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Firm Size, Good Corporate Governance, Capital Structure, and Financial Performance: Evidence from Food and Beverage Manufacturing Companies during 2021–2025

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Abstract

This study was conducted to examine the effect of firm size, good corporate governance, and capital structure on financial performance in food and beverage manufacturing companies. This research employed a descriptive quantitative method using secondary data obtained from the financial statements of companies listed on the Indonesia Stock Exchange (IDX). The population consisted of 83 companies, while 24 companies were selected as the research sample using the purposive sampling technique.
The results of this study indicate that firm size has a positive and significant effect on financial performance. Good Corporate Governance, proxied by independent commissioners, has no significant effect on financial performance. Meanwhile, capital structure has a positive and significant effect on financial performance.

Keywords: *Firm Size, Good Corporate Governance, Capital Structure, Financial Performance.*

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INTRODUCTION

The food and beverage (F&B) industry is one of the sectors that plays a strategic role in the Indonesian economy. This is due to the nature of its products, which are classified as basic necessities, resulting in relatively stable demand that continues to increase alongside population growth, rising income levels, and changes in consumer consumption patterns. Corporate financial performance is one of the main indicators used by investors and external stakeholders to assess a company's condition and future prospects. Financial performance reflects a company's financial condition as evaluated through financial analysis tools, enabling stakeholders to determine the company's financial health and development over a specific period (Kasmir, 2022).

Corporate financial performance is not only influenced by operational factors but also by internal and structural factors within the company. Important factors often associated with financial performance include firm size and Good Corporate Governance. Firm size refers to the scale that indicates the magnitude of a company, commonly measured by total assets, sales, and market value. Large firms generally have easier access to financing and relatively more stable risk levels than smaller firms (Gitman & Zutter, 2022). The larger the firm, the greater its ability to generate profits due to more efficient economies of scale. However, excessively large firms

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may also face challenges such as organizational complexity, lengthy bureaucratic processes, and potential inefficiencies in decision-making, which may affect financial performance.

Good Corporate Governance is also an important factor in determining corporate financial performance. Good Corporate Governance refers to a system that directs and controls a company in accordance with principles of sound governance, including transparency, accountability, responsibility, independence, and fairness (Tricker, 2021). The effective implementation of Good Corporate Governance can increase investor confidence and reduce the risk of agency problems within the company. When a company is able to implement sound governance practices, its transparency and accountability increase, which in turn improves operational efficiency and financial performance. Conversely, weak implementation of Good Corporate Governance may lead to inefficiency, abuse of authority, and declining corporate performance.

Capital structure is another important factor that may influence corporate financial performance. Capital structure refers to the proportion of a company's financing sources derived from long-term debt, preferred stock, and common equity used to finance operational and investment activities (Brigham & Houston, 2021). An appropriate capital structure can improve the efficiency of resource utilization and enhance financial performance. When a company is able to optimally balance the use of debt and equity, it may obtain lower financing costs and better financial flexibility. This condition enables the company to increase profitability and firm value in the eyes of investors. Conversely, an inappropriate capital structure may result in higher capital costs, increased bankruptcy risk, and lower financial performance.

Based on the above discussion, this study aims to analyze the effect of firm size, Good Corporate Governance, and capital structure on the financial performance of food and beverage companies during the 2021–2025 period.

Signaling Theory

Signaling Theory explains that companies attempt to convey information to external parties in order to reduce uncertainty arising from information asymmetry between management and investors. Parties with more information provide signals to parties with less information to support decision-making processes (Spence, 1973).

Agency Theory

According to Anthony and Govindarajan (2020), an agency relationship occurs when company owners delegate authority to management to carry out company activities and make decisions on behalf of the company. Agency Theory is used to explain the influence of firm size and Good Corporate Governance on corporate financial performance. Large firms tend to have more complex operational activities, higher levels of supervision, and a greater need for effective internal control. Such complexity may increase the potential for agency conflicts if it is not supported by an effective corporate governance system (Anthony & Govindarajan, 2020).

Financial Performance

Financial performance reflects a company's financial condition as analyzed through financial analysis tools, enabling stakeholders to determine the company's financial health and development over a specific period (Kasmir, 2022). Financial performance

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also refers to an analysis conducted to assess the extent to which a company has implemented financial management practices properly and in accordance with applicable standards (Fahmi, 2021). The indicator used in this study is Return on Assets (ROA).

Firm Size

Firm size reflects a company's operational and financial capacity, indicating its ability to manage assets and generate long-term profits (Ross, Westerfield, & Jordan, 2021). Firm size is also an indicator of the level of operational complexity influenced by total assets, sales volume, and the company's capital structure (Subramanyam, 2020). The indicator used in this study is the natural logarithm of total assets, or LN(Total Assets).

Good Corporate Governance

Good Corporate Governance refers to a set of systems, principles, and processes used to direct and manage a company in order to enhance firm value while protecting the interests of stakeholders (Mallin, 2022). It also functions as a corporate monitoring and control mechanism that ensures the company is managed effectively, transparently, and responsibly to achieve long-term organizational goals (Solomon, 2021). The indicator used in this study is the proportion of independent commissioners.

Capital Structure

Capital structure refers to the proportion of long-term debt, preferred stock, and common equity used in a company's total financing. An optimal capital structure minimizes the cost of capital and maximizes firm value (Brigham & Houston, 2021). Capital structure also represents decisions regarding the mix of long-term funds used by a company, whether from internal or external sources. This decision is important because it affects financial risk and firm value from the perspective of investors (Van Horne & Wachowicz, 2021). The indicator used in this study is the Debt-to-Equity Ratio (DER).

RESEARCH METHODOLOGY

This study employed a quantitative descriptive research design to examine the effects of firm size, Good Corporate Governance, and capital structure on the financial performance of food and beverage manufacturing companies listed on the Indonesia Stock Exchange (IDX). The study population consisted of all food and beverage manufacturing companies listed on the IDX during the 2021–2025 period, comprising a total of 83 companies. A purposive sampling technique was employed to select companies that met the predetermined research criteria, resulting in a final sample of 24 companies.

The study utilized quantitative secondary data obtained from the annual financial statements of the sampled companies for the 2021–2025 period. The financial statements were collected from the official website of the Indonesia Stock Exchange (IDX) at https://www.idx.co.id. Data processing and statistical analyses were conducted using the Statistical Package for the Social Sciences (SPSS).

Data Analysis Technique

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To examine the relationships between the independent and dependent variables, this study employed multiple linear regression analysis. The regression model is specified as follows:
[
$$FP = \alpha + \beta_1 FS + \beta_2 GCG + \beta_3 CS + \varepsilon$$
]
where:

- **FP** = Financial Performance
- **α** = Constant (intercept)
- **FS** = Firm Size
- **GCG** = Good Corporate Governance
- **CS** = Capital Structure
- **ε** = Error term

Multiple linear regression analysis was employed to determine the individual and simultaneous effects of firm size, Good Corporate Governance, and capital structure on corporate financial performance.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Standard Deviation
	Statistics	Statistics	Statistics	Statistics	Statistics
Profitability	120	-.48878	.79549	.0660800	.14914210
SIZE	120	24.90162	33.61543	28.9965259	1.74107471
GCG	120	.20000	.66667	.4016667	.08959396
DER	120	-23.61757	7.37820	.5663013	2.53584489
Valid N (listwise)	120				

Source: Data processed by SPSS, 2026

The profitability variable has a minimum value of -0.48878 and a maximum value of 0.79549, with an average value of 0.06608 and a standard deviation of 0.14914. A positive average value indicates that the company is generally able to generate profits. A negative minimum value indicates that some companies experienced losses during the study period. A standard deviation greater than the average indicates that the company's profitability level is quite variable.

The Company Size (SIZE) variable has a minimum value of 24.90162 and a maximum value of 33.61543. The average value of SIZE is 28.99653 with a standard deviation of 1.74107. This indicates that the company sizes in the research sample are relatively diverse, but the data distribution is still relatively good because the standard deviation is smaller than the average value.

The Good Corporate Governance (GCG) variable, proxied by independent commissioners, has a minimum value of 0.20000 and a maximum value of 0.66667. The average GCG value is 0.40167, or approximately 40.17%, indicating that the

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average proportion of independent commissioners in the sample companies has met the minimum requirements set by the regulator. The standard deviation of 0.08959 indicates that the GCG data is relatively homogeneous and does not have a large spread.

The Capital Structure (DER) variable has a minimum value of -23.61757 and a maximum value of 7.37820, with an average value of 0.56630 and a standard deviation of 2.53584. The standard deviation value, which is much larger than the average value, indicates that the solvency levels of the companies in the sample have quite high variations. A negative minimum value indicates that there are companies with negative equity, thus causing the DER value to be negative.

Hypothesis Testing Results

F Test (Goodness of Fit Test)

Goodness of Fit Test

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	.349	3	.116	13,168	.000 [b]
	Residual	.989	112	.009		
	Total	1,338	115			

Based on Table 4.14, a significance value of 0.000 was obtained. This significance value is smaller than 0.05 (0.000 < 0.05), so it can be concluded that the regression model used in this study is appropriate (goodness of fit) and can be used to explain the relationship between the independent and dependent variables. These results indicate that the research model has a good ability to explain variations in Financial Performance and is therefore suitable for use in further hypothesis testing.

Coefficient of Determination

Coefficient of Determination

Model	**R**	**R Square**	**Adjusted R Square**	**Standard Error of the Estimate**
1	.511 [a]	.261	.241	.09398922

The coefficient of determination (R^2) test is used to determine the extent to which the independent variables can explain the dependent variable. Based on Table 4.15, the R^2 value of 0.261 indicates that 26.1% of the variation in ROA changes can be explained by the variables Company Size, Good Corporate Governance, and Capital Structure. Meanwhile, the remaining 73.9% is explained by other factors outside the research model that were not included in this study.

t-test (Partial)

t-test

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	-.377	.162		-2,320	.022

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SIZE	.015	.006	.235	2,488	.014
GCG	-.012	.111	-.010	-.105	.917
DER	.017	.004	.406	4,866	.000

The Influence of Company Size on Financial Performance

The results of the study indicate that company size has a positive and significant effect on financial performance. This is indicated by a regression coefficient of 0.015, a t-value of 2.488, and a significance level of 0.014, which is less than 0.05. These results indicate that the larger the company size, the better its financial performance. Therefore, H1 is accepted.

Companies with large total assets generally have stronger resource capacity to support operational activities, business development, and investment. This also makes it easier for companies to obtain external funding because they are perceived to have greater stability than companies with smaller assets. With greater resource support, companies have the potential to conduct operational activities more efficiently, which ultimately can increase profits as a measure of the company's financial performance.

The Influence of Good Corporate Governance on Financial Performance

The results of the study indicate that Good Corporate Governance, as proxied by Independent Commissioners, does not significantly influence Financial Performance. This is indicated by a regression coefficient value of -0.012, a t-value of -0.105, and a significance value of 0.917, which is greater than 0.05. These results indicate that the presence of independent commissioners has not been able to significantly influence the company's financial performance. Therefore, H2 is rejected.

The existence of independent commissioners is essentially intended to strengthen the oversight function of company management. A high proportion of independent commissioners does not always guarantee effective oversight. This can occur because the independent commissioners' role is often suboptimal in strategic decision-making, or they are merely intended to comply with regulatory requirements.

The Influence of Capital Structure on Financial Performance

The results of the study indicate that capital structure has a positive and significant effect on financial performance. This is indicated by a regression coefficient of 0.017, a t-value of 4.866, and a significance level of 0.000, which is less than 0.05. These results indicate that the better a company's capital structure is managed, the better its financial performance will be. Therefore, H3 is accepted.

Capital structure reflects the combination of equity and debt used to finance a company's activities. Appropriate use of debt can help a company obtain additional funds to support operational activities and profitable investments. When these funds are used productively, the company will be able to increase revenue and profits, resulting in improved financial performance.

CONCLUSION

Firm size has a positive and significant effect on financial performance. This finding indicates that the greater the company's total assets, the better its ability to generate profits through more optimal resource management. Good Corporate Governance, proxied by independent commissioners, does not have a significant effect on financial performance. This suggests that the presence of independent commissioners has not been able to perform an effective supervisory function in improving the company's ROA. Capital structure has a positive and significant effect on financial performance, indicating that optimal debt management can improve the efficiency of fund utilization and enhance corporate profitability.

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