

Governance and Government Subsidies as Drivers of Financial Performance: A Comparative Study of Three Strategic Indonesian Transportation SOEs (2014–2023)

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Abstract

State-owned enterprises (SOEs) play a pivotal role in Indonesia's transportation system, balancing financial sustainability with social service obligations. Their performance often relies on fiscal intervention and governance quality, raising concerns about the effectiveness of subsidies and oversight mechanisms. This study examines the effects of government subsidies, corporate governance, and board of commissioners' meetings on the financial performance of three strategic Indonesian transportation SOEs: PT PELNI (Persero), PT ASDP (Persero), and PT KAI (Persero). Multiple linear regression was applied to secondary data from annual reports, using operating revenue, return on assets (ROA), and return on equity (ROE) as performance indicators. The findings show that government subsidies and corporate governance significantly enhance operating revenue, while their impact on profitability remains limited. Subsidies strengthen service capacity but reduce asset efficiency, whereas corporate governance improves accountability and operational consistency. Board meeting frequency has no significant effect, suggesting that effectiveness depends more on meeting quality than quantity. Overall, the financial performance of the examined SOEs is shaped by institutional mechanisms balancing public mandates and commercial objectives. This study integrates agency theory, stakeholder theory, and public economics to explain how fiscal support and governance interact to determine financial outcomes in an emerging economy.



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INTRODUCTION

Indonesia, the world's largest archipelagic country with over 17,000 islands, faces persistent challenges in ensuring equitable accessibility and connectivity across its regions. Transportation is therefore a vital sector, not only for logistics distribution but also for advancing equitable economic and social development. This role is particularly critical for underdeveloped, outermost, frontier, and border regions (3TP), where connectivity directly shapes human welfare. Data from Statistics Indonesia (BPS) in 2023 indicate that Papua continues to record the lowest Human Development Index, underscoring the need to enhance transportation infrastructure to improve education, access to services, and regional development (BPS, 2023).

To address these disparities, the Indonesian government provides special assignments to State-Owned Enterprises (SOEs) in the transportation sector, mandating them to deliver socially necessary services that may not be commercially profitable. To sustain these mandates, the government allocates Public Service Obligation (PSO) subsidies, Infrastructure Maintenance and Operation (IMO) subsidies, and Pioneer Transportation subsidies (Soen et al., 2022). Accordingly, this study focuses on three strategically significant SOEs: PT PELNI (Persero), PT ASDP Indonesia Ferry (Persero), and PT Kereta Api Indonesia (Persero) which play a central role in implementing these government assignments and receiving PSO-related subsidies.

The effectiveness of subsidies has been a topic of debate in the literature. On the one hand, subsidies can improve financial performance by expanding service capacity and enabling investment in infrastructure, technology, and human resources (Makhmudov & Karshiev, 2024; Qian & Han, 2021). On the other hand, reliance on subsidies may foster inefficiency, resource misallocation, and financial dependence, raising questions about accountability and sustainability (Makhmudov & Karshiev, 2024; Qian & Han, 2021). These concerns underscore the importance of corporate governance in ensuring that subsidies are utilized effectively to enhance both financial performance and public service quality (Jia et al., 2019).

Corporate governance has long been recognized as a mechanism for promoting accountability, transparency, and efficiency in organizations (Kyere & Ausloos, 2021; OECD, 2025; Siregar, 2021). In the Indonesian context, governance frameworks emphasize ethical behavior, transparency, accountability, and sustainability, which are widely known as the ETAK principles of the National Committee on Governance Policy (KNKG, 2024). Good governance ensures that SOEs manage resources responsibly, align managerial actions with broader stakeholder interests, and maintain public trust (Haryanto, 2020; Haryanto et al., 2023). Within this framework, the board of commissioners plays a central role in monitoring and providing oversight. The frequency of board meetings is often considered a proxy for oversight intensity, yet empirical findings on its impact remain inconclusive (Deniza et al., 2023; Susmanto et al., 2021).

Despite the significance of these perspectives, research that integrates government subsidies, corporate governance, and board of commissioners' meetings to analyze the financial performance of SOEs remains limited. Much of the prior work examines these factors in isolation or in different sectors, leaving a gap in understanding how public funding and governance interact in enterprises mandated to deliver public services (Calen et al., 2024; Krisnawan & Yudanto, 2021; Powell et al., 2019). This study seeks to fill that gap by focusing on three transportation SOEs that received government assignments between 2014 and 2023.

The objectives of this study are threefold. First, to evaluate the impact of government subsidies on financial performance indicators, namely operating income, return on assets, and return on equity. Second, to assess the effect of corporate governance practices on these same

indicators. Third, to examine whether the frequency of the board of commissioners' meetings is associated with improved financial performance.

This study contributes to existing literature by explicitly incorporating government subsidies as a multidimensional independent variable, encompassing PSO, IMO, and pioneer transportation subsidies. Unlike prior research that typically treats subsidies as a uniform fiscal transfer or focuses solely on governance mechanisms, this study integrates policy-driven financial support and corporate governance within a single empirical framework. By examining these elements simultaneously across three major SOEs, the study offers a more comprehensive understanding of how public funding mechanisms interact with governance structures in shaping financial performance.

Theoretically, this research extends the literature on public sector accounting and corporate governance by empirically linking government fiscal intervention to firm-level financial outcomes within state-owned enterprises. It highlights the role of subsidies not merely as financial support, but as policy instruments that may influence managerial efficiency and performance accountability. Practically, the findings provide evidence-based insights for policymakers in evaluating subsidy allocation effectiveness and for regulators in strengthening governance oversight within SOEs.

This paper makes three significant contributions to the literature. First, it extends research on subsidy effectiveness by focusing on assignment-holding the examined SOEs. This context has received limited scholarly attention despite its critical role in public service provision (Soen et al., 2022). Second, it advances governance research by linking corporate governance practices and board oversight directly to financial outcomes in enterprises that combine social mandates with commercial objectives, thereby building on earlier studies that emphasized governance principles such as accountability and sustainability (Haryanto, 2020; Haryanto et al., 2023; KNKG, 2024; OECD, 2025). Third, it provides policy-relevant evidence on how government subsidies and governance mechanisms jointly shape financial performance, offering insights for regulators and policymakers seeking to balance efficiency with equitable service delivery (Calen et al., 2024).

LITERATURE REVIEW AND HYPOTHESIS

The literature suggests that government subsidies, corporate governance, and board of commissioners' meetings can influence financial performance; however, the direction and magnitude of these effects remain contested. By examining these three variables simultaneously in Indonesian transportation SOEs with government assignments, this study seeks to contribute new empirical insights to the academic debate and provide policy-relevant evidence for balancing public service obligations with financial sustainability.

Government Subsidies and Financial Performance

Public economic theory views government intervention through subsidies as a means to promote welfare, reduce inequality, and ensure the provision of services that markets may fail to deliver efficiently (Barr, 2020; Bohnenberger, 2020; Segati, 2021). In the transportation sector, government subsidies are provided to SOEs tasked with public service assignments in order to guarantee accessibility and affordability for the broader population (Zhou et al., 2023). These include PSO subsidies, IMO subsidies, and Pioneer Transportation subsidies, which are essential for maintaining services in regions where commercial viability is limited (Soen et al., 2022).

The literature offers mixed evidence on the effect of subsidies. Government subsidies tied to assets can strengthen financial performance by supporting investment in infrastructure, while subsidies tied to income may sometimes reduce efficiency and profitability due to

resource misallocation (Ding & Xu, 2025; Liu & Wang, 2024; Qian & Han, 2021). In logistics and transportation, subsidies have been shown to enhance access to financing, improve technology adoption, and support infrastructure development (Ledna et al., 2022; Pandey et al., 2022), but they may also generate dependency and distort competition (Jaffe & Shepard, 2020; Lin & Zhang, 2023; Makhmudov & Karshiev, 2024). In other cases, such as the PSO program in Perum Bulog, subsidies did not lead to improved outcomes, instead increasing financial burdens due to regulatory constraints (Krisnawan & Yudanto, 2021). Based on this discussion, the following hypothesis is proposed:

H1 - Government Subsidies

H1a: Government subsidies have a significant effect on operating revenue.

H1b: Government subsidies have a significant effect on Return on Assets (ROA).

H1c: Government subsidies have a significant effect on Return on Equity (ROE).

Corporate Governance and Financial Performance

Agency theory explains the relationship between principals and agents, where conflicts of interest may arise if management actions diverge from the objectives of shareholders or stakeholders (Purba, 2023; Squires & Elnahla, 2020; Stoelhorst & Vishwanathan, 2024). In the context of SOEs, the implementation of good corporate governance serves to align interests, reduce agency costs, and ensure that management resources are directed toward both commercial and social objectives (Scherer & Voegtlin, 2020). The principles of ethical behavior, transparency, accountability, and sustainability, often referred to as ETAK, are central to governance frameworks in Indonesia (KNKG, 2024).

Corporate governance is widely regarded as a crucial mechanism for enhancing accountability and efficiency. Prior studies have highlighted its positive influence on financial performance by improving oversight, reducing information asymmetry, and fostering trust among stakeholders (Kyere & Ausloos, 2021; Siregar, 2021). In Indonesia, effective governance practices have been linked not only to performance but also to corporate reputation and stakeholder confidence (Haryanto, 2020; Haryanto et al., 2023; Koeswayo et al., 2024). Evidence from both international and domestic contexts indicates that governance structures have a positive impact on outcomes such as return on assets and return on equity, although the magnitude of this impact varies across industries and institutional settings (Calen et al., 2024; Gholy & Nadya, 2020). Based on these perspectives, the following hypothesis is proposed:

H2 - Corporate Governance

H2a: Corporate governance has a significant effect on operating revenue.

H2b: Corporate governance has a significant effect on ROA.

H2c: Corporate governance has a significant effect on ROE.

Board of Commissioners' Meetings and Financial Performance

The board of commissioners serves as a supervisory body, responsible for overseeing management and ensuring that corporate strategies align with the organization's objectives (Benichou, 2024). One way in which this role is carried out is through regular meetings, which provide a platform to evaluate performance, discuss management reports, and address strategic issues (Susmanto et al., 2021). These meetings may take the form of internal sessions among commissioners or joint sessions with the board of directors, with the latter often used to address broader strategic and policy-related matters.

Empirical research suggests that more frequent board meetings can enhance monitoring effectiveness and decision-making. For example, board activity has been associated with improvements in transparency, accountability, and ultimately, financial performance (Deniza et al., 2023; Salehi et al., 2023). However, evidence also points to the possibility that frequent

meetings do not always translate into better outcomes, particularly if meetings are routine rather than substantive, or if structural constraints limit oversight capacity (Kyere & Ausloos, 2021). Based on these findings, the following hypothesis is proposed:

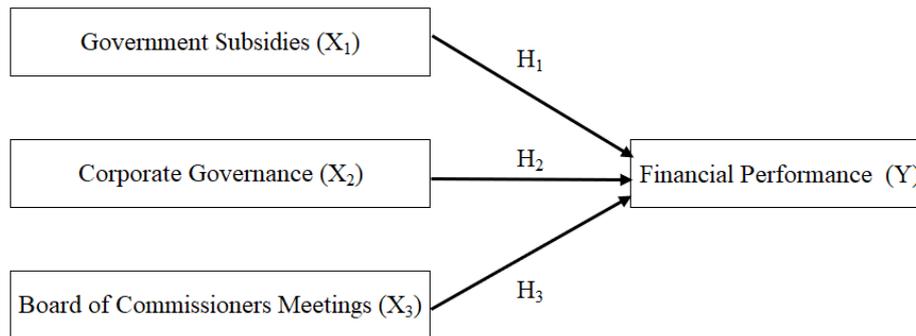
H3 - Board of Commissioners' Meetings

H3a: Board of commissioners' meetings have a significant effect on operating revenue.

H3b: Board of commissioners' meetings have a significant effect on ROA.

H3c: Board of commissioners' meetings have a significant effect on ROE.

Conceptual Framework



Picture 1. Conceptual Framework

RESEARCH METHODS

This study employs a quantitative approach to examine the effects of government subsidies, corporate governance, and board of commissioners' meetings on the financial performance of three strategically significant Indonesian transportation SOEs that implement government assignments. The research design follows prior accounting and management studies emphasizing empirical testing using secondary data (Sugiyono, 2024).

Population and Sample

This study examines three strategically significant Indonesian transportation SOEs that implement government assignments supported by subsidies: PT PELNI (Persero), PT ASDP Indonesia Ferry (Persero), and PT Kereta Api Indonesia (Persero). These firms were selected using purposive sampling due to their consistent receipt of government subsidies, central role in public service obligations, and availability of complete financial and governance disclosures. The observation period spans 2014–2023, yielding 30 firm-year observations.

Data Collection

Data were collected using a purposive sampling technique, focusing on SOEs that met two criteria: first, they must receive government assignment subsidies, and second, they must publish complete annual reports with financial and governance disclosures during the period of analysis. Secondary data were then extracted from audited annual reports, official financial statements, and corporate disclosures available through company websites and the Ministry of the examined SOEs. The data sources consist of annual reports published by the sample companies during the 2014–2023 period, which were retrieved from their respective official websites, namely <https://www.kai.id/>, <https://www.asdp.id/>, <https://www.pelni.co.id/>, and <https://www.ppid.pelni.co.id/>. Corporate governance scores were collected from the self-assessment reports disclosed by each SOE. The frequency of the board of commissioners' meetings was obtained from the corporate governance section of the annual reports.

Government subsidy data were compiled from the disclosure of PSO, IMO, and Pioneer Transportation subsidies.

Variable Measurement

Financial performance was measured using three indicators: operating revenue, return on assets (ROA), and return on equity (ROE). Operating revenue represents total revenues from both commercial operations and subsidized public services. ROA reflects the ability of the enterprise to generate profits from assets, while ROE measures the ability to generate returns for equity holders (Siregar, 2021). Government subsidies were measured as the aggregate of PSO, IMO, and Pioneer subsidies disclosed annually (Soen et al., 2022). Corporate governance scores were measured based on the governance self-assessment index reported by each SOE, which includes dimensions such as accountability, transparency, and fairness (KNKG, 2024; OECD, 2025). The board of commissioners' meetings were measured by the number of meetings held in each financial year.

Data Analysis

The study applied descriptive statistics to present the characteristics of the data, followed by classical assumption testing to ensure validity and reliability of the regression models. Multiple linear regression analysis was employed to assess the impact of independent variables on financial performance indicators. The models were estimated using SPSS software, and included tests for normality, multicollinearity, heteroscedasticity, and autocorrelation. Hypotheses were evaluated using t-tests for partial effects and F-tests for simultaneous effects, with significance determined at the 5 percent level.

RESULTS AND DISCUSSIONS

The study was conducted to examine the effects of government subsidies, corporate governance, and board of commissioners' meetings on the financial performance of the examined SOEs. The results are presented in two stages. First, descriptive statistics are provided to illustrate the distribution and characteristics of the research variables. Second, the outcomes of the classical assumption tests and regression analysis are reported and discussed in relation to existing theories and prior studies. This structure ensures that the findings are not only statistically valid but also theoretically grounded and practically relevant.

Descriptive Statistics

Descriptive statistics are presented to provide an overview of the variables used in the study. This stage is crucial for understanding the distribution, variation, and central tendency of each variable before proceeding to the regression analysis. The indicators include government subsidies, corporate governance, board of commissioners' meetings, operating revenue, return on assets, and return on equity.

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Government Subsidies (Rp)	30	222872961227	3,903070708000	2,003477906558.20	1351907320738.49
Corporate Governance Score	30	73.040	96.314	87.3780	5.6174
Board Meetings (times/year)	30	10	49	29.03	8.290
Operating Revenue (Rp)	30	1924034000000	35106535574,000	9468628077433.33	9240998692904.83
Return on Assets (ROA, %)	30	-3.26	6.24	3.07	2.11

Return on Equity (ROE, %)	30	-10.19	15.37	4.88	5.05
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Source: Processed Research Data

Table 1 reports the descriptive statistics of the research variables for 30 firm-year observations of the examined SOEs from 2014 to 2023. Government subsidies and operating revenue are reported in Indonesian Rupiah, while corporate governance is measured using the governance self-assessment score. Board meetings represent the number of meetings per year, and financial performance is assessed using ROA and ROE.

The results indicate considerable variation in government subsidies and operating revenue, reflecting differences in the scale of assignments and operational mandates across the enterprises. Corporate governance scores remain relatively consistent, suggesting that the SOEs apply governance principles in a relatively uniform manner. The frequency of board meetings exhibits moderate variability, while ROA and ROE display both negative and positive values, indicating variations in efficiency and profitability over time. These variations provide an important foundation for the regression analysis, as they demonstrate the heterogeneity of the sample and the potential influence of the independent variables on financial performance.

Classical Assumption Tests

Before conducting multiple regression analysis, several classical assumption tests were performed to ensure the reliability and validity of the model. These tests include assessments of normality, linearity, heteroscedasticity, multicollinearity, and autocorrelation. Meeting these assumptions is crucial for producing unbiased parameter estimates and accurate hypothesis testing.

Normality, Linearity, and Heteroscedasticity Tests

The normality test was conducted using the Shapiro–Wilk method, supported by visual examination through P–P plots and histograms. The results indicate that the residuals for the dependent variables with operating income and ROA indicators are normally distributed. Although the ROE indicator recorded a significance value of 0.026, which is slightly below the 0.05 threshold, its histogram and P–P plot display a distribution pattern that approximates normality. Because multiple regression analysis is robust to minor deviations, the data are considered suitable for further analysis.

The linearity test examined the proportional relationships between the independent variables (government subsidies, corporate governance, and board of commissioners' meetings) and the financial performance indicators. Statistical results show a slight deviation from linearity for the operating income indicator, with a significance value below 0.05. However, scatterplot analysis reveals that government subsidies and corporate governance exhibit a positive linear relationship with operating income, while the relationship involving board of commissioners' meetings is weak. For ROA and ROE, both statistical and visual analyses confirm linear relationships among variables.

To verify the assumption of homoscedasticity, the scatterplot and Glejser tests were performed. The results show that the residuals are randomly distributed above and below the zero line without forming any specific pattern, indicating constant variance across observations. Although the Glejser test suggested a slight indication of heteroscedasticity for the government subsidy variable under the operating income model, the scatterplot did not support this finding. Thus, the model is considered homoscedastic and satisfies the assumption of constant error variance.

The results of the normality, linearity, and heteroscedasticity analyses confirm that the residuals are approximately normal, the relationships between variables are linear, and the variance of residuals is constant. These findings ensure that the regression analysis can proceed with valid and reliable estimations.

Multicollinearity Test

To ensure the reliability of regression coefficients, a multicollinearity diagnostic was carried out to evaluate whether the independent variables were highly correlated with one another. The analysis employed tolerance and Variance Inflation Factor (VIF) indicators as diagnostic measures. A model is free from multicollinearity when tolerance values exceed 0.10 and VIF values remain below 10.

Table 2. Multicollinearity Test

Coefficients								
Model		Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-51276769293085,200	18002438950700,000		-2,848	0,008		
	Government Subsidies (Rp)	4,815	0,860	0,704	5,597	0,000	0,969	1,032
	Corporate Governance Score	592878143901,340	209977124000,418	0,360	2,824	0,009	0,943	1,061
	Board Meetings (times/year)	-24344869587,876	144052709728,478	-0,022	-0,169	0,867	0,919	1,088
a. Dependent Variable: Operating Revenue (Rp)								
1	(Constant)	0,562	5,921		0,095	0,925		
	Government Subsidies (Rp)	-6,193E-13	0,000	-0,396	-2,188	0,038	0,969	1,032
	Corporate Governance Score	0,043	0,069	0,114	0,622	0,540	0,943	1,061
	Board Meetings (times/year)	-9,277E-05	0,047	0,000	-0,002	0,998	0,919	1,088
a. Dependent Variable: Return on Assets (ROA, %)								
1	(Constant)	-0,848	15,464		-0,055	0,957		
	Government Subsidies (Rp)	-2,988E-13	0,000	-0,080	-0,404	0,689	0,969	1,032
	Corporate Governance Score	0,071	0,180	0,079	0,393	0,697	0,943	1,061
	Board Meetings (times/year)	0,004	0,124	0,007	0,036	0,971	0,919	1,088
a. Dependent Variable: Return on Equity (ROE, %)								

Source: Processed Research Data

The results presented in Table 2 indicate that all independent variables meet the statistical criteria for the absence of multicollinearity. The tolerance values for government subsidies, corporate governance, and board of commissioners' meetings are all greater than 0.10, while their corresponding VIF values are below 10. These results confirm that no strong intercorrelation exists among the independent variables, ensuring that each predictor contributes independently to the regression model. Therefore, the model satisfies the multicollinearity assumption and can be reliably used for further analysis.

Autocorrelation Test

To verify the independence of residuals, an autocorrelation test was conducted using the Durbin–Watson (DW) statistic. A DW value between 1.5 and 2.5 generally indicates the absence of autocorrelation. Values outside this range may suggest positive or negative serial correlation.

Table 3. Autocorrelation Test (Durbin-Watson)

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.775 ^a	0,601	0,555	6166597870976,470	1,772
a. Predictors: (Constant), Government Subsidies, Corporate Governance, Board Meetings b. Dependent Variable: Operating Revenue					
1	.416 ^a	0,173	0,078	2,02816	1,429
a. Predictors: (Constant), Government Subsidies, Corporate Governance, Board Meetings b. Dependent Variable: Return on Assets (ROA)					
1	.115 ^a	0,013	-0,101	5,29720	1,850
a. Predictors: (Constant), Government Subsidies, Corporate Governance, Board Meetings b. Dependent Variable: Return on Equity (ROE)					

Source: *Processed Research Data*

The results show that the model with operating income and ROE as dependent variables has DW values of 1.772 and 1.850, both within the acceptable range, indicating no autocorrelation. The ROA model records a DW value of 1.429, which falls within the inconclusive range. To confirm these findings, a Runs Test was conducted to assess whether the residuals are distributed randomly, as shown in Table 4.

Table 4. Autocorrelation Test (Runs Test)

Runs Test			
	Unstandardized Residual (Operating Revenue)	Unstandardized Residual (ROA)	Unstandardized Residual (ROE)
Test Value ^a	-661551016144,60600	0,01319	-0,99756
Cases < Test	15	15	15
Cases >= Test	15	15	15
Total Cases	30	30	30
Number of Runs	15	15	16
Z	-0,186	-0,186	0,000
Asymp. Sig. (2-tailed)	0,853	0,853	1,000
a. Median			

Source: *Processed Research Data*

The Runs Test results show significance values greater than 0.05 for all dependent variables, confirming that the residuals are random and independent. These results complement the Durbin–Watson findings and indicate that the regression model meets the assumption of residual independence. Therefore, the data are appropriate for further regression analysis, and the subsequent hypothesis testing can be conducted with confidence.

The overall results of the classical assumption tests demonstrate that the dataset satisfies all the required statistical assumptions for multiple regression analysis. The residuals are approximately normal, the relationships between variables are linear, the variance of errors is constant, there is no multicollinearity among independent variables, and there is no autocorrelation in the residuals. These results validate the robustness of the regression model and confirm that it is appropriate for hypothesis testing and further inferential analysis.

Multiple Linear Regression Analysis

Following the confirmation that the dataset meets all classical assumptions, multiple linear regression analysis was conducted to examine the effect of government subsidies,

corporate governance, and board of commissioners' meetings on the financial performance of the examined SOEs. The regression model was designed to test the strength and direction of the relationships between independent and dependent variables, specifically operating revenue, return on assets (ROA), and return on equity (ROE).

Table 5. Multiple Linear Regression Analysis and t Test (Partial)

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	-51276769293085,200	18002438950700,000		-2,848	0,008
	Government Subsidies (Rp)	4,815	0,860	0,704	5,597	0,000
	Corporate Governance Score	592878143901,340	209977124000,418	0,360	2,824	0,009
	Board Meetings (times/year)	-24344869587,876	144052709728,478	-0,022	-0,169	0,867
a. Dependent Variable: Operating Revenue (Rp)						
1	(Constant)	0,562	5,921		0,095	0,925
	Government Subsidies (Rp)	-6,193E-13	0,000	-0,396	-2,188	0,038
	Corporate Governance Score	0,043	0,069	0,114	0,622	0,540
	Board Meetings (times/year)	-9,277E-05	0,047	0,000	-0,002	0,998
a. Dependent Variable: Return on Assets (ROA, %)						
1	(Constant)	-0,848	15,464		-0,055	0,957
	Government Subsidies (Rp)	-2,988E-13	0,000	-0,080	-0,404	0,689
	Corporate Governance Score	0,071	0,180	0,079	0,393	0,697
	Board Meetings (times/year)	0,004	0,124	0,007	0,036	0,971
a. Dependent Variable: Return on Equity (ROE, %)						

Source: Processed Research Data

The model of multiple linear regression used is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Description:

Y: Financial Performance

X1: Government Subsidy

X2: Corporate Governance

X3: Board of Commissioners Meetings

α : Constant

$\beta_1, \beta_2, \beta_3$: Regression Coefficients

ε : Error

The regression analysis shows that, for the operating revenue model, government subsidies and corporate governance have positive and statistically significant effects on financial performance. The coefficient for government subsidies ($B = 4.815, p < 0.01$) indicates that increases in government subsidy allocations contribute to higher operating revenues for the examined SOEs. Similarly, the corporate governance variable ($B = 592,878,143,901.34, p < 0.01$) demonstrates that better governance practices strengthen financial outcomes by improving managerial oversight and accountability. In contrast, the frequency of board meetings exhibits no significant relationship with operating revenue, suggesting that meeting frequency alone does not necessarily translate into improved operational or financial efficiency.

For the ROA model, government subsidies show a negative and significant relationship ($B = -6.193E-13$, $p = 0.038$), implying that higher subsidy levels are associated with lower returns on assets. This finding may reflect inefficiencies in asset utilization resulting from reliance on government support rather than productivity-driven gains. Neither corporate governance nor board meetings show a statistically significant relationship with ROA.

In the ROE model, none of the independent variables demonstrates a significant effect on financial performance. This outcome indicates that other factors beyond subsidies, governance, or board oversight, such as capital structure decisions, investment risks, or policy constraints specific to the transportation sector, may influence variations in equity-based profitability.

Overall, the regression findings confirm that the explanatory power of government subsidies and corporate governance is most evident in influencing operating revenues. At the same time, their effects on profitability measures such as ROA and ROE are limited. These results suggest that government funding and sound governance enhance the revenue-generating capacity of the examined SOEs but may not directly improve profitability due to the dual mandate of financial sustainability and public service delivery.

Hypothesis Testing

After confirming that the classical assumptions were met and the regression models were valid, hypothesis testing was conducted to determine both the partial and simultaneous effects of the independent variables, namely government subsidies, corporate governance, and board of commissioners' meetings, on financial performance. The t-test was used to assess the individual contribution of each independent variable. At the same time, the F-test evaluated the joint significance of all predictors in explaining variations in financial performance.

Partial Effect (t-test)

The t-statistics obtained from the regression results in Table 5 indicate several key findings. For the model using operating revenue as the dependent variable, the government subsidy variable has a positive and significant effect on financial performance ($t = 5.597$, $p < 0.01$). This demonstrates that higher government subsidy allocations strengthen the operating revenues of the examined SOEs, highlighting the effectiveness of fiscal support in sustaining service capacity and ensuring operational continuity under public service obligations.

Corporate governance also shows a positive and significant relationship with operating revenue ($t = 2.824$, $p < 0.01$). This finding suggests that robust governance mechanisms that emphasize transparency, accountability, and ethical management contribute to improved operational efficiency and higher revenue performance. In contrast, the board of commissioners' meetings variable shows no significant effect ($t = -0.169$, $p = 0.867$), implying that the frequency of board meetings alone may not reflect the quality or strategic depth of board oversight.

For the ROA model, government subsidies exhibit a negative and significant effect ($t = -2.188$, $p = 0.038$), indicating that excessive reliance on subsidies may reduce the efficiency of asset utilization. Neither corporate governance ($t = 0.622$, $p = 0.540$) nor board meetings ($t = -0.002$, $p = 0.998$) display significant effects, suggesting that governance-related variables do not strongly drive profitability based on asset utilization.

In the ROE model, all independent variables show non-significant relationships: government subsidies ($t = -0.404$, $p = 0.689$), corporate governance ($t = 0.393$, $p = 0.697$), and board meetings ($t = 0.036$, $p = 0.971$). This indicates that equity-based profitability in the examined SOEs may be influenced more by external and structural factors, such as capital

policies or cost management practices, rather than by internal governance or subsidy mechanisms.

Overall, the t-test findings reveal that government subsidies and corporate governance significantly improve operating revenue, but not profitability indicators such as ROA and ROE. This reflects the dual objectives of the examined SOEs to maintain service delivery and public accountability alongside financial sustainability.

F Test (Simultaneous)

The simultaneous effects of all independent variables on financial performance were evaluated using the F-test, and the results are summarized in Table 6.

Table 6. F Test (Simultaneous)

Anova						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	148778548656518000000000000,000	3	49592849552172500000000000,000	13,042	.000 ^b
a. Dependent Variable: Operating Revenue						
b. Predictors: (Constant), Government Subsidies, Corporate Governance, Board Meetings						
1	Regression	22,416	3	7,472	1,816	.169 ^b
a. Dependent Variable: Return on Assets (ROA)						
b. Predictors: (Constant), Government Subsidies, Corporate Governance, Board Meetings						
1	Regression	9,748	3	3,249	0,116	.950 ^b
a. Dependent Variable: Return on Equity (ROE)						
b. Predictors: (Constant), Government Subsidies, Corporate Governance, Board Meetings						

Source: Processed Research Data

The F-test results confirm that the combination of government subsidies, corporate governance, and board of commissioners' meetings has a significant simultaneous effect on financial performance when measured by operating revenue ($F = 13.042$, $p < 0.01$). This finding suggests that these variables collectively explain variations in enterprise revenue generation, underscoring the importance of effective governance and fiscal intervention in supporting the examined SOEs.

For the ROA and ROE models, the F-values of 1.816 ($p = 0.169$) and 0.116 ($p = 0.950$) indicate no significant joint effect, meaning that while the independent variables collectively enhance revenue performance, they do not significantly influence profitability. This aligns with the institutional reality that the examined SOEs prioritize social mandates and service reliability rather than profit maximization.

The integrated results of the t-test and F-test provide a comprehensive picture of how government policy and governance mechanisms shape financial outcomes. Government subsidies and corporate governance emerge as the main determinants of operating performance, both individually and collectively. However, their influence weakens when performance is assessed through profitability ratios such as ROA and ROE. This implies that while subsidies and governance contribute to the scale and sustainability of operations, their direct impact on profitability is constrained by external factors such as regulatory obligations, cost structures, and the public service nature of the examined SOEs.

Overall, these findings confirm that the regression model successfully captures the dynamics between fiscal support, governance quality, and financial performance in the examined SOEs. Financial outcomes in such entities are therefore more closely linked to institutional effectiveness and policy alignment than to profit-oriented strategies.

Coefficient of Determination (R²)

To assess the explanatory power of the regression models, the coefficient of determination (R²) was examined for each dependent variable: operating revenue, return on assets (ROA), and return on equity (ROE). The R² value represents the proportion of variance in the dependent variable that can be explained by the independent variables included in the model. A higher R² indicates a stronger fit and greater predictive accuracy, while a lower value suggests that additional factors outside the model may influence financial performance.

Table 7. Coefficient of Determination Test (R²)

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.775 ^a	0,601	0,555	6166597870976,470
a. Predictors: (Constant), Government Subsidies, Corporate Governance, Board Meetings				
b. Dependent Variable: Operating Revenue				
1	.416 ^a	0,173	0,078	2,02816
a. Predictors: (Constant), Government Subsidies, Corporate Governance, Board Meetings				
b. Dependent Variable: Return on Assets (ROA)				
1	.115 ^a	0,013	-0,101	5,29720
a. Predictors: (Constant), Government Subsidies, Corporate Governance, Board Meetings				
b. Dependent Variable: Return on Equity (ROE)				

Source: Processed Research Data

The results summarized in Table 7 show that the regression model for operating revenue achieves an R² of 0.601 with an adjusted R² of 0.555. This means that 55.5 percent of the variation in operating revenue can be explained by government subsidies, corporate governance, and board of commissioners' meetings, while the remaining 44.5 percent is attributed to other unobserved factors. This relatively high explanatory power confirms that the model provides a strong and statistically meaningful representation of how fiscal support and governance structures influence revenue generation in the examined SOEs.

In contrast, the ROA model records an adjusted R² of 0.078, indicating that only 7.8 percent of the variation in asset-based profitability is explained by the independent variables. The low R² suggests that profitability efficiency is influenced by additional operational and contextual factors such as cost management, productivity levels, and industry-wide policy constraints.

The ROE model exhibits an adjusted R² of -0.101, implying that the regression equation has no meaningful explanatory power for equity-based profitability. This result confirms that external and strategic variables not captured in this model, such as leverage, capital structure, and investment policies, are more dominant in shaping equity returns for the examined SOEs.

The relatively modest explanatory power of the ROA and ROE models can be theoretically justified by the complex nature of profitability determinants in state-owned enterprises. Unlike private firms, SOEs operate under dual mandates, financial sustainability and public service obligations, which may weaken the direct relationship between governance mechanisms, subsidy allocation, and profitability indicators. From a financial management perspective, ROA and ROE are influenced by broader structural factors such as capital intensity, leverage policies, asset expansion, and macroeconomic conditions.

This interpretation is supported by prior empirical evidence indicating that the relationship between governance mechanisms, government support, and profitability in SOEs is not always consistent. (Krisnawan & Yudianto, 2021) document that fluctuations in ROA and

ROE are largely driven by operational cost structures, asset expansion, and financial burdens rather than subsidy levels. Similarly, (Siregar, 2021) finds that corporate governance variables do not significantly influence ROA performance. Although some studies (Gholy & Nadya, 2020);(Susmanto et al., 2021) report positive and significant effects of governance mechanisms on profitability, other evidence (Deniza et al., 2023) suggests insignificant relationships. These mixed findings indicate that profitability in SOEs is shaped by complex financial and institutional dynamics, which may limit the explanatory power of models relying solely on subsidy and governance variables.

Taken together, these findings demonstrate that the regression model performs best in explaining operating performance rather than profitability measures. The results are consistent with the nature of the examined SOEs, which often prioritize public service mandates, operational continuity, and social impact over profit maximization. The relatively strong model fit for operating revenue further supports the robustness of the analysis, providing a reliable foundation for interpreting the implications of government subsidies and governance mechanisms in the following discussion section.

The results from the regression, hypothesis testing, and model fit analyses collectively reveal that government subsidies and corporate governance significantly enhance the financial performance of SOEs. Taken together, these findings demonstrate that the regression model performs best in explaining operating performance rather than profitability measures. The results are consistent with the nature of the examined SOEs, particularly in terms of operating income. However, their influence on profitability indicators remains limited, reflecting the hybrid nature of these entities as both commercial and public institutions. The next section discusses these findings in depth, linking them to theoretical perspectives and previous empirical evidence to provide a comprehensive interpretation of their practical and policy implications.

DISCUSSIONS

The empirical findings of this study provide important insights into how government subsidies, corporate governance, and board of commissioners' meetings influence the financial performance of the examined SOEs. The results indicate that government subsidies and corporate governance significantly affect operating revenue but have limited influence on profitability indicators such as return on assets and return on equity. These findings align with the theoretical expectations and policy context discussed in the earlier sections and contribute to the ongoing discourse on how fiscal support and governance mechanisms jointly shape financial outcomes in SOEs with public service mandates.

The Influence of Government Subsidies on Financial Performance

The findings of this study indicate that government subsidies have varying impacts on the financial performance of the examined SOEs. On the one hand, fiscal support strengthens operational capacity and drives revenue growth, but on the other hand, it has not been able to improve asset utilization efficiency. This pattern reflects the dual function of the examined SOEs, which must balance their commercial orientation with their public service mandate.

The positive impact on operating revenue supports the argument that subsidies strengthen financial capacity by expanding service coverage and ensuring accessibility in unprofitable regions (Makhmudov & Karshiev, 2024; Soen et al., 2022). The finding also validates the government's role, as explained in public economic theory, where fiscal intervention addresses market failures and promotes equitable development (Segati, 2021).

However, the negative effect of subsidies on ROA suggests that increased government funding may reduce efficiency in asset utilization. This observation resonates with findings that income-based subsidies can create inefficiencies when firms depend heavily on public

funding rather than improving internal productivity (Qian & Han, 2021). In the case of Indonesian SOEs, operational assignments under the Public Service Obligation, Infrastructure Maintenance and Operation, and Pioneer Transportation schemes require them to maintain services in low-profit routes, which constrains profitability ratios.

This evidence also confirms the agency theory perspective, where the government acts as the principal and SOEs as agents executing its mandates (Purba, 2023). While subsidies ensure program continuity, they also increase dependency and reduce managerial incentives to optimize assets. Therefore, this study extends previous findings by demonstrating that in the context of transportation SOEs, fiscal support can improve operating capacity without necessarily enhancing profitability.

The Role of Corporate Governance in Strengthening Financial Performance

The findings of this study indicate that corporate governance positively influences operating income but has not yet translated into improvements in ROA or ROE. This suggests that governance serves as a monitoring and accountability system that enhances operational effectiveness and revenue generation yet does not directly affect asset- or equity-based profitability. Thus, the role of governance in the examined SOEs is more apparent in strengthening managerial processes than optimizing financial ratios.

This finding supports previous research emphasizing that effective governance increases transparency and managerial discipline, leading to better operational performance (Kyere & Ausloos, 2021; Siregar, 2021). In the Indonesian context, this aligns with the ETAK principles of the Indonesian National Committee on Governance (KNKG, 2024), which underline ethical behavior, transparency, accountability, and sustainability as the pillars of good governance.

Moreover, the positive impact on revenue demonstrates that governance mechanisms in transportation SOEs enhance institutional credibility and operational consistency, which are essential for executing government assignments. Well-structured governance improves internal efficiency and strengthens stakeholder trust (Haryanto, 2020; Haryanto et al., 2022, 2023). The lack of significance for profitability measures such as ROA and ROE indicates that governance reforms may take time to influence deeper efficiency metrics, particularly in enterprises constrained by policy-based assignments.

From the perspective of stakeholder theory, good governance improves public and investor confidence, ensuring organizational legitimacy and continuity. This corresponds with legitimacy theory, which posits that adherence to governance norms reinforces public trust and institutional sustainability. The findings suggest that governance quality supports revenue stability but does not automatically translate into profit maximization, reflecting the mission-oriented nature of the examined SOEs.

The Effect of Board of Commissioners' Meetings on Financial Performance

Research findings show that the frequency of board of commissioner meetings does not correlate with improvements in financial performance indicators. This suggests that meeting frequency alone does not reflect the effectiveness of the oversight function. In the context of governance, the quality of discussions, depth of strategic evaluations, and follow-up on decisions are likely more important than the number of meetings. While some studies suggest frequent meetings could enhance performance through oversight, our findings support the argument that formal governance mechanisms require substantive effectiveness to impact financial results (Deniza et al., 2023; Susmanto et al., 2021).

The absence of significance may indicate that meeting quantity does not equate to decision-making quality. In many SOEs, board meetings are procedural rather than strategic,

focusing on compliance rather than innovation. From the agency theory perspective, this finding suggests that the board's supervisory function has not yet achieved optimal effectiveness (Purba, 2023). Similarly, from a stakeholder theory standpoint, meeting frequency adds limited value unless it translates into actionable governance outcomes that enhance performance.

This result is consistent with recent evidence that board characteristics, including the quality of interaction, communication dynamics, and member expertise, have a stronger influence on managerial behavior and employee engagement than the number of formal meetings held (Al Farooque et al., 2020; Haryanto et al., 2024). Therefore, the effectiveness of board oversight depends more on the strategic depth and behavioral impact of meetings than on their frequency (Oon et al., 2025).

Theoretical and Practical Implications

Theoretically, this study reinforces and extends existing research by integrating public economics, agency theory, and governance frameworks to explain how fiscal policy and institutional design jointly influence the financial performance of the examined SOEs. The evidence supports the proposition that in public service-oriented entities, financial outcomes are driven more by policy alignment and institutional accountability than by traditional efficiency metrics.

The results also contribute to the growing literature on corporate governance in emerging economies by illustrating how governance principles enhance revenue-generating capacity even when profitability remains constrained by policy obligations. This study enriches the debate on the balance between state intervention and managerial autonomy in achieving both financial and social objectives.

Practically, the findings provide actionable insights for policymakers, regulators, and SOE management. For policymakers, the results highlight the importance of designing subsidy mechanisms that encourage efficiency rather than dependency. For SOE management, the results emphasize that good governance practices focused on transparency and accountability can enhance operational credibility and stakeholder trust. Regulators should evaluate the quality and substance of board deliberations to ensure that oversight translates into strategic improvements rather than procedural compliance.

Overall, these implications underscore the need for performance-based governance frameworks, the alignment of fiscal policy with managerial accountability, and the continuous improvement of institutional monitoring systems to ensure that SOEs achieve both public value and financial sustainability.

CONCLUSIONS

This study examined the effects of government subsidies, corporate governance, and board of commissioners' meetings on the financial performance of three strategically significant Indonesian transportation SOEs. The analysis employed multiple linear regression to evaluate how fiscal policy and governance structures influence operating revenue, return on assets, and return on equity. The findings provide a deeper understanding of how policy instruments and institutional design shape financial sustainability in enterprises that operate under both commercial and public service mandates.

The results show that government subsidies and corporate governance have significant positive effects on operating revenue but limited influence on profitability measures such as ROA and ROE. Government subsidies contribute to higher operating revenues, reflecting their role in maintaining service capacity and operational continuity. However, their negative impact on ROA suggests potential inefficiencies in asset utilization. Corporate governance strengthens

financial outcomes through enhanced transparency and managerial accountability, confirming its importance as an institutional mechanism for improving operational performance. Meanwhile, the frequency of board meetings does not significantly affect financial outcomes, indicating that meeting quantity does not necessarily translate into effective strategic oversight. Overall, these findings confirm that the explanatory power of the model lies in revenue performance rather than profitability. This result is consistent with the dual function of the examined SOEs, which must balance commercial viability with social responsibility.

This study offers three main contributions. First, it provides new empirical evidence from a comparative analysis of three Indonesian transportation SOEs, illustrating how fiscal support and governance jointly determine financial performance in the examined SOEs. This contextual contribution strengthens the understanding of the unique challenges faced by strategically significant SOEs in emerging economies.

Second, it advances theoretical integration by combining agency theory, stakeholder theory, and public economics to explain how governance quality mediates the effects of government intervention on financial outcomes. This multidimensional framework offers a more comprehensive interpretation of how institutional structures influence organizational behavior and performance.

Third, the study identifies an important paradox: while government subsidies enhance operating capacity, they may reduce efficiency when not linked to performance accountability. This finding introduces a novel insight into the fiscal–managerial tension within the examined SOEs, expanding existing perspectives on the trade-off between financial independence and policy-driven mandates.

In conclusion, this study demonstrates that the financial performance of the examined transportation SOEs is primarily influenced by the interplay between fiscal support and governance quality. The results highlight that effective governance enhances operational performance, while subsidies sustain service capacity but may reduce efficiency if not performance driven. By integrating theory and empirical evidence, this study contributes to a more nuanced understanding of how public enterprises can balance their economic and social missions while achieving long-term financial sustainability.

Practically, these findings suggest that the government should design a performance-based subsidy scheme incorporating measurable operational efficiency indicators and a transparent, periodic evaluation mechanism. Subsidies should function not only as fiscal support but also as performance-linked incentives to enhance productivity and accountability. For the examined SOEs, strengthening the supervisory role of the board of commissioners, improving oversight effectiveness, and ensuring transparent reporting of subsidy utilization are strategic measures to maintain a balance between public service obligations and sustainable financial performance.

Limitations

This research has several limitations. The data set is limited to one sector, reducing the ability to generalize the results to other industries. The analysis includes only three independent variables, omitting other relevant factors such as leverage, ownership composition, and market structure. In addition, the cross-sectional approach does not capture temporal changes or the delayed effects of policy reforms. These limitations nonetheless create opportunities for deeper exploration in subsequent research.

Future Research Agenda

Based on the identified limitations, future research should first address the sectoral constraint by expanding the analysis to multiple industries to enhance the generalizability of

the findings. Second, given the limited number of independent variables included in this study, subsequent research should incorporate additional determinants such as leverage, ownership composition, and market structure to improve the explanatory power of the model. Finally, considering the cross-sectional nature of the data, longitudinal or panel data approaches are recommended to capture temporal dynamics and potential lagged effects of policy reforms on financial performance.

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