with the DU value in the Durbin-Watson table. The results of the autocorrelation test are shown in the table.

Durbin-Watson stat	**1.963224**
Durbin Lower Bound	**1.653**
Durbin Upper Bound	**1.778**

The Durbin-Watson value obtained from the results of data processing with a sample of N = 135 and K (Independent Variables) of 4 variables is 1.963, while the DL and DU values in the Durbin-Watson table are 1.653 and 1.778, respectively. This shows that the DW value is in accordance with the statements DW>DU and 4-DW>DU, so it can be stated that the data used is free from autocorrelation problems.

International Journal of Current Economics & Business Ventures, 5 (2) 2025, 257-274
International Journal of Current Economics & Business Ventures
https://scholarsnetwork.org/journal/index.php/ijeb

Multicollinearity Test Results

Variable	VIF
C	NA
DD	1.082481
KA	1.049029
KI	1.066200
KMR	1.070642

The multicollinearity test results in the table show that the Centered VIF value is <10 for all four independent variables used. This indicates that the regression model is free from multicollinearity problems.

Heteroscedasticity Test Results

Prob. Chi-Square(13)	0.0592

The results of the heteroscedasticity test in the table show that the chi-square Prob. value is 0.0592 > 0.05, so it can be concluded that the data is homoscedastic or free from heteroscedasticity problems.

Panel Data Regression Test

Variable	Coefficient
C	0.042444
DD	0.003020
KA	-0.005477
KI	0.055250
KMR	-0.022127

Based on the regression estimation test results in the table, the panel data regression equation is as follows:

International Journal of Current Economics & Business Ventures, 5 (2) 2025, 257-274
International Journal of Current Economics & Business Ventures
https://scholarsnetwork.org/journal/index.php/ijeb

$$Y = 0.042 + 0.003X1 - 0.005X2 + 0.055X3 - 0.022X4 + e$$

The results of the panel data regression equation can be broken down into the following analysis:

1. The constant coefficient, which shows a value of 0.042, indicates that if the value of the other independent variables is 0, then the dependent variable has a value of 0.042.
2. The Board of Directors coefficient (X1), which shows a value of 0.003, indicates that if the number of board members at the company increases, the company's profitability will increase.
3. The Audit Committee coefficient (X2), which shows a value of -0.003, indicates that if the number of audit committee meetings at the company increases, the company's profitability will decrease.
4. The Independent Commissioner coefficient (X3), which shows a value of 0.055, indicates that if the proportion of independent commissioners at the company increases, the company's profitability will increase.
5. The Risk Management Committee coefficient (X4), which shows a value of -0.022, indicates that if the company has a risk management committee, the company's profitability will decrease.

F Test Results

F-statistic	**3.696038**
Prob(F-statistic)	**0.007002**

Based on the table, it can be seen that the F-Statistic Probability value is 0.01, so that 0.007 < 0.05 is obtained, which indicates that the model is suitable for use.

Results of Determination Coefficient Test

R-squared	**0.104272**
Adjusted R-squared	**0.076060**

The table shows the results of the determination coefficient test with an adjusted R-squared value of 0.076. This indicates that the independent variable in this study has an influence of 7.6% on the dependent variable. While the other 92.4% is explained by other variables not examined in this study. Other studies that show Adjusted R-square results greater than 0.07606 are such as in the study (Putra & Dewayanto, 2019) where one of the X variables used in the study is institutional ownership showing an Adjusted R-square result of 0.345, another study conducted (Putra & Jana, 2025) using the CAR, FDR, BOPO and NPF ratios as X variables by looking at their effect on profitability as the Y variable showing an Adjusted R-square result of 0.8981.

t Test Results

International Journal of Current Economics & Business Ventures, 5 (2) 2025, 257-274
International Journal of Current Economics & Business Ventures
https://scholarsnetwork.org/journal/index.php/ijeb

Variable	t-Statistic	Prob.
C	1.499256	0.1363
DD	0.856279	0.3935
KA	-2.720052	0.0074
KI	2.267212	0.0251
KMR	-0.729472	0.4671

Based on the t-statistic and probability values obtained in the table, the following conclusions can be drawn:

1. Board of Directors (X1)

The t-statistic obtained is 0.856, while the t-table value at the 5% alpha level is 1.978. Therefore, when written as an equation, 0.856 < 1.978 indicates that the t-statistic is smaller than the t-table. Furthermore, the probability value obtained is 0.136 > alpha (0.05), indicating a probability value above 0.05. Based on this information, it can be concluded that H1 is rejected, namely that the Board of Directors variable has no significant effect on the Profitability variable.

2. Audit Committee (X2)

The t-statistic obtained is -2.720, while the t-table value at the 5% alpha level is 1.978. Therefore, when written as an equation, 0.720 > 1.978 indicates that the t-statistic is greater than the t-table and is negative. Furthermore, the probability value obtained is 0.007 < alpha (0.05), indicating a probability value below 0.05. Based on this information, it can be concluded that H2 is not accepted, namely that the Audit Committee variable has a negative and significant influence on the Profitability variable.

3. Independent Commissioners (X3)

The t-statistic value obtained is 2.267, while the t-table value at the 5% alpha level is 1.978. Therefore, when created as an equation, 2.267 > 1.978, indicating that the t-statistic value is greater than the t-table and is positive. Furthermore, the probability value obtained is 0.025 < alpha (0.05), indicating a probability value below 0.05. Based on this information, it can be concluded that H3 is accepted, namely that the Independent Commissioner variable has a positive and significant influence on the Profitability variable.

4. Risk Management Committee (X4)

The t-statistic obtained is -0.729, while the t-table value at the 5% alpha level is 1.978. Therefore, the equation becomes -0.856 < 1.978, indicating that the t-statistic is smaller than the t-table. Furthermore, the probability value obtained is 0.467 > alpha (0.05), indicating a probability value above 0.05. Based on this information, it can be concluded that H4 is not accepted, namely that the Risk Management Committee variable has no significant effect on profitability.

DISCUSSION

1. The Influence of the Board of Directors on Profitability

The research results indicate that the board of directors has no significant effect on profitability. Therefore, the first hypothesis is rejected. These results align with several previous studies conducted by Supriyanto and Hendri (2021), Maqhfirah and Syafruddin (2023), and Novitasari et al. (2020). The board of directors is a crucial component of good corporate governance, playing a strategic role in decision-making and managing a company, which impacts financial performance, including profitability. However, the research results indicate an insignificant effect.

In agency theory, the board of directors plays a supervisory role in ensuring management always acts in accordance with shareholder interests. However, in practice, the board's active role in increasing profitability is not yet strong enough. Other factors that may impact profitability include a lack of board member competence or the presence of external factors that are more dominant and significantly influence profitability, such as the dynamics of industry competition, monetary policy, and macroeconomic conditions (Washil et al., 2025). This suggests that, although theoretically, the board of directors plays a significant role, the results of this study indicate an influence, but not a significant one. This suggests that other factors may influence company profitability.

This study's population consisted of non-cyclical consumer industry companies in the food and beverage subsector listed on the Indonesia Stock Exchange in 2021-2023. These companies tend to have stable consumer demand and already have established operational systems. In this industry, the board of directors' influence on profitability may be smaller than external factors such as raw material prices, market conditions, and product innovation (Sianturi et al., 2025).

Based on the data obtained, the profitability of the two companies with the lowest board of directors was -9.535 in 2023, and -0.4 in 2023 at PT Wahana Interfood Nusantara Tbk. Furthermore, with two board members, the highest profitability was 0.881 in 2023 at PT Morenzo Abadi Perkasa Tbk. and 0.868 in 2022 at PT FAP Agri Tbk. These data demonstrate that even with the same number of board members, company profitability figures vary, indicating that the board of directors does not significantly influence profitability.

2. The Influence of the Audit Committee on Profitability

The research results indicate that the audit committee has a significant negative effect on profitability. Therefore, the second hypothesis is rejected. These results align with several previous studies conducted by Boshnak (2021), Khatib and Nour (2021), and Azizah and Erinos (2020). In agency theory, the audit committee functions to regulate oversight mechanisms to mitigate conflicts of interest between management and shareholders. The audit committee's role is to prevent fraudulent earnings management practices and maintain transparency and accountability in the company's financial statements. This study found that the audit committee has a significant negative effect on profitability, using the number of audit committee meetings as a proxy for the audit committee. Increasing the frequency of audit committee meetings should strengthen the oversight function and reduce agency costs. However, if meetings are held solely for administrative purposes, the oversight objective is not achieved and may even increase costs and time, which will reduce company profitability. This illustrates that meeting quality is more important than meeting quantity (Nuridah et al., 2023).

Audit committee effectiveness can be influenced by several factors, such as the quality, competence, and quality of discussions during meetings. If audit committee members lack expertise or conduct meetings merely as a formality to comply with existing regulations and

guidelines, the oversight function will not function optimally. Furthermore, this significant negative impact can be caused by excessive oversight, which can slow the decision-making process and increase coordination costs (Azizah & Erinos, 2020). From a cost-efficiency perspective, companies incurring significant costs for oversight activities without significant results and impact on profitability, leading to increased costs and declining profit margins. Therefore, companies must balance oversight needs with operational efficiency so that the audit committee can have a significant positive impact on profitability (Fadhilah & Januarti, 2025). Based on the data obtained on the number of audit committee meetings during one year with the highest number of 43 meetings having a profitability value of 0.057 which is found in Charoen Pokphand Indonesia Tbk in 2023. In addition, the highest number of audit committee meetings is 35 times which has a profitability value of 0.074 which is found in Charoen Pokphand Indonesia Tbk in 2022. However, in companies that have 4 audit committee meetings in one year, the profitability value is higher, namely 0.944 in Prasidha Aneka Niaga Tbk in 2023 and 0.881 in PT Morenzo Abadi Perkasa Tbk in 2023. The data shows that with a greater number of audit committee meetings, it can reduce the company's profitability figure and shows that the audit committee has a significant negative effect on profitability.

3. The Influence of Independent Commissioners on Profitability

The research results show that independent commissioners have a significant positive effect on profitability. Therefore, the third hypothesis is accepted. These results align with several previous studies conducted by Al-Kake et al. (2019), Maqhfirah and Syafruddin (2023), Budikasi et al. (2022), and Nuridah et al. (2021).

In agency theory, independent commissioners act as external parties who oversee company operations and ensure the protection of the interests of minority shareholders and other stakeholders. They also play a role in providing advice and input to the board of directors on implementing good corporate governance and maintaining objectivity in decision-making. The presence of independent commissioners is expected to minimize conflicts of interest, thereby increasing company profitability. Agency theory states that effective oversight by independent commissioners can improve transparency, decision-making quality, and strategic accountability (Budikasi et al., 2022).

Considering the population used, which is non-cyclical consumer industry companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange in 2021-2023, which tend to experience relatively constant market demand, oversight by independent commissioners becomes increasingly important. The primary challenge for non-cyclical consumer industry companies in the food and beverage sub-sector is not only growth, but also efficiency, innovation, and risk management (Sianturi et al., 2025). Independent commissioners who optimally and actively carry out their functions can encourage management to focus more on operational efficiency and compliance with relevant regulations, thereby minimizing the potential for asset misuse, fraud, and other detrimental activities for the company.

Based on data obtained, the smallest proportion of independent commissioners, at 0.33, had a profitability value of -0.014 for PT Mahkota Group Tbk in 2022 and -0.064 in 2023. However, with a proportion of independent commissioners of 1, indicating that all members, including the chairman of the board of commissioners, are independent, profitability is higher, as seen in PT FAP Agri Tbk's profitability of 0.0868 in 2022 and PT Morenzo Abadi Perkasa

Tbk's profitability of 0.881 in 2023. These data demonstrate that a higher proportion of independent commissioners can increase a company's profitability and demonstrate that independent commissioners have a significant positive effect on profitability.

4. The Influence of the Risk Management Committee on Profitability

The research results indicate that the risk management committee has no significant effect on profitability. Therefore, the fourth hypothesis is rejected. The results indicate that the risk management committee has no significant effect on profitability. This finding may be due to the risk management committee being established to oversee and control company risks, but its role has not significantly impacted company profitability. Based on agency theory, the risk management committee should be tasked with managing the oversight mechanism for the risks faced by the company, thereby increasing profitability. However, in practice, the risk management committee's effectiveness in carrying out this function may not be optimal, resulting in a significant impact on profitability.

The risk management committee's insignificant effect on profitability may be due to its effectiveness being influenced by the quality, experience, and competence of its members. If it serves merely as a formality without actively participating in strategic decision-making related to existing risks, the risk management committee's influence will be limited.

The population used in this study was non-cyclical consumer industry companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange in 2021-2023, which have relatively stable business characteristics and manageable risks compared to other sectors. This situation can lead to a less dominant role for the risk management committee in influencing profitability. This reduces the risk management committee's role in influencing profitability because the risks faced are relatively well managed by operational management and the company's existing internal control system.

OJK Regulation Number 6/POJK.04/2021 concerning the Implementation of Risk Management for Securities Companies stipulates that a risk management committee is mandatory in securities companies, but based on data found in its implementation, only four out of 52 companies participated. Previous studies examining the influence of risk management committees included financial companies, conducted by Aldhamari et al. (2020) and Perdana et al. (2024). Furthermore, research conducted by Alduneibat (2023) used a population of non-financial companies in Jordan. Based on this, the results of this study showed that the risk management committee had no significant effect on profitability, unlike previous studies that found a significant positive effect on profitability in Alduneibat (2023) and Aldhamari et al. (2020). Furthermore, other research indicates that risk management committees negatively impact profitability, as evidenced by Perdana et al. (2024).

Based on data obtained during implementation, risk management committees were present in only four out of 52 companies. Companies without a risk management committee had varying profitability values, such as PT Andira Agro Tbk (-0.006 in 2021), Dharma Samudera Fishing Ind. Tbk (0.055 in 2022), and Prasidha Aneka Niaga Tbk (0.944 in 2023). These data demonstrate that the presence or absence of a risk management committee does not significantly impact a company's profitability.

CONCLUSION

This study analyzes the effect of good corporate governance (GCG) on the profitability of non-cyclical consumer goods companies in the food and beverage sub-sector listed on the

Indonesia Stock Exchange during the 2021–2023 period. GCG is measured through four main dimensions: the board of directors, the audit committee, independent commissioners, and the risk management committee, with profitability proxied by Return on Assets (ROA).

The main findings of this study can be summarized as follows:

1. The board of directors does not significantly influence profitability. The study results indicate that the board of directors does influence profitability, but it is not significant. This may occur because the board of directors' active role in increasing profitability is not yet strong enough, and other factors can significantly influence profitability.
2. The audit committee has a significant negative effect on profitability. The study results indicate that an increasing number of audit committee meetings will decrease profitability. This may occur because the frequency of audit committee meetings reflects that the quality of meetings is more important than the quantity of meetings.
3. Independent commissioners have a significant positive effect on profitability. The study results indicate that a greater proportion of independent commissioners will increase profitability. This may occur because independent commissioners can carry out their oversight function more effectively, maintain transparency, and reduce conflicts of interest between management and shareholders.
4. The risk management committee does not significantly influence profitability. The study results indicate that the risk management committee has an impact on profitability, but it is not significant. This may occur because the risk management committee is not strong enough to increase profitability, and other factors can significantly influence profitability.

This study also highlights theoretically, particularly from an agency theory perspective, the importance of independent and high-quality oversight in efforts to increase profitability. Meanwhile, from a practical perspective, the research results can contribute as strategic considerations for companies, investors, and the government in strengthening corporate governance.

The study acknowledges limitations, including the sample coverage limited to the food and beverage sub-sector and the limited time period (2021–2023). Furthermore, the low adjusted R-squared level means the results do not reflect a comprehensive causal relationship between GCG variables and profitability. Future research is recommended to expand the sector coverage, extend the observation period, and add other GCG variables to obtain a more comprehensive picture.

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