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The Effect of Corporate Governance and Ownership Structure on the Firm Performance: The Case of State-owned Enterprises Listed on the Indonesia Stock Exchange

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Abstract
This study aims to examine the influence of corporate governance and ownership structure on firm performance and firm value of State-Owned Enterprises (SOEs) listed on the Indonesia Stock Exchange (IDX). The corporate governance variables used include the size of the board of commissioners, the proportion of independent commissioners, and the existence of an audit committee, while the ownership structure variables consist of government ownership, institutional ownership, and foreign ownership. Firm performance is measured using Return on Assets (ROA), while firm value is measured by the Tobin's Q ratio. The study population is State-Owned Enterprises (SOEs) listed on the Indonesia Stock Exchange, with a sample of 19 companies selected through a purposive sampling method. The data analysis technique uses multiple linear regression with the help of EViews software. The results show that the size of the board of commissioners, independent commissioners and audit committee do not significantly affect ROA or Tobin's Q. Government and institutional ownership have a significant positive effect on firm value, but do not affect financial performance. Meanwhile, foreign ownership has a significant positive effect on both performance and firm value. The control variables show that company size does not affect performance, but has a significant negative effect on firm value. In addition, leverage (DER) has a significant negative effect on profitability but not on firm value.

Keywords: Corporate Governance, Ownership Structure, Corporate Performance, Corporate Value, State-Owned Enterprises

1. Introduction

State-owned enterprises (SOEs) play a crucial role in the national economy. As economic actors tasked with providing public services while generating profits for the state, SOEs face significant challenges in maintaining healthy financial performance while implementing good corporate governance principles (Sutrisno & Mulyani., 2019). Transparency, accountability, and efficiency are key to remaining competitive amidst global competition. GCG issues in SOEs are frequently

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highlighted, particularly regarding weak oversight, the ineffective role of audit committees, and the government's dominance as the sole owner without the involvement of other investors. Therefore, good governance and an appropriate ownership structure are believed to contribute to improving SOE performance, both in terms of profitability and market value.

The implementation of GCG is believed to strengthen transparency, accountability, and management integrity in company management. According to Ghazali (2020), good corporate governance serves as a control mechanism to mitigate agency conflicts arising from the separation of ownership and management. This aligns with the agency theory proposed by Jensen and Meckling (1976), which states that agents (management) often have conflicting interests with principals (owners), necessitating a supervisory system that aligns these two interests. In the context of state-owned enterprises (SOEs), this oversight is increasingly important because majority ownership rests with the government, which often creates potential conflicts of interest between political and economic objectives (Rahman & Reja, 2015).

Financial performance is one of the main indicators of managerial success in managing company resources. According to Haris et al. (2019), financial performance reflects a company's ability to generate profits from its assets. One of the most commonly used measures is Return on Assets (ROA), which illustrates the extent to which a company is able to optimize its assets to generate profits (Ahmed Haji, 2014). In the context of SOEs, ROA is considered more appropriate than other profitability ratios because it reflects the efficiency of the use of state assets managed by the company (Sutrisno & Mulyani, 2019).

In addition to financial performance, firm value is also a crucial focus in assessing the success of a business organization. Firm value represents investors' perceptions of the company's future prospects (Tamrin & Maddatuang, 2019). Tobin's Q ratio is widely used to measure firm value because it reflects market expectations of management's ability to create long-term value (Ferial et al., 2016; Tobin, 1969). High firm value indicates market confidence in the company's governance and future growth prospects (Mahendra, Artini, & Suarjaya, 2012).

Various previous studies have shown that corporate governance mechanisms significantly influence both firm performance and value, although the results are inconsistent. Research by Sutrisno & Mohamad (2019) found that a larger board of commissioners significantly improves firm performance because the board's role is to supervise and control the board of directors, enabling them to direct the board's work toward the company's objectives established at the general meeting of shareholders. This contrasts with research by Utama & Utama (2019) that, to a certain extent, a very large board reduces firm performance. Independent boards of commissioners, acting as management oversight bodies, also show mixed results; some studies show a positive effect on performance (Pratiwi, 2022), while others find no significant effect (Kartorahardjo, 2022). Audit committees, which ensure transparency in financial reporting, also show mixed results: some researchers find a positive effect on performance (Fitri et al., 2021; Wardati et al., 2021), while others show insignificant results (Kurniawan & Fadjrih, 2020).

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In addition to governance, ownership structure also plays a significant role in determining managerial behavior and firm performance. Government ownership is often associated with stability and financial support (Indarwati, 2018), but can also lead to inefficiencies due to dominant political objectives. Institutional ownership is believed to strengthen the oversight function of management (Widianingsih, 2018). However, research by Natalia et al. (2022) shows no significant effect. Meanwhile, foreign ownership tends to increase efficiency and quality of governance because foreign investors bring more professional managerial practices (Suto & Toshino, 2020).

2. Literature Review and Hypotheses Development

Agency Theory

This research is based on the agency theory proposed by Jensen and Meckling (1976). This theory explains the relationship between company owners (principals) and management (agents), where each party seeks to maximize its own interests. According to Indrastuti (2021), agents have a responsibility to improve the welfare of company owners. However, in practice, agents often have personal interests that are at odds with the owners' goals, giving rise to agency conflicts. To minimize these conflicts, company owners implement various oversight mechanisms to ensure that management acts in the interests of shareholders and does not abuse their rights.

Board of Commissioners and Corporate Performance

The board of commissioners is an independent supervisory body tasked with overseeing executive policies and performance. While the board of commissioners is not directly involved in day-to-day management, it does have strategic oversight responsibilities. Board members are responsible for reviewing and deciding on the methods to be used for the company's internal control system (Shukeri, Shin, & Shaari, 2012). Tornyeva and Wereko (2012) explain that several board members with diverse experiences and skills are often found on large company boards. The involvement of the board of commissioners in decision-making, managerial oversight, and its contribution to firm performance through effective policy implementation. Agency theory explains that the relationship between management and shareholders, in the event of a conflict of interest, is expected to reduce information asymmetry and ensure that management policies align with shareholders' interests.

H_{1a}: Board size has a positive effect on firm performance.
H_{1b}: Board size has a positive effect on firm value.

Independent Board of Commissioners and Corporate Performance

An independent board of commissioners is a board member who has no ownership, financial, or family ties to the company and is therefore expected to provide objective oversight (El-Habashy, 2019). The presence of an independent board is a crucial element of corporate governance to protect the interests of minority shareholders and minimize agency conflicts (Schank, 2019).

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Previous research has shown mixed results. Pratiwi (2022) found that the proportion of independent board commissioners has a positive effect on firm performance because it increases oversight effectiveness and transparency. Conversely, Fadillah (2017) and Darko et al. (2016) showed a negative effect because too many independent board members actually slow down decision-making. Kartorahardjo (2022) found that independent board commissioners have no significant effect on firm performance. In terms of firm value, Bekiaris (2021) and Argawal (2020) stated that independent boards have a positive effect because they increase investor confidence in the company's oversight mechanisms. However, Sulong and Nor (2008) and Fallatah and Dickins (2012) found that reducing the number of independent board members can actually maximize firm value.

H_{2a}: An independent board of commissioners has a positive effect on firm performance.
H_{2b}: An independent board of commissioners has a positive effect on firm value.

Audit Committee and Corporate Performance

The audit committee is part of the corporate governance mechanism established by the board of commissioners to assist in oversight of financial reporting and the performance of internal and external audits (Indrastuti, 2021). Based on agency theory, the audit committee functions to reduce information asymmetry between management and shareholders by verifying financial statements. Empirical research shows that an effective audit committee can improve reporting integrity and boost firm performance (Fitri et al., 2021). Wardati et al. (2021) and Shanti (2020) also found that the existence of an audit committee has a significant positive effect on financial performance. Meanwhile, research by Obradovich and Gill (2013) and Agyemang-Mintah and Schadewitz (2018) shows that audit committees have a positive impact on firm value by improving the quality of financial reporting. However, another study (Kurniawan & Fadjrih, 2020) showed insignificant results due to weak implementation of the oversight function in practice.

H_{3a}: Audit committees have a positive impact on firm performance.
H_{3b}: Audit committees have a positive impact on firm value.

Government Ownership and Corporate Performance

Government ownership refers to the proportion of shares held by the state in a company. In the context of state-owned enterprises (SOEs), the government acts as the majority shareholder, playing a role in determining strategic policies. According to Indarwati (2018), government ownership can improve performance through capital support and access to public resources. However, research by Rahman and Reja (2015) shows that government ownership actually has a negative impact on performance due to political and bureaucratic intervention that hinders efficiency. Several studies also show mixed results regarding firm value. Hersugondo (2018) found a positive effect, while Moore et al. (2019) found a negative effect due to the government's orientation, which focuses not solely on profitability but also on social and political interests.
H_{4a}: Government ownership has a positive effect on firm performance.

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H_{4b}: Government ownership has a positive effect on firm value.

Institutional Ownership and Corporate Performance

Institutional ownership refers to share ownership by institutions such as insurance companies, banks, pension funds, and other financial institutions. Institutional investors are considered to possess sufficient analytical capabilities and resources to effectively monitor management (Widianingsih, 2018). Based on agency theory, institutional ownership can mitigate agency conflicts through a strong monitoring function (Aliyah & Hermanto, 2020). Research by Suryani (2018) and Wicaksono et al. (2023) found that institutional ownership positively impacts firm performance and value because it increases managerial accountability and transparency. However, conflicting results were found by Natalia et al. (2022) and Kosasih and Mungniyati (2022), who found that institutional ownership had no significant effect on firm value.

H_{5a}: Institutional ownership positively impacts firm performance.
H_{5b}: Institutional ownership positively impacts firm value.

Foreign Ownership and Corporate Performance

Foreign ownership reflects the proportion of shares held by foreign investors, both individuals and institutions. Foreign investors generally bring modern management practices, operational efficiency, and better governance standards, which are expected to improve firm performance and value (Anggraini & Rachmawati, 2019). Research by Utama and Zulfikar (2019) found that foreign ownership positively impacts Return on Assets (ROA) and Tobin's Q of Indonesian companies. Suto and Toshino (2020) also stated that companies with a high proportion of foreign ownership have better reporting transparency and operational efficiency compared to fully domestically owned companies. However, research by Hasnawati and Sawir (2015) showed different results, indicating that foreign ownership does not always have a positive impact, especially if the investment is short-term.

H*6a*: Foreign ownership positively impacts firm performance.
H*6b*: Foreign ownership positively impacts firm value.

3. Method

Population and Sample

The population in this study consists of state-owned enterprises (SOEs), both parent companies and subsidiaries. Of the 31 publicly listed SOEs listed through 2024, 19 were selected as samples based on specific criteria using a purposive sampling method. The sample criteria were SOEs listed on the Indonesia Stock Exchange (IDX) consecutively from 2015 to 2024 and reporting their financial statements in rupiah. The observation period was ten years (2015 to 2024), resulting in 190 observations.

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Research Variables

This study includes two dependent variables: financial performance, measured by return on assets (ROA), firm value, measured by Tobin's Q, and six independent variables: board of commissioners size (BOCSZ), board of commissioners independence (INDCOM), audit committee (AC), government ownership (GOVOWN), institutional ownership (INSOWN), and foreign ownership (FOROWN). This study includes two control variables: firm size (COSZ) and leverage (DER). Table 1 shows the variables and measurements of each variable:

Table 1: Variable and Measurement

Variable	Measurement	Source
DependentVariable:		
Firm Performance (ROA)	Earning After Tax/Total Assets	Ahmed Haji (2014)
Firm Value (Tob_Q)	(MVE + Debt) /Total Asset	Tobin (1969)
Independent Variable:		
Board of Commission Size (BOC)	Number of Board of Commissioners	Sutrisno dan Mohamad (2019)
Board of Independent Commission (ICOM)	Number of Independent Commissioners /Total Number of Company Commissioners	Hamdan dan Al Mubarak (2017)
Audit Committee (AUC)	Total Number of Audit Committee Members	Farooque *et al.*, (2020)
Government Ownership (GOWN)	Number of Government Shares /Total Shares Outstanding	Ghazali (2020)
Institutional Ownership (IOWN)	Number of Institutional Shares /Total Shares Outstanding	Widianingrum dan Dillak (2023)
Foreign Ownership (FOWN)	Number of Foreign Shares /Total Shares Outstanding	Suto dan Toshino (2020)
Control Variable:		
Firm Size (SIZ)	Ln (Total Assets)	Ghazali (2020)
Leverage (LEV)	Total Debt/Total Equity	Raymond B. (2018)

Data Analysis

This quantitative research aims to determine the influence of corporate governance and ownership structure on firm performance and value. To test the hypotheses, panel data regression analysis was used. The panel data regression used combines cross-section and time-series data, using a multiple panel data regression model because it involves more than one independent variable. The cross-section data in this study are 19 State-Owned Enterprises (SOEs) listed on

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the Indonesia Stock Exchange (IDX). The time-series data ranges from 2015 to 2024. Because it uses two dependent variables, the panel data regression equation model is as follows:

Model 1: Firm Performance

$$ROA_{i,t} = \beta_0 + \beta_1 BOC_{i,t} + \beta_2 ICOM_{i,t} + \beta_3 AUC_{i,t} + \beta_4 GOWN_{i,t} + \beta_5 IOWN_{i,t} + \beta_6 FOWN_{i,t} + \beta_7 SIZ_{i,t} + \beta_8 LEV_{i,t} + \varepsilon_{i,t}$$

Model 1: Firm Value

$$Tob\_Q_{i,t} = \beta_0 + \beta_1 BOC_{i,t} + \beta_2 ICOM_{i,t} + \beta_3 AUC_{i,t} + \beta_4 GOWN_{i,t} + \beta_5 IOWN_{i,t} + \beta_6 FOWN_{i,t} + \beta_7 SIZ_{i,t} + \beta_8 LEV_{i,t} + \varepsilon_{i,t}$$

4. Results

Descriptive Statistics

To provide an overview of the research data, the following are the minimum, maximum, mean, and standard deviation for each variable. Table 2 shows the descriptive statistics for each variable:

Table 2: Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Tob_Q	190	-0.54	2.04	0.1569	0.37918
ROA	190	-0.14	0.28	0.0343	0.05393
BOC	190	2	11	6.3526	1.75989
ICOM	190	2	0.71	0.4605	0.11901
AUC	190	3	9	4.1158	1.28371
GOWN	190	0.51	0.91	0.6269	0.09887
IOWN	190	0.02	0.27	0.1316	0.05102
FOWN	190	0	0.40	0.1473	0.12384
COSZ	190	28.81	35.43	31.674	1.75244
LEV	190	-2.22	2.78	0.6755	0.98382
Valid N (listwise)	190				

Source: Data processed (Eviews, 2025)

The table above shows that the firm value (Tob_Q) which is the result of the logarithmic transformation of Tobin's Q has a mean value of 0.1569 with a maximum value of 2.04 and a minimum value of -0.54, while the company's performance value as measured by ROA has a mean of 0.0343 with a maximum value of 0.28 and a minimum value of -0.14. The size of the board of commissioners (BOC) has a mean value of 6.3526 with a maximum value of 11 and a minimum value of 2, which means that in general the company has around six members of the board of commissioners. Meanwhile, the proportion of independent commissioners (ICOM) has a mean value of 0.4605 with a maximum value of 0.71 and a minimum value of 2, indicating that this value has exceeded the OJK's minimum ideal value of 30%, thus indicating that the company has fulfilled the principles of good governance. Furthermore, the number of audit

committees (AUC) has a mean value of 4.1158 with a maximum value of 9 and a minimum value of 3, which indicates that the majority of companies have met the minimum requirements for the number of audit committees as stipulated by the OJK, which is a minimum of three members. In the ownership structure consisting of government ownership variables (GOWN), institutional ownership (IOWN) and foreign ownership (FOWN) have mean values of 0.6269, 0.1316, and 0.1473, respectively. Meanwhile, the control variable for company size (SIZ) has a mean value of 31.674 with a maximum value of 35.43 and a minimum value of 28.81. Finally, for the control variable for leverage that has been transformed by natural logarithm (LEV), it shows a significant improvement in distribution compared to LEV before transformation. LnLEV has a mean value of 0.6755 with a maximum value of 2.78 and a minimum value of -2.22.

Regression Model Selection

Before testing the classical assumptions in panel regression, the panel data must first be estimated using three models: the common effects model (CEM), the fixed effects model (FEM), and the random effects model (REM). Testing is essential to determine the most appropriate model for panel data regression, as each model (CEM, FEM, and REM) has different assumptions and characteristics. Model selection testing determines which model best fits the data structure. To select the best model from among the estimated models, several tests are performed, including the Chow test, the Hasuman test, and the Lagrange Multiplier test. The Chow test is used to select the best model between the common effects model (CEM) and the fixed effects model (FEM). The CEM is selected if the probability value is greater than 0.05, while the FEM is selected if the probability value is less than 0.05. The Hausman test is performed to select the best model between the fixed effects model (FEM) and the random effects model (REM), where FEM is selected if the probability value is less than 0.05, while REM is selected if the probability value is greater than 0.05. In addition, the Lagrange Multiplier (LM) test is used to compare the common effects model (CEM) and the random effects model (REM), with the provision that REM is selected if the probability value is less than 0.05, while CEM is selected if the probability value is greater than 0.05. The LM test is performed if the Chow test results show that CEM is better than FEM. A summary of the panel data regression model test results is presented in Table 3 as follows:

Table 3: Result of Chow-test, Hausman-test, dan LM-test

Type of Test	Tob_Q			ROA		
	Summary of Test Results					
Chow-test	Statistic	d.f.	Prob.	Statistic	d.f.	Prob.
	51.52793	18	0.0000	184.093451	18	0.0000
Hausman-test	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
	10.426150	8	0.2364	7.968776	8	0.4365

Source: Data processed (Eviews, 2025)

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Based on the Chow test above, it can be seen that both dependent variables, LNTOBQ and ROA, yield probability values <0.05, and the fixed effects model (FEM) is superior to the common effects model (CEM). Meanwhile, the Hausman test shows that LNTOBQ and ROA yield probability values >0.05, thus the best model is the random effects model (REM) compared to the fixed effects model (FEM). Therefore, the best model used in the panel data regression analysis of both variables, LNTOBQ and ROA, is the random effects model (REM), eliminating the need for a further LM test.

Based on the results of the Chow and Hausman tests, the most appropriate model for the research data is the random effects model for both regression models. The classical assumption test identified heteroscedasticity in the data; therefore, White Robust Standard Errors was performed. This method corrects the variance and standard error calculations of the regression coefficients without changing the regression coefficient values, resulting in valid t-test and f-test results even though the homoscedasticity assumption was violated. The following are the results of the random effect

Hypoteheses Test Result

To determine whether the hypothesis is accepted or rejected, the results of the significance test (t-test) are compared with the required significance level, which is below 0.05. If the t-value is <0.05, the hypothesis is accepted, meaning the independent variable significantly influences the dependent variable. Conversely, if the t-value is >0.05, the hypothesis is rejected, meaning the independent variable has no effect on the dependent variable.

The following are the results of the hypothesis test with random effects-White Robust Standard Errors obtained using EViews software:

Table 4: Hypotheses Test Result with Random Effect Model

	Tob_Q		ROA	
Variable	Coefficient	Prob.	Coefficient	Prob.
C	1.527603	0.1280	-0.314691	0.1370
BOC	0.002655	0.8843	-0.003770	0.1794
ICOM	-0.032316	0.9230	0.010404	0.6806
AUC	0.007146	0.7160	0.000992	0.5746
GOWN	2.525368	0.0111	0.036203	0.3436
IOWN	2.605986	0.0138	0.054960	0.5512
FOWN	2.998813	0.0001	0.204170	0.0153
SIZ	-0.118268	0.0038	0.010843	0.1170
LEV	-0.035568	0.5148	-0.058254	0.0000

Source: Data processed (Eviews, 2025)

Based on Table 8, the board size (BOCSZ) shows a probability value of 0.8843 for LNTOBQ and 0.1794 for ROA greater than 0.05. This indicates that board size does not significantly

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influence Tobin's Q or ROA. For firm performance (ROA), the negative coefficient indicates that increasing the number of board members tends to decrease profitability, although not significantly. This finding suggests that a larger board size does not automatically increase the effectiveness of the supervisory function. In the context of state-owned enterprises (SOEs), the addition of board members is often related to political representation, ministerial assignments, and regulatory compliance, making the board's function more administrative than strategic. A large board size can lead to coordination problems, slow decision-making processes, and increased agency costs, consistent with the Agency Theory argument that supervision does not become more effective simply because the number of members increases. This result is in line with research by Kusumawati (2006) and Hidayat (2017) which showed similar findings that a large board size does not increase SOE profitability but instead creates coordination problems. When measuring firm value using Tobin's Q, the positive but insignificant coefficient indicates that the market does not consider board size to be a determining factor in firm value. This finding supports the view of Dalton et al. (1999), who emphasized that board quality plays a greater role than board quantity. Therefore, the capital market values the substance of corporate governance rather than the formal structure of the board.

The proportion of independent board commissioners (INDCOM) in this study showed a probability value greater than 0.05 for both LNTOBQ and ROA variables, indicating that the proportion of independent board commissioners did not significantly influence firm value as measured by Tobin's Q or firm performance (ROA). This finding indicates that the presence of independent commissioners in state-owned enterprises (SOEs) does not play an effective oversight role. Based on Agency Theory, independent commissioners should mitigate agency problems. However, in SOE practice, this independence is often formalized due to limited authority, dependence on the majority shareholder (the government), and a bureaucratic culture that does not allow for aggressive oversight. This finding is consistent with research by Fitriani (2014) and Pratiwi (2018), which also showed that independent boards of commissioners tend to serve only as a formality without significantly influencing profitability or firm value. Meanwhile, several international studies, such as Klein (2002) and Agrawal & Knoeber (1996), also found that the presence of independent commissioners is not always effective in curbing earnings management practices or increasing firm value, especially if their role is weak and not truly independent.

The existence of an audit committee (AC) also showed a probability value greater than 0.05 for both Tobin's Q and ROA. The results of this test indicate that the audit committee has no statistically significant effect, despite having a positive coefficient on Tobin's Q and ROA. This indicates that the existence of an audit committee in a state-owned enterprise is not yet strong enough to influence profitability or market value. One reason is that the function of the audit committee in SOEs focuses more on compliance than strategic oversight, thus not directly contributing to increased operational efficiency. The results of this study align with Bedard et al. (2004), who stated that the existence of an audit committee does not automatically correlate with a company's financial performance, as its effectiveness depends on the quality of its human resources. Research in Indonesia by Wardhani (2008) and Sari (2016) further supports these

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results, showing that audit committees in SOEs are not yet able to optimally carry out their oversight function, thus not having a significant impact on profitability or firm value. This may occur because audit committees in SOEs tend to have limited authority and may not necessarily have sufficient resources or expertise to effectively suppress opportunistic management practices. Government ownership (GOVOWN) in this study shows a probability value of 0.111 lower than 0.05 so it is proven to have a positive and significant effect on firm value, but GOVOWN does not show a significant effect on profitability (ROA) with a probability value of 0.3436 which is greater than 0.05. This shows that the market views the presence of the government as a guarantor of stability, a risk reducer of default, and a provider of financial support when needed, but this finding indicates that the government's goal in managing SOEs is not solely to pursue profitability, but also various public assignments, social goals, and economic stability, so that short-term profits are not the main priority. This finding is in line with the research of Hersugondo (2018) and Sulistia (2018) which states that government ownership has a positive effect on firm value. Meanwhile, according to Ang and Ding (2006) it is stated that government ownership is more directed at social and political goals than increasing profits.

Based on the results of this study, institutional ownership (INSOWN) has a positive and significant effect on firm value but does not significantly affect profitability, as indicated by a probability value of 0.0138 <0.05 for Tobin's Q and 0.5512, which is greater than 0.05 for ROA. This indicates that the size of shares owned by institutional investors has not been proven to affect the level of profitability of SOEs. This indicates that institutional investors have not actively monitored SOE operations. However, the presence of institutional ownership is viewed by the market as a signal of quality governance and corporate credibility. From the perspective of Institutional Monitoring Theory, institutional investors increase legitimacy and oversight at the strategic level, although this is not always directly reflected in profitability. Public investors perceive institutional ownership as a positive signal, as institutions typically possess better analytical capabilities, experience, and resources for oversight. This finding aligns with research by Herawaty (2008) and Siregar and Utama (2005), which showed that institutional ownership positively impacts firm value by increasing credibility in the eyes of the market. The results of the hypothesis test for the independent variable of foreign ownership (FOROWN) show a probability value <0.05 for both the dependent variables Tobin's Q and ROA, which means that share ownership by foreign investors has been proven to have a positive and significant influence on firm performance and value. This indicates that foreign investors have succeeded in bringing higher governance standards, new technologies, modern managerial practices, and strong market discipline. This finding is in line with the research of Prasetyanto and Anis (2013) which found a positive influence of foreign ownership on firm value. An increase in stock prices can occur due to increased investor trust in the company. In this case, companies with a larger proportion of foreign ownership tend to gain higher trust from public investors. This is due to the perception that foreign investors have a better ability to assess firm performance and supervise management. Foreign ownership is thought to be one way to upgrade companies technologically in developing countries, through the direct import of new capital and technology (Benfratello and Sembenelli, 2002). The greater the involvement of foreign investors, the greater the potential for improving

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firm performance, considering that foreign investors generally bring superior management systems, technology, innovation, expertise, and marketing capabilities.

Conclusions and Recommendations

Based on the results of this study, using random effects with White robust standard errors as the best model, it was concluded that corporate governance variables consisting of board size (BOC), the proportion of independent commissioners (ICOM), and the existence of an audit committee (AUC) did not affect firm performance, as measured by Tobin's Q or ROA. This finding reinforces the theory that oversight effectiveness is not determined solely by the number of board members, but rather by their quality, competence, and independence. Practically, SOEs need to streamline board working mechanisms to improve operational efficiency, rather than simply increasing their size. The presence of independent commissioners in SOEs is considered incapable of providing strong control and mitigating agency problems. This theoretically indicates that the independence function is not functioning optimally in the context of SOEs that are still heavily influenced by the interests of the owner (government). This finding also aligns with previous studies that stated that audit committees can improve governance quality, but their effects are only noticeable if adequate authority, integrity, and meeting frequency are implemented to improve SOE performance.

The ownership structure variables, government ownership (GOWN) and institutional ownership (IOWN), have a positive and significant effect on firm value, but no effect on financial performance. This confirms that the market perceives government intervention as providing certainty and stability. However, a large portion of state ownership has not been able to improve the internal efficiency of SOEs, especially in increasing profitability. Furthermore, institutional investors are considered ineffective in acting as monitoring agents in increasing profitability; their presence influences market perceptions more than short-term performance. Meanwhile, foreign ownership (FOROWN) has a positive and significant effect on both Tobin's Q and ROA, thus confirming the hypothesis. This finding supports the theory that foreign shareholder involvement can increase efficiency, bring managerial discipline, transfer expertise, and international practices that enhance the performance and market value of SOEs. Foreign investors are perceived to increase long-term value through efficiency, technology, and global governance practices.

The results of this study are expected to be useful for management in making decisions regarding ownership structures that can significantly increase firm value. Furthermore, these results relate to foreign ownership (FOWN), where foreign investors play a significant role and have been shown to have a positive impact on both financial performance and firm value. These results can also be used by academics to supplement research on governance and ownership structure. This study has limitations, for example, it only analyzes a sample of SOEs listed on the Indonesia Stock Exchange (IDX). Therefore, this research can be continued by other researchers interested in delving deeper into the variables covered. It would be even better if future researchers were more detailed, objective and varied regarding the influencing variables so as to provide very precise decisions in improving firm performance.

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