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The Effect of Corporate Governance Mechanisms on Financial Performance Study of the IDX Basic Materials Sector

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ABSTRACT

The effectiveness of corporate governance in improving corporate financial performance remains inconclusive, as previous studies have reported inconsistent findings regarding the influence of various governance mechanisms. This issue is particularly relevant for companies in the Basic Materials Sector, which play a strategic role in Indonesia's economy and face increasing demands for effective corporate governance practices. Therefore, this study aims to examine the effect of corporate governance mechanisms on the financial performance of Basic Materials Sector companies listed on the Indonesia Stock Exchange during the 2021–2024 period. This study employs a quantitative approach using secondary data obtained from companies' annual reports. A total of 228 firm-year observations were selected through purposive sampling and analyzed using panel data regression with the Fixed Effects Model. The results indicate that insider shareholding and firm size have positive and significant effects on financial performance, while board gender diversity has a negative and significant effect. In contrast, board size, board independence, and audit committee meetings do not significantly affect financial performance. These findings imply that the effectiveness of corporate governance depends not merely on the existence of governance mechanisms but on how they are implemented to support organizational decision-making and enhance corporate performance.

Keywords: *corporate governance, financial performance, insider shareholding, firm size, basic materials sector*

1. INTRODUCTION

The current global shift, catalyzed by relentless digital breakthroughs, has turned the commercial landscape into a theater of unrelenting and volatile competition (Makhdalena et al., 2023). These massive upheavals are fueled by mutating consumption habits, rapid technical shifts, and a non-stop barrage of business innovations. This condition demands that companies not only focus on products and services but also develop appropriate business strategies and manage

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operational activities effectively and efficiently to improve organizational performance and achieve sustainable business growth (Pebiana et al., 2024). Survival is never guaranteed. In this climate, companies cannot simply obsess over their product catalogs; they must instead master strategic foresight and lean operational execution. Building a robust strategic framework alongside streamlined processes is what actually allows a firm to remain standing while ensuring its future remains viable (Makhdalena et al., 2023).

A firm's prowess is often measured through its financial metrics. This serves as a vital mirror reflecting operational health and the ability to squeeze profits from existing assets (Sitorus & Fransiska, 2023; Pebiana et al., 2024). Efficiency matters. Financial data is not merely a tool for internal management to steer the ship; it acts as a primary barometer for lenders, investors, and state regulators trying to calculate risk versus reward (Rahmansyah & Mutmainah, 2024). Generally, analysts dissect this through various ratios most notably Return on Assets (ROA) which quantifies how effectively a corporation harvests earnings from its physical and capital resources. A high ROA implies the organization is exceptionally adept at turning its balance sheet into actual cash flow (Almira & Wiagustini, 2020).

Realities on the ground tell a far more chaotic story. Look at PT Kapuas Prima Coal Tbk in 2024: they bled a net loss of IDR 121.07 billion. This was an eye-watering 480.05% spike in losses compared to the previous year, mirrored by a near-halving of sales revenue, which points toward crushing profitability pressure (Setiawan, 2025). Similarly, PT Timah Tbk became a cautionary tale of state-level losses reaching Rp300 trillion. This debacle stemmed from toxic governance failures and ecological devastation, which laid bare a profound lack of internal oversight and restraint (Binekasri, 2024). These cases highlight a crumbling financial state that is fundamentally tied to operational decay and loose governance, particularly within the basic materials sector a field plagued by high-risk complexity and volatile operations.

Wealth creation and financial health are pushed by a mix of levers ranging from a company's sheer size to its logistical grit and broader market shifts. But this specific study chooses to isolate corporate governance. Because corporate governance is an important area of research because effective governance mechanisms reduce agency conflicts between management and shareholders, improve transparency and accountability, strengthen the monitoring function, and create better governance practices that support organizational performance (Ariningrum et al., 2025).

The historical record on whether governance actually boosts the bottom line is, quite frankly, a mess of contradictions. Kyere, (2021) observed that whether insiders own shares doesn't seem to touch financial performance, although he noted that things like board size and independence certainly carry weight. Audit meetings? They actually dragged performance down in his findings. As it turns out, Wahid et al., (2023) discovered that insider holdings actually foster a boost in financial metrics. Results vary wildly. Yeboah et al (2025), claim board size is irrelevant, though they link board gender balance to improved financial health. In a stark departure, Al-shaer & Alnajjar (2024) argue that diversity and size simply do not move the needle, pointing instead to board independence. Such friction in the

data reveals that governance efficacy isn't universal it is tied to specific industrial climates and implementation quality. This leaves a massive research void, particularly regarding basic materials. That gap needs filling.

Agency theory provides the most coherent lens to view these fractured results. Jensen & Meckling (1976), emphasize that friction is inevitable when managerial agendas drift away from the desires of the actual shareholders. Decisions suffer. These conflicts cannibalize potential profits unless a strict watchful eye is maintained. Effective governance exists to restrain erratic managerial impulses and realign them with shareholder wealth. The specific mechanics scrutinized here include insider ownership, the physical headcount of boards, independent seats, gender ratios, and the frequency of audit committee huddles (Sitorus et al., 2025).

The unique value proposition of this inquiry lies in its focus on board gender diversity. Can a mix of perspectives actually shift the numbers? We expect that injecting gender variety into the boardroom will sharpen decision-making and broaden the outlook for strategic policy (Harijanto et al., 2023). Building on this, we go beyond basic metrics to explore how diversity changes the game in an industry essential to national economic vitality. Because the basic materials sector handles massive capital and high-stakes operations, it demands a higher tier of governance. Without it, accountability is lost.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Agency Theory

Fundamental gaps in corporate structure surface when those holding equity remain detached from day-to-day operations, a dynamic that sits at the very heart of agency theory (Jensen & Meckling, 1976). Divergent priorities between these groups inevitably spawn friction, manifesting as specific financial burdens agency costs that erode the overall health and fiscal outcomes of the enterprise (Ramadan, 2020). What often escapes notice is how this tension escalates sharply whenever managers possess a depth of operational knowledge that remains hidden from the actual owners (Pelawi & Pelawi, 2023).

Functioning as a corrective framework, corporate governance attempts to bridge the divide between agents and principals by synchronizing their goals to suppress wasteful expenditures (Fatikasari & Wijayati, 2025). The mechanism of corporate governance includes insider shareholding, board size, independent board, board gender diversity, and the effectiveness of supervisory functions such as audit committee meetings. Building on this, the logic suggests that rigorous oversight improves the caliber of executive choices, which translates into a measurable uptick in bottom-line success (Kurniawan & Viriany, 2023). Within the basic materials sector, these frameworks become indispensable simply because the business model relies so heavily on finite resources and massive upfront investments. In practice, strong governance serves to buffer against internal disputes while paving the way for superior fiscal results.

The Relationship of Insider Shareholding on Financial Performance

Conceptually, insider shareholding reflects the specific mechanism through which internal corporate actors primarily those on the board of directors and the commission secure actual equity within the enterprise (Kyeré, 2021). It reveals much. What often escapes notice is how this variable quantifies the exact degree to which the leadership team transitions from mere overseers to legitimate equity stakeholders. The empirical reality points elsewhere: deeper internal ownership binds the fiscal trajectory of the firm directly to the private financial standing of those calling the shots (Pelawi & Pelawi, 2023). Stakes are high. Executives no longer simply manage an organization; they experience the granular shocks and rewards of every strategic pivot they authorize. Analysts frequently leverage this specific indicator to determine if self-interest is effectively driving a more resilient path toward profitability (Jensen & Meckling, 1976).

Building on this, agency theory posits that the tension generated by mismatched priorities between outside investors and internal managers tends to dissipate when those at the top hold a stake in the business (Kyeré, 2021). Interest merges. Curiously, the hybrid identity of serving as both a hired agent and a legal owner creates a synchronization where managerial motives reflect the desires of the general shareholder base (Cahyani et al., 2024). This removes waste. In practice, this structural shift drives down the overhead of monitoring while instilling a rigorous level of prudence in the board's collective decision-making process. Ownership also stretches the strategic timeline. Decisions gravitate toward the preservation of long-term value, as the leadership's personal wealth is intrinsically tied to the firm's enduring stability (Rahaman et al., 2025).

Research Results: Wahid et al. (2023) maintain that internal equity structures serve as a catalyst for elevating the Return on Assets (ROA). The trend holds. Data from Alsayed (2024) observes that internal equity ownership exerts a profound influence on firm-wide results by sharpening the teeth of oversight and boosting the intellectual rigor of policy choices. This is no fluke. As it turns out, Rahaman et al. (2025) determined that when managers hold stock, their goals become indistinguishable from those of the owners, which inherently elevates the company's financial posture. Skin in the game yields results. Shared economic destiny successfully minimizes friction while facilitating superior governance.

H1: Insider shareholding has a positive and significant effect on financial performance

The Effect of Board Size on Financial Performance

The total count of directors seated within a corporation, formally labeled as board size, serves as a quantitative benchmark for structural oversight (Kyeré, 2021). This metric clarifies how precisely a firm can regulate and steer its day-to-day functions and long-term commercial goals. It dictates outcomes. Curiously, an expansion in the number of board members often broadens the spectrum of technical skills, historical professional experience, and alternative viewpoints available to the firm, which in turn elevates the overall caliber of strategic choices (Lehri et al., 2024). Such a setup assists businesses in refining their internal frameworks and streamlining administrative efficiency (Wijaya & Memarista,

2024). In practice, the board acts as a guardian for investor capital while defining the company's path.

Agency theory interprets the board of directors as a localized governance instrument designed to shrink the natural friction existing between executive management and shareholders (Kyere, 2021). Monitoring remains its core function. It ensures that those leading the firm remain strictly aligned with the targets set by owners. The sheer volume of the board enables a better distribution of supervisory burdens. Control happens then (Silpachai et al., 2024). Interestingly, a diverse board size offers a polyphony of viewpoints during deliberations, preventing the final verdict from being colored by a singular, potentially flawed perspective. A logical structure fosters accountability. This dynamic naturally enhances the quality of corporate resolutions (Hindasah et al., 2021).

Earlier empirical efforts by Kyere (2021) found that board size exerts a positive pressure on monetary outcomes. Oversight is key. Such conclusions arise from the observation that bigger boards usually maintain a tighter grip on supervisory duties, which stabilizes the bottom line. Additional findings from Hindasah et al. (2021) clarify that board size positively impacts financial success, specifically Return on Assets (ROA). Structure drives success. These insights are echoed in the work of Al-shaer & Alnajjar (2024), which suggests that a higher headcount welcomes heterogeneous expertise, assisting companies in reaching more sophisticated decisions while boosting profitability. What often escapes notice is that board size can tighten oversight, sharpen intellectual contributions, and ultimately foster a superior environment for growth. Firms with more substantial boards are typically expected to demonstrate resilient fiscal health because of heightened scrutiny and deep pools of specialized knowledge. This points to a clear, constructive link between board size and institutional prosperity.

H2: Board size has a positive and significant effect on financial performance

The Influence of Independent Boards on Financial Performance

Defining a truly independent board member requires a complete absence of any material or personal entanglement with the firm's executive management or those wielding majority voting power (Kyere, 2021). Autonomy is the core standard here. Curiously, the overarching ambition behind recruiting these outsiders is to sharpen the lens of monitoring objectivity while cementing a culture of rigorous institutional answerability (Elsayed et al., 2024). A high ratio of such unaffiliated directors naturally promotes a transparent environment, bolstering the weight of corporate reports and the level of trust felt by market participants (Solikhah & Suryandani, 2022).

Viewing the firm through the prism of agency theory reveals that independent directors act as a critical internal firewall, essential for curbing the inherent tensions that emerge between executive maneuvers and shareholder aspirations (Jensen & Meckling, 1976). Friction creates heavy costs. Their functional purpose involves vetting managerial choices by utilizing a specialized wealth of knowledge and a clinical, detached perspective to prune agency costs and force strategic alignment with the true owners (Al-shaer & Alnajjar, 2024). Essentially, these boards serve as a barrier against executive self-dealing,

dramatically increasing the odds that corporate governance remains effective and transparent (Kristiani & Ekadjaja, 2025). Rigorous oversight enforces a cautious and purely goal-centric discipline within the executive suite.

Kyere (2021) indicated that having autonomous voices on the board provides a palpable boost to overall financial success. These figures are striking. In a similar vein, research spearheaded by Kiptoo et al. (2021) validates that independent boards serve as catalysts for upgrading governance quality, which naturally results in superior profit margins. This empirical reality is further anchored by Elsayed et al. (2024) who highlight that such independence refines the caliber of supervision, enabling smarter corporate maneuvering and a concrete expansion of financial value. Moreover, Solikhah & Suryandani (2022) maintain that these boards hold a measurable and positive influence over firm outcomes. These findings imply that an unaffiliated board effectively suffocates the potential for financial report manipulation or the siphoning of company resources. Supervision keeps assets secure.

H3: Independent boards have a positive and significant effect on financial performance

The Influence of Board Gender Diversity on Financial Performance

The specific ratio of men and women occupying seats within the highest echelon of corporate leadership defines what we recognize as board gender diversity (Aljammaz et al., 2023). What often escapes notice is that such inclusion injects a broader spectrum of cognitive angles into the room, effectively deepening boardroom dialogue and securing a far more nuanced approach to navigating complex executive choices (Miharja & Hakim, 2023). Building on this, agency theory posits that having women in director roles actively fortifies oversight mechanisms, which in turn stifles the tendency for management to act in their own self-interest at the firm's expense (Ain et al., 2020; Harijanto et al., 2023).

As it turns out, empirical evidence from Brahma et al. (2021) and Simionescu et al. (2021) clearly illustrates that a measurable uplift in financial results often follows board diversification, primarily because it shifts the gravity of meeting discussions toward higher quality and more efficient strategic outputs. Diverse insights drive results. When a board embraces varied life experiences, risk mitigation becomes substantially more granular, and the monitoring of executive maneuvers gains a sharper edge, ensuring that corporate paths remain anchored in enduring, long-range profitability. The empirical reality points elsewhere: this perspective is deeply mirrored in work by Sari & Fitriani (2023), who argue that a gender-mixed board directly redefines the standard of governance and the vigilance of internal supervision. Such variety in the boardroom offers a fresh set of eyes on systemic risks while catalyzing superior choices. In practice, a stronger female presence is frequently a catalyst for more robust fiscal health, creating a logical premise that gender-balanced leadership remains a powerful driver of economic success.

H4: Board gender diversity has a positive and significant effect on financial performance

The Effect of Audit Committee Meetings on Financial Performance

Functionally, the audit committee gathers primarily to maintain a watchful eye over the integrity of financial disclosures, internal safeguard mechanisms, and the intricate maneuvers of corporate management (Kyere, 2021). Vigilance intensifies with every meeting (Fatikasari & Wijayati, 2025). Seen through the prism of agency theory, a consistent schedule for these committees tends to throttle misinformation and polish the overall quality of oversight exerted upon those in charge (Aisyah Yuliyanti, 2023;Qeshta et al., 2021). This more intensive supervision can also increase transparency and encourage management to work more carefully in managing the company.

The evidentiary record from Afenya et al. (2022) indicates that these assemblies are forecasted to yield a measurable uplift in a firm's fiscal outcomes. Intense interaction fuels better monitoring. Following this logic, Qeshta et al. (2021) argue that these sessions foster profit growth specifically by thwarting deceptive practices and the arbitrary exploitation of high-level authority. In practice, routine gatherings facilitate sharp communication, ensure that participants stay on the same page, and effectively weld together different facets of organizational control (Fatikasari & Wijayati, 2025). A dense calendar of meetings usually mirrors a surge in financial success.

H5: Audit committee meetings have a positive and significant effect on financial performance

3. RESEARCH METHOD

The current project utilizes a causal-associative blueprint to disentangle the mechanisms through which specific independent factors (X) drive changes within the designated dependent variable (Y) (Sugiyono, 2013). Our total population consists of 109 Basic Materials organizations that held active listings on the Indonesia Stock Exchange during the period spanning 2021 to 2024.

Population and Sample

The investigation targeted 109 organizations within the basic materials domain officially listed on the IDX between the years 2021 and 2024. This work analyzes panel data. By doing so, the study blends longitudinal time-series metrics with a broad cross-sectional view of the industry. Researchers selected participants using a purposive sampling strategy based on several non-negotiable thresholds. The sampling technique used is purposive sampling. The sample was selected based on several criteria to ensure the availability and completeness of data required for the analysis. The sample selection process is presented in Table 1.

Table 1. Sample Selection

No	Criteria	Number of Companies
1	Basic Materials companies listed on the Indonesia Stock Exchange (IDX) during 2021–2024	109

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2	Companies that did not publish complete annual reports for the period 2021–2024	52
	Final Sample of Companies	57
	Observation Periode (2021-2024)	4 Year
	Total Firm-year observations	228

Source : IDX (Data processed, 2025)

Research Variables and Operational Definitions

Variable Dependency

The dependent variable is financial performance, proxied by ROA (Firman & Syakiriyah, 2024). The mathematical formula :

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

Independent Variables

Insider shareholding

Insider shareholding is the ownership of shares by internal parties, namely directors, managers, or other members of the company's management (Kyere, 2021).

$$IS = \frac{\text{Number of shares owned by board members}}{\text{Total outstanding shares}} \times 100$$

Board size

Board size refers to the number of members of the company's board of directors who play a role in supervising and making important decisions for the company (Kyere, 2021).

$$BS = \text{Number of Board Members on the Company Board}$$

Independent board

An independent board is composed of external members who do not have a relationship with management, enabling them to carry out supervision in a more objective manner (Kyere, 2021).

$$IB = \frac{\text{Number of independent commissioners}}{\text{Total number of commissioners}} \times 100$$

Board gender diversity

Board gender diversity represents the proportion of male and female members serving on the company's board of directors (Aljammaz et al., 2023).

$$BGD = \frac{\text{Number of Female Board Directors}}{\text{Total number of directors}} \times 100$$

Audit committee meetings

Audit committee meetings are held at the frequency and number specified by the audit committee to discuss and supervise the company's financial statements and information (Kyere, 2021).

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ACM = Number of audit committee meetings

Variable Control

Firm size

At its core, the concept of firm size serves as a vital indicator of corporate reach, calculated predominantly through the total volume of assets a company commands (Kyere, 2021).

$$FS = \ln(\text{Total Aset})$$

Regression Model

To unravel the ways corporate governance configurations interact with fiscal performance outcomes, the study deploys the linear architecture presented below. The model of the research equation is formulated as follows:

$$ROA = \beta_0 + \beta_1 IS + \beta_2 BS + \beta_3 IB + \beta_4 BGD + \beta_5 ACM + \beta_6 FS + \varepsilon_i$$

Where :

ROA = Return on Assets

β_0 = Constant

$\beta_1 IS$ = Regression coefficient of Insider Shareholding

$\beta_2 BS$ = Regression coefficient of Board Size

$\beta_3 IB$ = Regression coefficient of Independent Board

$\beta_4 BGD$ = Regression coefficient of Board Gender Diversity

$\beta_5 ACM$ = Regression coefficient of Audit Committee Meetings

$\beta_6 FS$ = Regression coefficient of Firm Size

ε_i = Error term

Data Analysis Techniques

All rigorous data processing tasks occurred within the EViews 13 software ecosystem. This procedure moved systematically through basic statistical profiling, the selection of specific panel-data frameworks, and stringent tests of classical assumptions alongside core hypothesis verification. Order mattered. Determining whether a Common, Fixed, or Random Effect orientation provided the best fit required the execution of both Chow and Hausman diagnostic tests. Math chose the path. Empirical results eventually confirmed that the Fixed Effect Model (FEM) offered the highest reliability. As it turns out, the investigators also screened for multicollinearity and heteroscedasticity. Data processing and analysis in this study were conducted using EViews 13. This software was chosen because it can process panel data more accurately and handle variations across companies (cross-section) and over time (time series), resulting in more precise and reliable analysis results.

4. DATA ANALYSIS AND DISCUSSION

Descriptive Statistics

Table 2. Descriptive Statistics

Variable	Mean	Median	Maximum	Minimum	Std. Dev
FP	2.422933	2.782022	26.55980	-54.10466	8.816008
IS	0.075088	0.000831	0.739182	0.000000	0.162373
BS	4.337719	4.000000	15.00000	2.000000	2.068215
IB	43.53070	40.00000	75.00000	25.00000	11.42532
BGD	0.093823	0.000000	0.500000	0.000000	0.134054
ACM	8.706140	4.000000	80.00000	2.000000	11.93546
FS	28.63178	28.58250	32.87984	25.10558	1.797095

Source: Output Eviews 13

Based on the descriptive statistics, the financial performance (ROA) variable has a mean of 2.422933, with values ranging from -54.10466 to 26.55980 and a standard deviation of 8.816008, indicating considerable variation in financial performance among the sample companies. Insider shareholding (IS) has a relatively low mean of 0.075088, suggesting that managerial ownership remains limited in most companies. Board size (BS) averages 4.337719 members, while the independent board (IB) has an average proportion of 43.53070%, indicating that independent commissioners account for nearly half of the board composition. Board gender diversity (BGD) records a mean of 0.093823, reflecting the relatively low representation of female directors. Audit committee meetings (ACM) average 8.706140 meetings per year, although the wide range indicates substantial differences in meeting frequency across companies. Firm size (FS) has a mean of 28.63178 with a relatively small standard deviation of 1.797095, suggesting that the sample companies are relatively similar in size.

Model Selection Analysis Test

The empirical data suggests that the variance between sampled observations is somewhat restricted. The Chow test yielded a probability value of 0.0000, falling well below the 0.05 threshold. Parallel to this, the Hausman test produced a p-value of 0.0001, which is likewise under the 0.05 alpha level. These findings dictate that the Fixed Effect Model (FEM) is mathematically superior to the Random Effect Model (REM) for this dataset.

Classical Assumption Test

Multicollinearity Test

Within this diagnostic framework, a model avoids the pitfalls of multicollinearity if the correlation between independent variables stays under the 0.8 mark. Every pair measured in this study satisfied that condition. In practice, all correlation coefficients landed safely below 0.8, meaning the regression model is robust and all selected variables are fit for purpose.

Table 3. Multicollinearity Test Results

Variables	IS	BS	IB	BGD	ACM
IS	0.077248	1.000000	-0.197473	-0.023067	0.044071
BS	0.077130	-0.197473	1.000000	-0.037589	-0.076125
IB	-0.040292	-0.023067	-0.037589	1.000000	-0.033407
BGD	0.079161	0.044071	-0.076125	-0.033407	1.000000
ACM	-0.009192	-0.149741	0.148233	0.115178	0.050003

Source: Output Eviews 13

Heteroscedasticity Test

Regarding the heteroscedasticity evaluation, the results showed that all p-values were strictly greater than 0.05. This finding confirms that the research model is untainted by heteroscedasticity. It fully aligns with classical econometric requirements.

Table 4. Heteroscedasticity Test Results

Statistic	Value	p-value
F-statistic	0.318275	0.9979
Obs*R-squared	6.802109	0.9973

Source: Output Eviews 13

Multiple Linear Regression Test

Table 5. Hypothesis Test Results

Notation	Statistical Hypothesis	Using control variables		Without using control variables		Remarks
		Coefficient	Probability	Coefficient	Probability	
H1	IS → FP	71.64594	0.0011	74.99417	0.0009	Accepted
H2	BS → FP	-0.178017	0.8885	-0.456891	0.7256	Rejected
H3	IB → FP	-0.69304	0.3837	-0.099826	0.2193	Rejected
H4	BGD → FP	-21.99758	0.0287	-21.90240	0.0339	Accepted
H5	ACM → FP	0.107337	0.4396	0.106640	0.4549	Rejected

Source: Output Eviews 13

Statistical protocols mandate that a hypothesis is granted acceptance only when the observed p-value slips beneath the 0.05 threshold, whereas any figure exceeding this specific boundary results in an immediate rejection. Numbers dictate the logical path here. Research accuracy is bolstered through the integration of control variables, which effectively isolate the primary phenomena from extraneous noise, while models lacking these parameters focus purely on the unmediated link between independent variables and corporate returns. The empirical data shows that. Once these control factors were locked in, both the IS variables demonstrated a robust positive momentum, yet the BGD variable conversely pulled financial performance into a sharp negative trajectory. As it turns out, BS, IB, and ACM were effectively inert. Even without the intervention of control variables, the IS variable maintained its positive influence and the BGD factor remained a drag on performance, while the neutral status of BS, IB, and ACM did not waver. Building

on this, the R-squared metric of 0.063520 reveals that roughly 6.35% of the total movement in financial performance is actually explained by the specific independent variables included in this framework.

Discussion

The Influence of Insider Shareholding on Financial Performance

The study's results show a significant relationship between insider shareholding and financial performance. As insider shareholding increases, financial performance tends to improve (Pelawi & Pelawi, 2023). These findings align with agency theory, which holds that management shareholding can align managers' and shareholders' interests. Managers who also own stocks will be more careful in making decisions because they share the risks and benefit from those decisions. Based on research, companies without insider shareholding still perform better financially than those with insider shareholding. This shows that insider shareholding is an important factor in improving financial performance.

The results of this study align with those of Wahid et al. (2023), which show that insider shareholding can improve financial performance, as measured by ROA. Similar findings were also put forward by Alsayed (2024) and Rahaman et al. (2025), who argue that insider shareholding can strengthen supervision, improve decision-making quality, and align interests between management and shareholders. These conditions tend to increase financial performance as insider shareholding grows.

The Effect of Board Size on Financial Performance

The results showed no significant relationship between board size and financial performance. In theory, a larger number of board sizes should increase supervision. However, based on research data, the number of board members in sample companies is not much different; most range from 3 to 5. This condition shows that small data variations make the board size unable to explain changes in financial performance. In addition, excessively large board sizes can create coordination difficulties and slow decision-making.

These findings are in line with research by Yeboah et al. (2025) and Al-shaer & Alnajjar (2024), which shows that board size does not affect financial performance. Research by Mondal & Sahu (2023) also states that what is more important is not the number of board members, but the quality, ability, and experience of its members. Therefore, although the number of board sizes is large, if they are not supported by high-quality financial performance, they will not increase significantly.

The Influence of Independent Boards on Financial Performance

The results show that there is no significant relationship between independent boards and financial performance. In theory, the independent board supervises management to ensure it runs well. However, based on research data, even though the number of independent boards is in accordance with the rules, it does not affect financial performance. This is likely to happen because the role of independent boards remains largely formalistic, and they have not been actively

involved in decision-making. In addition, limited information and a lack of involvement in the company's operations hinder the optimal operation of the supervisory function.

The results of this study are in line with the research by Addina & Harmain (2023), which indicates that the existence of an independent board has no significant effect on financial performance, since an increase in the number is not always followed by an increase in performance, and more importantly, the quality of supervision performed. These findings are also supported by Ernawati (2021), who states that an independent board does not have a significant effect on the company's profitability, so its existence does not necessarily have a direct impact. In addition, according to Putri et al. (2026), an independent board is responsible for ensuring the company's transparency and accountability. However, in reality, the role is often limited to formalities, with little impact on financial performance. Thus, the existence of an independent board is not enough; it must also be assessed by the effectiveness of its roles and the level of involvement in carrying out the supervisory function.

The Influence of Board Gender Diversity on Financial Performance

The study's results indicate that board gender diversity negatively and significantly affects financial performance. Theoretically, board gender diversity is expected to improve corporate oversight and decision-making processes (Ararat et al., 2021). However, according to the research, most companies do not have women on their boards of directors. This indicates that board gender diversity remains low, resulting in no positive impact on financial performance. In addition, the limited number of women on the board means that their role is not yet strong enough to influence corporate policy decisions.

The findings of this study are consistent with Michael & Morales (2026), who state that board gender diversity negatively affects financial performance because the number of women on boards remains limited, thereby making their role in decision-making less effective. Furthermore, Yusuf Ahmed Tijjani (2026) explains that low female representation limits women's Influence on the board and often views them merely as a complement to the company's structure. As a result, board gender diversity has not optimally improved financial performance.

The Effect of Audit Committee Meetings on Financial Performance

The study found no significant relationship between audit committee meetings and financial performance. Based on research data, the company has held audit committee meetings in accordance with the rules at least 4 times per year. However, the number of audit committee meetings does not affect financial performance. This is likely because meetings are often held merely to meet regulatory requirements, not to improve financial performance. In addition, the results of the meeting may not be properly followed up on, so they do not have a real impact.

The results of this study are consistent with the findings of Al-Homaidi et al. (2021), who found that audit committee meetings have no significant effect on financial performance. This shows that the increase in the number of audit

committee meetings does not automatically increase financial performance, but tends to increase operational costs. In line with research by Bazhair (2022), which finds that too frequent meetings can reduce efficiency because they are often held only to meet regulatory requirements. In addition, according to Lisbeth & Sari (2025), Improvement audit committee meetings do not necessarily provide significant benefits to financial performance. Thus, an audit committee meeting is not the main determinant of financial performance; rather, it is the quality of the meeting and the effectiveness of the results.

The Effect of Firm Size on Financial Performance

The study's results show a significant relationship between the control variable (firm size) and financial performance. This means that larger companies tend to perform better financially. Based on research, companies with large assets are better able to manage resources. In addition, large companies also have easier access to funding and more efficient operational systems.

The results of this study are also supported by previous research showing that firm size positively affects financial performance. Companies with large assets are more efficient, easier to fund, and more competitive. This aligns with research by Julietha (2021) and Sinaga et al. (2024), which indicates that firm size can increase profitability through more efficient resource use and better asset management. In addition, research by Suyono, N. A., & Priyatmoko, (2024) and Gunawan et al. (2022) found that larger firms tend to generate higher profits, thereby improving financial performance. Thus, firm size is an important factor in improving financial performance.

5. CONCLUSION & SUGGESTION

This inquiry navigates the intricate interplay between internal governance frameworks and the actual financial outcomes of basic materials entities trading on the Indonesia Stock Exchange throughout the 2021–2024 window. The methodology is precise. Utilizing a panel-data fixed-effects approach, the model scrutinized insider shareholding, board magnitude, independent directors, gender representation, and audit frequency as primary drivers for Return on Assets (ROA). A control was needed. By including firm size as a stabilizing variable, the study isolated how specific leadership traits ripple through the ledger.

The empirical reality points elsewhere: the data reveals that having skin in the game through insider ownership and maintaining a large organizational footprint act as powerful catalysts for profit, yet gender diversity within the board appeared to drag the financial trajectory downward. The numbers speak. Curiously, the mere headcount of the board, the presence of independent figures, and the rhythm of audit meetings failed to shift the needle on ROA in any meaningful way. It turns out that a checklist of structures is insufficient. True gains arise from the operational grit of supervision and the sharp edge of decision-making rather than the static architecture of the boardroom. Managerial equity and sheer company scale remained the true engines of growth.

Market participants would do well to scrutinize management's equity stakes and total assets when weighing potential investments in this sector. Logic dictates focus. For the corporations themselves, the priority must shift from satisfying governance quotas to sharpening the actual bite of oversight and strategic choices. Scholars looking at this next should perhaps cast a wider net across different industries. Building on this, extending the timeline beyond a few years could also reveal if these idiosyncratic trends survive a shifting economic tide.

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