Int. j. adv. multidisc. res. stud. 2024; 4(3):1447-1454

Received: 02-05-2024
Accepted: 12-06-2024

International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

Analysis the Influence of Good Corporate Governance, Environmental Social Governance, Financial Strength, and Operational Efficiency on Financial Performance: Study of Energy Companies Listed in Indonesia Stock Exchange on 2016-2022

[1] Farra Wendisca, [2] K Bagus Wardianto, [3] Mediya Destalia
[1, 2, 3] Department of Business Administration, Faculty of Social and Political Science, Lampung University, Indonesia

DOI: https://doi.org/10.62225/2583049X.2024.4.3.2961
Corresponding Author: **Farra Wendisca**

Abstract
This study aims to determine the effect of GCG, ESG, financial strength, and operational efficiency on financial performance. The type of research used is associative using a quantitative approach. The sampling technique in this study used the purposive sampling method and obtained 76 company samples with observation time during 2016-2022. The data analysis technique used is panel data regression analysis using E-Views 12. The results of this study show that partially the variables GCG, ESG, and financial strength have an insignificant effect on financial performance. Operational efficiency variables have a significant effect on financial performance. The results of this study simultaneously show that GCG, ESG, financial strength, and operational efficiency variables have a significant effect on financial performance.

Keywords: GCG, ESG, Financial Strength, Operational Efficiency, and Financial Performance

1. Introduction

Globalization that continues to occur and technological developments have a positive and negative impact on society. However, with technological advances, it facilitates access to long-distance communication and facilitates access to international trade which can lead to new opportunities in building a business. Business development is basically to improve the welfare of owners by obtaining high profitability. The company must maintain the stability and sustainability of the company in order to be able to generate large profits (Wahyuni & K.H., 2018) [24]. The company's profit can affect the company's financial performance.

At the end of 2019, the emergence of the Covid-19 Pandemic and in 2022 followed by the Russia-Ukraine invasion, caused fluctuating movements in the profitability of energy companies in Indonesia. The Russia-Ukraine invasion caused the export price of natural gas and petroleum to increase so that the shift in the use of coal energy increased in the European region. Energy is a very important asset in a country with a large amount of energy reserves of a country, so energy security and domestic energy independence can be fulfilled. Energy is the foundation of nations, a source of power for economies, and a necessary component for economic stability (Banna *et al*., 2023) [2].

Financial performance is one of the company's strengths in carrying out its operations. Strong financial performance enables the company to ensure business continuity and long-term business expansion (Fastercapital-com, 2024) [7]. According to Rahmananda *et al*. (2022) [19] Companies that can survive and can even grow and develop need to pay attention to the company's financial performance. Financial performance is a description or picture of financial position and condition that can be translated using financial analysis tools (Aldo & As'ari, 2023) [1]. Financial performance as a representation of the achievement of the success of a company based on the company's activities that have been carried out (Medeline Effendie *et al*., 2022) [15].

Fundamental factors are factors originating from within the company that can be controlled by company management and can affect financial performance (Puspitarini, 2019) [18]. In Modigliani Miller II Theory (1963) states that the high level of profitability of a company will increase the value of the company because increased profitability will increase the amount of cash inventory. According to Herman (2023) [12] which reveals the most pertinent financial measures, including current liquidity, quick liquidity, general financial solvency, ratio of collection to payment time, return on equity, and return on assets, were used to assess the firms' equilibrium and financial performance. According to Batool & Sahi (2019) [3] The firm's financial performance can be assessed using return on equity, return on asset, and gross margin rate.

The increase in the company's financial performance will show the greater the company's sustainability opportunities. Any company's profitability is correlated with its financial performance (Batool & Sahi, 2019) [3]. Good corporate governance is a system used in supervising and managing business to provide value for all parties involved in the company.Corporate governance is the framework of rules, systems and processes in the corporation that governs the performance by the board of directors and management of their respective duties and responsibilities to the stockholders (Cayanan, 2023) [4].

Based on agency theory, it assumes both parties in the company have the motivation to take actions that benefit themselves. GCG will improve the responbility system to every indication of problems both internally and externally that can affect the company's operations and the achievement of the company's financial performance. According to Ferriswara *et al*. (2022) [8] GCG has a significant effect on financial performance. This is different from the results of research conducted by Aldo & As'ari (2023) [1] which says that GCG does not have a significant impact on financial performance.

ESG is a concept based on environmental, social and governance towards sustainable development, investment and business activities. Discovered proof demonstrating the economic benefits of ESG investing for the corporation (Huang, 2019) [13]. Stakeholder theory explained by freema (1984) "Stakeholders as any group or individual who is affected by or can affect the achievement of an organization's objectives". Therefore, the company's ESG disclosure is very important for the success of the stakeholder management strategy and is also related to the company's financial performance and future performance financing. The results reveal that ESG has a positive impact on financial performance (Wahdan Arum Inawati & Rahmawati, 2023) [23]. In contrast to this study which reveals that a random effects regression shows that the financial performance of multilatinas is negatively correlated with ESG scores (Grisales & Caracuel, 2019) [10].

Financial strength is a form of the ability of the company to meet its financial obligations and continue to operate in the near and long term. Financial strength covers various aspects of a company's financial stability and health. A firm's financial strength can be assessed using metrics including asset tangibility, leverage, company size, and liquidity (Supsermpol *et al*., 2023) [22]. The Modigliani-Miller II (1963) theory states that companies that optimize their capital are companies that use all capital derived from leverage. The greater the percentage of leverage in the company means that the company's operational and investment activities will be funded by debt so that the company's cash flow is in a safe or stable state. According to Gemilang & Wiyono (2022) [9] said that the level of financial strength proxied by leverage on the company has a negative impact on financial performance. But this is refuted by the existence of research that says the results show financial strength which is proxied by leverage the influence given to financial performance (Aldo & As'ari, 2023) [1].

Operational efficiency is the company's skill in operating its resources to maximize operational activities to generate revenue and implement effective management. According to Puspitarini (2019) [18] Factors that can be controlled by the company's management internally related to financial conditions and policies set by management. Modigliani-Miller II (1963) theory that with sales increasing, the profits obtained will increase due to cost savings in the production process. According to Widyaningrum & Hendrawan (2022) [25] The activity ratio can be used to analyze the company's ability to carry out the company's operational activities. According to Batool & Sahi (2019) [3] operational efficiency is proxied by total asset turnover have positive significant relationship with the financial performance proxied by return on asset. But this is contrary to the results of the study Dewi *et al*. (2019) [6] operasional efficiency What is proxied by total assets turnover does not have a significant effect on financial performance proxied by return on assets.

Based on the description of the phenomenon that has been explained, the hypotheticals in this study are as follows:

H_1: GCG partially has a significant effect on financial performance of energy companies listed in Indonesia Stock Exchange on 2016-2022.

H_2: ESG partially has a significant effect on financial performance of energy companies listed in Indonesia Stock Exchange on 2016-2022.

H_3: Financial strength partially has a significant effect on financial performance of energy companies listed in Indonesia Stock Exchange on 2016-2022.

H_4: Operational efficiency partially has a significant effect on financial performance of energy companies listed in Indonesia Stock Exchange on 2016-2022.

H_5: GCG, ESG, financial strength, and operational efficiency simultaneously have a significant effect on financial performance of energy companies listed in Indonesia Stock Exchange on 2016-2022.

2. Research Materials and Methods

2.1 Sample

According to Paramita (2021) [16], Purposive sampling is a technique for selecting samples by considering the information needed. The sampling technique that researchers used was purposive sampling. The population used is energy companies listed on the Indonesia stock exchange in 2016-2022. Based on the methods and criteria that have been determined, research samples were obtained as many as 16 companies and there are 112 units of analysis

2.2 Data Analysis Method

The data analysis method used in this study used descriptive statistical analysis and multiple linear regression analysis. This analysis uses application of E-views 12.

2.2.1 Descriptive Statistical Analysis

Descriptive statistics is a form of analysis used to describe or describe research data (Paramita, 2021) [16]. Descriptive statistics are used to describe the independent variable and the dependent variable in research. This study uses the mean, standard deviation, variance, maximum, and minimum which are used to improve the understanding of the variables studied.

2.2.2 Data Panel Model Mutiple Regression Analysis

Regression test is a tool used to determine the influence of independent variables on dependent variables. The quantitative influence of a change in variable X on variable Y is determined by multiple regression analysis.

$$Y = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Information:
Y: *Financial Performance* (ROA)
β: Regression Coefficient of X_1-X_4
X_1: GCG (Independent Board of Commissioners)
X_2: ESG
X_3: *Financial Strength* (DAR)
X_4: *Operational Effeciency* (TATO)

2.3 Hypotesis Test

2.3.1 Determinan Coefficient (R^2)

The coefficient of determination (R^2) or R squared shows together the change in the dependent variable caused by independent variables or in other words R squared shows the magnitude of the influence of the independent variable on the dependent variable. The value of the coefficient of determination ranges from 0-1 if in percentage starting from 0-100%.

$$R^2 = \frac{\beta_1 X_1 Y + \beta_2 X_2 Y + \beta_3 X_3 Y + \beta_4 X_4 Y}{Y^2}$$

Information:
R^2: Coefficient of Determination
$\beta_{1\text{-}4}$: variable multiple regression coefficients X_1-X_4
X_1: GCG
X_2: ESG
X_3: *Financial Strength*
X_4: *Operational Efficiency*
Y: *Financial Performance*

2.3.2 T-Test

The t test is a tool used to determine the magnitude of the influence of each independent variable individually on the dependent variable. If the significant value $t < 0.05$ then H_0 is rejected and H_1 is accepted and if the significant value $t > 0.05$ then H_0 is accepted and H_1 is rejected. The test also compares between the calculated t value and the table t, if t count > t table, then H_0 is rejected and H_1 is accepted, and if the value of t is calculated < t table, then H_0 is accepted, H_1 is rejected.

2.3.3 F Statistic Test

The F test is a testing tool used to analyze whether the relationship of independent variables together (simultaneously) affects the dependent variable. If the significant value of $F < 0.05$ then H0 is rejected and H_1 is accepted and if the significant value of $F > 0.05$ then H_0 is accepted and H_1 is rejected. Comparison between F count and F table F value count > F table then H_0 is rejected and H_1 is accepted and if F value count < F table H_0 is accepted H_1 is rejected.

3. Results and Discussion

3.1 Descriptive Analysis Result

Table 1: Descriptive Analysis Result

	ROA	GCG	ESG	DAR	TATO
Mean	0.124098	0.361170	0.959143	0.390866	0.297982
Median	0.078500	0.333000	1.000000	0.397500	0.169500
Maximum	0.616000	0.667000	1.000000	0.661000	1.164000
Manimum	0.009000	0.143000	0.742000	0.088000	0.046000
Standar Deviation	0.128285	0.096454	0.057634	0.144428	0.285267

GCG variables that show an average value of 0.361170 and have a standard deviation of 0.096454 (below the average) indicate that GCG has a low level of data variation. The minimum value of GCG variables is 0.143000, the company that has the lowest value is Indo Tambangraya Megah Tbk (ITMG) in 2017. GCG variables also have a maximum value of 0.667000 with this average value, the company that obtained the highest value was Trans Power Marine Tbk (TPMA) in 2016.

The ESG variable shows an average value of 0.959143 and has a standard deviation value from the ESG variable of 0.057634 (below the average) based on the data, it can be said that the level of variation of the data is low. The minimum value of the GCG variable is 0.742000, the company that has the lowest value is Soechi Lines Tbk (SOCI) in 2017. The maximum value of the ESG variable is 1.000000, almost all companies used as research samples obtained the same value in 2022 except for Trans Power Marine Tbk (TPMA) which in 2022 did not get the same value as other companies.

The financial strength variable proxied with DAR shows an average value of 0.390866 and has a standard deviation value of 0.144428 (below the average), this value indicates that the financial strength variable has a low level of data variation. The financial strength variable has a minimum value of 0.088000. The company with the lowest financial strength value is Harum Energy Tbk (HRUM) in 2019. Meanwhile, companies that have a maximum value of variable financial strength of 0.661000, the highest value is owned by Radiant Utama Interinsco Tbk (RUIS) in 2020.

The operational efficiency variable proxied with TATO shows an average value of 0.297982 and has a standard deviation value of 0.285267 (below the average), based on these data shows that the operational efficiency variable has uniform data. The minimum value of the operational efficiency variable is 0.046000 based on this minimum value, the company that has the lowest operational efficiency value is TBS Energi Utama Tbk (TOBA) in 2020. The maximum value of the operational efficiency variable is 1.164000, the company with the highest operational efficiency value is Golden Energy Mines Tbk (GEMS) in 2022.

3.2 Multiple Linear Regression Result

Table 2: Multiple Linear Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.074469	0.144356	-0.515872	0.6070
GCG	0.066536	0.102521	0.649006	0.5177
ESG	0.106473	0.149700	0.711244	0.4785
DAR	-0.073718	0.073584	-1.001816	0.3187
TATO	0.339710	0.034901	9.733433	0.0000

Based on the regression results in table 2, the regression equation can be formulated as follows:

$$Y = -0{,}074 + 0{,}066\,(GCG) + 0{,}106\,(ESG) - 0{,}074\,(DAR) + 0{,}340\,(TATO)$$

3.2.1 Determinant Coefficient (R^2)

Table 3: Determinant Coefficient (R^2)

R-squared	0,488703
Adjusted R-squared	0,469589

Based on the calculation of the coefficient of determination in table 3, an adjusted R-squared value of 0.469589 or 46.95% is obtained. This shows that the variables GCG, ESG, financial strength, and operational efficiency in explaining the variables of financial performance amounted to 46.95% and the level of relationship was included in the medium category because the determination test in this study fell into the interval category of 0.40-0.599. While the remaining 53.05% showed that financial performance variables could be explained by other variables outside the regression model.

3.2.2 T-Test

In the calculation of the t test is carried out by comparing the t count with t table, the significant level used is 0.05 so that the table t value is obtained at 1.993943. Based on table 2, the results of the t test in this study are explained as follows:

Good Corporate Governance on Financial Performance

The results of the regression analysis show that the GCG variable has a probability value of 0.5177. With a probability value of 0.5177 greater than an alpha value of 0.05 and a calculated t value of 0.649006 smaller than t table 1.993943, H_o is accepted and H_1 is rejected. This means that the GCG variable (X_1) has a partial insignificant effect on the financial performance variable (Y).

Environmental Social Governance on Financial Performance

The results of the regression analysis show that the ESG variable has a probability value of 0.4785. The probability value of the ESG variable is greater than the alpha value of 0.05 and the calculated t value of 0.711244 is smaller than the table t of 1.993943 so H_o is accepted and H_2 is rejected. This means that the ESG variable (X_2) has a partial insignificant effect on the financial performance variable (Y).

Financial Strength on Financial Performance

The results of the regression analysis show that the financial strength variable proxied using DAR has a probability value of 0.3187. The probability value of the financial strength variable is greater than the alpha value of 0.05 and the calculated t value of -1.001816 is smaller than t table 1.993943 so H_o is accepted and H_3 is rejected. This means that the financial strength variable (X_3) partially has an insignificant effect on the financial performance variable (Y).

Operational Efficiency on Financial Performance

The results of the regression analysis show that the operational efficiency variable proxied with TATO has a probability value of 0.0000. The probability value of the operational efficiency variable is less than the alpha value of 0.05 and the calculated t value of 9.733433 is greater than the table t of 1.993943 so that H_o is rejected and H_4 is accepted. This means that the operational efficiency variable (X_4) partially has a significant effect on the financial performance variable (Y).

3.2.3 F Statistic Test

Table 4: F Statistic Test

F-statistic	25,56790
Prob(F-statistic)	0,000000

Based on table 4 the results of the F test state that the probability value is 0.000000. The probability value of 0.000000 is less than the value of 0.05 and the calculated F value of 25.56790 is greater than the F of the table of 2.50076 so H_o is rejected and H_5 is accepted. The probability value concludes that independent variables consisting of GCG, ESG, financial strength, and operational efficiency simultaneously have a significant effect on the dependent variable, namely financial performance.

3.2.4 The Effect of Good Corporate Governance on Financial Performance

GCG is a set of regulations used to regulate the relationship of various parties who have interests so as to improve company performance efficiently. Corporate governance is the framework of rules, systems and processes in the corporation that governs the performance by the board of directors and management of their respective duties and responsibilities to the stockholders (Cayanan, 2023) [4]. According to Riyadh *et al*. (2023) [20] GCG is a rule of good governance for a firm between various participants by managing resources economically, productively, effectively, and efficiently to achieve the organization's goals.

Based on the results of the partial hypothesis test or t test, it is known that GCG has a probability value of 0.5177 with a positive coefficient. The probability value is greater than the alpha value of 0.05 so H_o is accepted and H_1 is rejected. This shows that GCG variables have a positive and insignificant effect on financial performance. So it can be interpreted that the size of GCG value does not affect financial performance. The results of this study are in line with research conducted by Chen & Handoyo (2022) [5] and Aldo & As'ari (2023) [1] which said that GCG proxied with an independent board of commissioners has no significant effect on financial performance.

In 2016 and 2022, the average GCG value was the same at 38%, but there was a difference in the average financial performance value. GCG variables proxied by independent commissioners are tasked with directing corporate strategy, assessing company strategy, overcoming management problems, making governance changes, ensuring the company complies with regulations, and monitoring the company's information and communication systems. With the large role of the independent board of commissioners in the company, it should have a large impact on the company's output, but in practice, the composition of the number of independent board of commissioners in energy companies for the 2016-2022 period is on average only 36% of the total number of commissioners. This means that every decision decided by an independent commissioner cannot be ensured to be implemented as a whole because in practice the independent board of commissioners has a minority of the overall votes of the commissioners so that the contribution of independent commissioners in improving the company's operations is limited. According to Parulian (2018) [17] said that the presence of an independent board of commissioners in a company is still only limited to meeting the minimum requirements set by the OJK for companies or issuers listed on the Indonesia Stock Exchange. Therefore, GCG variables proxied by an independent board of commissioners have an insignificant effect on financial performance.

The results of this study are not in accordance with the agency theory proposed by Michael C. Jensen and William H. Mecking. Agency theory explains that there is a relationship between 2 parties, namely principals and agents who have mutual interests and cause conflicts in the company. So that additional costs are needed in supervising operational activities in the company. This agency theory supports the contribution of GCG implementation in companies that play a role in creating responsibility assuming the creation of transparency and an improvement in company performance and company financial performance.

Based on the results of research that states that GCG variables have an insignificant effect on financial performance in accordance with stewardship theory. Stewardship theory states that managers are not motivated on individual goals but rather motivated on their primary outcome goals and objectives for the benefit of the organization. Managers identify themselves as organizational attributes so that they contribute to the maximum in achieving organizational goals, solving problems, and overcoming obstacles that prevent the achievement of organizational goals. Therefore, the role of managers in the company is very important in improving the effectiveness and efficiency of company operations. In this study, it is proven that by increasing the effectiveness and efficiency of the company's operational activities, it will increase the profits received by the company. So based on Stewardship theory, GCG has an insignificant effect on the company's financial performance.

3.2.5 The Effect of Environmental Social Governance on Financial Performance

ESG is a concept that raises environmental, social, and governance. The importance of applying the current ESG concept in dealing with climate change that occurs due to industrial activities. Therefore, the implementation of ESG is expected to improve product quality so that sales levels increase and increase the amount of profit received by the company. Discovered proof demonstrating the economic benefits of ESG investing for the corporation (Huang, 2019) [13].

Based on the results of a hypothesis test conducted partially or t-test, it is known that ESG variables have a probability value of 0.4785 with a positive coefficient. The probability value of 0.4785 is greater than the alpha value of 0.05 so Ho is accepted and H2 is rejected. This shows that ESG variables have a positive effect that is not significant on financial performance. So this means that the size of ESG value does not affect financial performance. The results of this study are in line with research from Grisales & Caracuel (2019) [10] that ESG value does not have a significant effect on financial performance. According to Hasanah *et al*. (2022) [11] Environmental Cost has no significant effect on Financial Performance.

In 2016 the Indonesian government signed the Paris Agreement which is a global agreement in order to deal with climate change. Since then the government has carried out policy reforms to attract the private sector to invest in the sustainability sector. With the existence of ESG policies, companies are trying to implement ESG well to date. Based on the results of data tests and analysis that have been carried out show that ESG has an insignificant effect on financial performance. The results of this study are not in accordance with the theory used, namely stakeholder theory. Stakeholder theory which states that "Stakeholders as any group or individual who is affected by or can affect the achievement of an organization's objectives". Stakeholder theory supports the importance of ESG value disclosure will contribute to the success of stakeholder management strategies in improving the company's financial performance.

Based on the results of research that states that ESG variables have an insignificant effect on financial performance in accordance with shareholder theory. Shareholder theory is a theory based on the idea that companies have an obligation to maximize profits for shareholders who act as business owners. Shareholders are key stakeholders in the company and their interests should come first. According to shareholder theory, companies must pursue their own interests and efficiency, and environmental issues are secondary. So that on that basis, maximizing the company's operational improvement in improving the company's financial performance is more relevant than the application of ESG in fulfilling obligations to shareholders or owners. The high and low operational activities of the company will directly affect the profits obtained by the company and the company's ability to fulfill obligations to company owners. Therefore, the implementation of ESG does not directly affect the company's financial performance.

3.2.6 The Effect of Financial Strength on Financial Performance

Financial strength is an ability of the company to meet its financial obligations both in the near term and in the long term. Financial strength relates to the company's policy in using debt in the company's operational activities. According to Supsermpol *et al*. (2023) [22] Indicators such as company size, liquidity, leverage, and asset tangibility can be employed to measure a company's financial strength.

Based on the results of the hypothesis test conducted partially or t test, it is known that the financial strength variable proxied with DAR has a probability value of 0.3187 with a negative coefficient. The probability value of 0.3187 is greater than the alpha value of 0.05 so Ho is accepted and H3 is rejected. This shows that the variable financial strength has a negative insignificant effect on financial performance. This means that the size of the value of financial strength does not affect financial performance. The results of this study are in line with the research of Sasmita (2023) [21] and Gemilang & Wiyono (2022) [9] that financial strength proxied by leverage does not have a significant effect on financial performance.

The results of the study are not in accordance with the theory of Modigliani Miller II (1963) which states that the optimal capital structure is to use one hundred percent debt. The use of large amounts of leverage to increase the capital structure to be used in the company's operations is a good thing. However, this study does not show that the value of financial strength proxied with high DAR has a direct impact on financial performance.

The results of this study are supported by the trade-off theory which is an improvement on Miller II's Modigiliani theory. The trade-off theory states that debt results in tax savings but can incur the cost of bankruptcy. Based on the results of the study, DAR does not affect financial performance directly because an increase in debt will cause the company's bankruptcy costs. Basic earning power is used to measure the effectiveness and efficiency of investment management that has been made by the company. Therefore, the company's performance is more determined by the basic earning power obtained from the company's operational optimization.

3.2.7 The Effect of Operational Efficiency on Financial Performance

The Effect of Operational Efficiency on Financial Performance is the company's ability to maximize operational activities with its resources. Activity ratios such as tattoos can be used in measuring a company's efficiency level. A high level of operational efficiency indicates that the better the company is at maximizing its operations. Operational aspects that influence a company's profitability (Supsermpol *et al*., 2023) [22].

Based on the t test or partially, it can be seen that the operational efficiency variable proxied with TATO has a probability value of 0.0000 with a positive coefficient. The probability value of 0.0000 is less than the alpha value of 0.05 so H_o is rejected and H_4 is accepted. This shows that operational efficiency variables have a significant positive effect on financial performance. This means that the size of operational efficiency will affect the company's financial performance.

The results are in line with research from Batool & Sahi (2019) [3] that operational efficiency proxied with TATO has a significant effect on financial performance proxied with ROA. According to Le Thi Kim *et al*. (2021) [14] operational efficiency which is proxied by total asset turnover has a significant influence financial performance.

The results of this study are in accordance with the theory of Modigliani Miller II (29163) which says that with the increase in the number of sales, the profits obtained will increase this is due to savings in production costs. In research, it is proven that if the value of Operational efficiency increases, the value of financial performance will increase. So that the more efficient the operations carried out, the maximum income received. Therefore, operational efficiency has a significant effect on financial performance.

3.2.8 The Effect of Good Corporate Governance, Environmental Social Governance, Financial Strength, Operational Efficiency on Financial Performance

Based on simultaneous hypothesis tests or F tests, it can be known that the variables GCG, ESG, financial strength, and operational efficiency have a probability value of 0.000000. The probability value of 0.000000 is less than the alpha value of 0.05 so Ho rejected H_5 is accepted. This shows that the independent variables used in this study simultaneously have a significant effect on the dependent variable.

The influence of GCG, ESG, financial strength, and operational efficiency variables simultaneously on financial performance variables is supported by the value of the coefficient of determination or adjusted R squared of 0.462211 or 46.22%. This shows that the variables GCG, ESG, financial strength, and operational efficiency simultaneously affect financial performance by 46.22%. So that the ups and downs of GCG, ESG, financial strength, and operational efficiency will simultaneously affect the financial performance of energy companies on the Indonesia Stock Exchange for the 2016-2022 period.

The results of simultaneous tests between independent variables show an effect on the dependent variable. GCG is a system that regulates and supervises all company operational activities with GCG will create transparency within the company so that decision making related to company sustainability can be carried out optimally. The implementation of GCG affects decision making on the implementation of the company's ESG. The application of ESG is very important for energy companies that are in direct contact with nature, the high percentage of ESG implementation will show how committed the company is in maintaining the environment around the industry which has an impact on product quality.

Companies with good product quality will attract investors and consumers so that the company can maintain its existence. Increasing demand will require additional investment in production equipment so that the company has adequate financial strength in its operations to meet demand. However, financial strength that has not been able to obtain profits or profits directly, the company's financial strength must be managed properly, so the company must maximize the company's operational efficiency in maximizing return on investment or profit. The profit or profit obtained by this company will shape the company's financial performance.

The results of the study are simultaneously in accordance with Agency theory which states that the relationship between principals and agents within the company will experience conflicts so that supervision is needed so that transparency occurs within the company which has an impact on company goals. This research is also in line with Agency theory which states that companies do not only operate for personal interests but there are stakeholder interests also in it. So that matters related to stakeholders must also be considered, such as improving a good image with sustainable development. This research is also in line with the Theory of Modigliani Miller II (1963) which states that the greater the debt used, the more available cash is so that it can optimize production activities in large quantities so that there is an increase in sales and profit generation.

4. Conculution

The purpose of this study is to determine the effect of GCG, ESG, financial strength proxied with DAR, and operational efficiency proxied with TATO on financial performance proxied with ROA of energy companies listed in Indonesia Stock Exchange on 2016-2022. Based on the results of testing and analysis, it can be concluded as follows:

1. GCG have an insignificant effect on financial performance.
2. ESG have an insignificant effect on financial performance.
3. Financial strength have an insignificant effect on financial performance.
4. Operational efficiency have a significant effect on financial performance.
5. GCG, ESG, financial strength, and operational efficiency simultaneously have a significant effect on financial performance.

5. Recommendations

Based on the results of the research conducted, the suggestions that can be given are as follows:

5.1 Theoretical Advice

Further researchers are expected to conduct similar research by adding other independent variables that are more varied, using different independent variable measurements, using different populations, and increasing the number of samples used in the study. That way there will be more references related to what things can affect the company's financial performance.

5.2 Practitioner's Advice

For energy companies, it is recommended to be able to improve the company's operational efficiency which has an impact on increasing the value of the company's financial performance. Based on research conducted, operational efficiency has a significant influence on the company's financial performance. Increasing the value of operational efficiency by maximizing the use of total asset turnover can increase the amount of company production. That way the company can optimize profit from assets or resources owned so that the company's financial performance value increases to be greater.

6. References

1. Aldo S, As'ari H. The Effect of GCG and Leverage on Financial Performance: Evidence from Construction Firms. Research of Business and Management. 2023; 1(2):28-38. Doi: Https://Doi.Org/10.58777/Rbm.V1i2.58
2. Banna H, Alam A, Haviour X, Alam AW. Energy Security and Economic Stability: The Role of Inflation and War. Energy Economics. 2023; 126(July):106949. Doi: Https://Doi.Org/10.1016/J.Eneco.2023.106949
3. Batool A, Sahi A. Determinants of Financial Performance of Insurance Companies of USA and UK during Global Financial Crisis (2007-2016). International Journal of Accounting Research. 2019; 07(01):1-9. Doi: Https://Doi.Org/10.35248/2472-114x.19.7.194
4. Cayanan C. Effects of Corporate Good Governance on Financial Effects of Corporate Good Governance on Financial, June, 2023.
5. Chen, Handoyo. Pengaruh Good Corporate Governance, Net Profit Margin, Dan Total Assets Turnover Terhadap Kinerja Keuangan Perusahaan Transportasi Di Bursa Efek Indonesia Periode 2015-2019, 2022.
6. Dewi DS, Susbiyani A, Syahfrudin A. Pengaruh Penerapan Good Corporate Governance, Total Asset Turn Over Dan Kepemilikan Institusional Terhadap Kinerja Keuangan Perusahaan. International Journal of Social Science and Business. 2019; 3(4):473. Doi: Https://Doi.Org/10.23887/Ijssb.V3i4.21642
7. Fastercapital-Com. Mengoptimalkan Kinerja Keuangan Untuk Kesuksesan Jangka Panjang, 2024. Https://Fastercapital-Com.Translate.Goog/Content/Optimizing-Financial-Performance-For-Long-Term-Success.Html?_X_Tr_Sl=En&_X_Tr_Tl=Id&_X_Tr_Hl=Id&_X_Tr_Pto=Tc
8. Ferriswara D, Sayidah N, Buniarto EA. Do Corporate Governance, Capital Structure Predict Financial Performance and Firm Value? (Empirical Study of Jakarta Islamic Index) do Corporate Governance, Capital Structure Predict Financial Performance and Firm Value? Cogent Business & Management. 2022; 9(1). Doi: Https://Doi.Org/10.1080/23311975.2022.2147123
9. Gemilang, Wiyono. Good Corporate Governance, Struktur Modal, Leverage, Dan Ukuran Perusahaan Terhadap Kinerja Keuangan. Journal of Economic, Bussines and Accounting (COSTING). 2022; 5(1):279-290. Doi: Https://Doi.Org/10.31539/Costing.V5i1.2328
10. Grisales, Caracuel. Environmental, Social and Governance (ESG) Scores and Financial Performance of Multilatinas: Moderating Effects of Geographic International Diversification and Financial Slack. Journal of Business Ethics, 2019, 0123456789. Doi: Https://Doi.Org/10.1007/S10551-019-04177-W
11. Hasanah J, Bagus Wardianto K, Agung M, Author C. International Journal of Advanced Multidisciplinary Research and Studies the Effect of Environmental Performance, Environmental Cost, Implementation of Environmental Management System (ISO 14001) and Sdgs Support on Financial Performance of Mining Company in Indonesia Stock Exchange on 2016-2020. Int. J. Adv. Multidisc. Res. Stud. 2022; 2(3):491-497. Www.Proper.Menlhk.Go.Id,
12. Herman E. The Financial Sustainability of Retail Food Smes Based on Financial Equilibrium and Financial Performance, 2023.
13. Huang DZX. Environmental, Social and Governance (ESG) Activity and Firm Performance: A Review and Consolidation, 2019. Doi: Https://Doi.Org/10.1111/Acfi.12569
14. Le Thi Kim N, Duvernay D, Le Thanh H. Determinants of Financial Performance of Listed Firms Manufacturing Food Products in Vietnam: Regression Analysis and Blinder–Oaxaca Decomposition Analysis. Journal of Economics and Development. 2021; 23(3):267-283. Doi: Https://Doi.Org/10.1108/Jed-09-2020-0130
15. Medeline Effendie J, Henny A Manafe, Stanis Man. Analysis of the Effect of Liquidity Ratios, Solvency and Activity on the Financial Performance of the Company (Literature Review of Corporate Financial Management). Dinasti International Journal of Economics, Finance & Accounting. 2022; 3(5):541-550. Doi: Https://Doi.Org/10.38035/Dijefa.V3i5.1507
16. Paramita RWD, *et al*. Metode Penelitian Kuantitatif,

2021.
17. Parulian D. Pengaruh Mekanisme Corporate Governance Terhadap Profitabilitas Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia, 2018, 1-22.
18. Puspitarini S. Analisis Pengaruh Rasio Likuiditas, Solvabilitas, Aktivitas Dan Size Perusahaan Terhadap Kinerja Keuangan Perusahaan. 2019; 5(01):78-92.
19. Rahmananda I, Widyanti R, Basuki B. Pengaruh Rasio Likuiditas, Solvabilitas, Aktivitas Dan Profitabilitas Terhadap Kinerja Keuangan Perusahaan Telekomunikasi Yang Terdaftar Di Bursa Efek Indonesia (Bei) Periode Tahun 2016-2020. AL-ULUM : Jurnal Ilmu Sosial Dan Humaniora. 2022; 8(1):32-44. Doi: Https://Doi.Org/10.31602/Alsh.V8i1.6830
20. Riyadh HA, Al-Shmam MA, Rifqi MR. The Impact of Good Corporate Governance (GCG) on Manufacturing Financial Performance: Evidence of Listed Companies on the Stock Exchange (IDX). International Journal of Professional Business Review. 2023; 8(6):E01656. Doi: Https://Doi.Org/10.26668/Businessreview/2023.V8i6.1656
21. Sasmita B. Pengaruh Intelectual Capital, Leverage, Dan Ukuran Perusahaan Terhadap Kinerja Keuangan. 2023; 10(2):459-468.
22. Supsermpol P, Huynh VN, Thajchayapong S, Chiadamrong N. Predicting Financial Performance for Listed Companies in Thailand during the Transition Period: A Class-Based Approach using Logistic Regression and Random Forest Algorithm. Journal of Open Innovation: Technology, Market, and Complexity. 2023; 9(3):100130. Doi: Https://Doi.Org/10.1016/J.Joitmc.2023.100130
23. Wahdan Arum Inawati, Rahmawati R. Dampak Environmental, Social, Dan Governance (ESG) Terhadap Kinerja Keuangan. Jurnal Akademi Akuntansi. 2023; 6(2):225-241. Doi: Https://Doi.Org/10.22219/Jaa.V6i2.26674
24. Wahyuni AN, KH S. Analisis Likuiditas, Solvabilitas, Dan Aktivitas Perusahaan Terhadap Profitabilitas Pada Perusahaan Manufaktur. Jurnal Manajemen. 2018; 15(1):1-17. Doi: Https://Doi.Org/10.25170/Jm.V15i1.95
25. Widyaningrum, Hendrawan. Pengaruh Rasio Likuiditas, Solvabilitas Dan Aktivitas Terhadap Kinerja Keuangan Menggunakan Variabel Intervening Csr (Studi Pada Perusahaan Manufaktur Sub Sektor Makanan Dan Minuman Yang Terdaftar Di BEI Periode 2014-2018), 2022.