

The Effect of Leverage, Institutional Ownership, and Gender Diversity on the Financial Performance of Manufacturing Companies in Indonesia 2022-2024 Period

Original Article

Faiz Kanz Pradana¹, Hardiyanto Wibowo^{2*}, Iwan Fakhruddin³, Tiara Pandansari⁴

¹⁻⁴Faculty of Economics and Business, Universitas Muhammadiyah Purwokerto, Indonesia

Email: ¹⁾ faizkanz306@gmail.com, ²⁾ hardiyantowibowo2d@gmail.com, ³⁾ iwanfakhruddin@ump.ac.id,

⁴⁾ tiarapandansari@ump.ac.id

Received : 08 January - 2026

Accepted : 02 April - 2026

Published online : 04 April - 2026

Abstract

Financial performance constitutes a fundamental metric for appraising a firm's value-generation capabilities and operational sustainability, while simultaneously functioning as a key informational signal for investor assessments of corporate prospects. Internal organizational factors namely leverage, institutional ownership, and board gender diversity are hypothesized to exert influence over this performance. To evaluate these propositions, an associative quantitative methodology utilizing secondary data is applied to manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2022 to 2024. Through purposive sampling, 90 observations are selected and subjected to multiple linear regression analysis. The resulting findings indicate that, against some expectations, leverage and institutional ownership do not have a significant impact on financial performance within the examined manufacturing firms. By contrast, gender diversity shows a positive and significant effect. These findings provide important implications for company management and stakeholders in designing more inclusive governance strategies, particularly by encouraging increased gender diversity in leadership structures. In addition, the results of this study can serve as a basis for consideration by investors in assessing company performance, as well as for regulators in formulating policies that support sustainable corporate governance practices oriented toward performance improvement.

Keywords: Financial Performance, Gender Diversity, Institutional Ownership, Leverage.

1. Introduction

A fundamental driver of accelerated economic development lies in the corporate role of value creation and resource optimization, through which firms substantively enhance macroeconomic dynamism (Lestari & Mutmainah, 2020). This contribution is greatly influenced by the manufacturing sector, as people's purchasing power is closely related to companies' expansion capacity and production levels. Throughout 2024, the manufacturing sector has been the backbone of the economy, contributing 18.98% to the national Gross Domestic Product or GDP. This figure shows an increase compared to 2023, which contributed 18.67% to the national GDP (BPS, 2024). Increased market demand has encouraged manufacturing companies to increase their spending on raw materials and production capacity, which in turn has affected their financial performance.

However, current conditions show that the manufacturing sector is facing significant pressure. Data shows that domestic manufacturing production and orders plummeted in July-September 2024. In July, the Purchasing Manager Index (PMI) was 49.3, while in August and



September it was 48.9 and 49.2, respectively (Kompas, 2024). This decline in production is the sharpest since August 2021. The decline in production was influenced by weakening domestic and international demand (Kompas, 2024). This phenomenon indicates that manufacturing companies are under operational and financial pressure. Companies are required to continuously optimize their financial conditions in order to survive and adapt to the rapidly changing dynamics. Therefore, financial performance is a key indicator that reflects the level of success and achievement of a company (Eliya & Suprpto, 2022).

Financial performance is defined as the realized outcome of a firm's achievements over a specific accounting period, indicating the robustness or weakness of its financial position. Evaluation of this performance relies on the analysis of financial statements, which are documentary records that encapsulate a company's periodic financial data and information. These statements ultimately function as the principal instrument for appraising and making sense of the company's financial performance (B. G. Putri & Munfaqiroh, 2020).

In financial statements, the aspect that is most closely watched by users of financial information is the level of profit generated by the company (Anandamaya & Hermanto, 2021). Return on assets (ROA) can be used as an instrument to assess financial performance. Basically, ROA is a ratio that serves to assess the extent to which a company is able to generate profits through the utilization of all its assets (Pratiwi & Rahim, 2024).

Defined as the proportion of corporate activities financed through external debt, leverage is primarily employed to maximize profits (Anandamaya & Hermanto, 2021). More fundamentally, leverage captures a company's ability to utilize fixed-cost assets or funds to increase owners' rates of return. Despite potential cross-sectional or temporal variation in leverage ratios, a clear risk-return relationship holds: higher leverage amplifies both risk exposure and expected income (Amalia & Khuzaini, 2021). Empirical evidence on this relationship remains mixed. Estiasih et al. (2024) report that leverage does impact financial performance, whereas Krisdamayanti & Retnani (2020) find no significant effect of the leverage variable on financial performance.

Gender diversity is a crucial aspect for company development. It creates value because it can increase contributions through more alternatives being considered, which ultimately has an impact on creativity and product quality. This gender diversity can be measured by the number of women who hold positions as commissioners or directors in a company. This emphasis is reinforced by the fact that the presence of women positively affects a company's financial performance (Eliya & Suprpto, 2022). Corroborating this assertion is the work of Anggraini et al. (2023) which identified a statistically significant relationship between board-level gender diversity and corporate financial performance.

Given the unresolved discrepancies in prior empirical work, the present study examines the respective roles of leverage, institutional ownership, and gender diversity in shaping financial performance among Indonesia's manufacturing companies. Although extant research has extensively explored these three determinants, the results to date exhibit considerable inconsistency. More precisely, whereas certain studies document a positive relationship between leverage, institutional ownership, and financial performance, other research fails to confirm any statistically meaningful effect. In addition, studies on gender diversity in manufacturing companies in Indonesia are still relatively limited and generally use short observation periods or focus on specific sectors. These differences in results and limitations indicate a research gap that needs to be further explored.

Accordingly, this investigation aims to fill the existing research gap by reanalyzing how leverage, institutional ownership, and gender diversity influence the financial performance of Indonesia Stock Exchange-listed manufacturing companies between 2022 and 2024.

Undertaking this study carries substantial importance given its dual contributions both theoretical and practical. Theoretically, the results are expected to enrich scholarly understanding of the factors shaping corporate financial performance, particularly in the context of developing economies. Practically, the findings can inform decision-making by corporate management, investors, and regulatory bodies, offering evidence-based insights for designing strategies related to capital structure management, corporate governance practices, and diversity policies that ultimately improve financial performance.

2. Literature Review

2.1. Agency Theory

The fundamental premise of Agency Theory, as advanced by Jensen & Meckling (2019), posits that the division between corporate ownership and control inevitably gives rise to latent interest misalignment between principals (owners) and agents (managers). Under this formulation, the authors define the agency relationship as a contract between principal and agent, one that authorizes the agent to exercise decision-making power in service of the principal's interests.

From the perspective of agency theory, which explains the relationship between corporate financial structure, governance, and financial performance, leverage can act as a managerial disciplining tool. While debt servicing requirements motivate managers to enhance operational efficiency, an increase in leverage also heightens the firm's financial risk. The existence of institutional ownership, which can be interpreted as share ownership by institutions or agencies, can reduce agency problems by utilizing information, thereby encouraging more optimal supervision of manager performance (Setyasari et al., 2022).

The existence of large institutional ownership can have an influence that minimizes agency costs arising from opportunistic behavior by managers seeking loopholes for personal gain (Deniza et al., 2023). In the context of gender diversity, agency theory explains that diversity on the board of directors can strengthen the oversight mechanism over management. Fitroni & Feliana (2022) assert that a diverse board of directors exhibits a clear positive relationship with enhanced financial performance, even while allowing for superior management oversight. Similarly, Rahmat (2024) suggests that the presence of women on boards often correlates with higher-quality decision-making and monitoring, which in turn may significantly influence corporate financial performance.

2.2. Financial Performance

Reflecting a company's ability to generate earnings and allocate resources efficiently, financial performance is commonly evaluated using ratios such as Return on Assets (ROA) (Syadeli & Sa'adah, 2021). Financial performance is both a key driver of corporate development and goal attainment (Pramono et al., 2022) and moreover, financial performance represents a methodical analytical process through which the efficacy and operational efficiency of a firm's activities are assessed across a specified accounting period. From an agency theory perspective, improved financial performance indicates that the company has successfully achieved the main objectives underlying its establishment (Krisdamayanti & Retnani, 2020). Meanwhile, as a financial metric, Return on Assets (ROA) quantifies a company's profit-generating capacity derived from its investment activities (Eseimieghan & Onuorah, 2025; Eyamu et al., 2025). In essence, ROA reflects the effectiveness of a business entity in achieving profitability based on its total assets. The ratio also enables evaluation of how skillfully management deploys assets to realize earnings (Sari, 2020).

2.3. Leverage

Serving as a financial metric that quantifies the proportion of corporate assets financed through debt obligations, leverage is measured in this investigation using the Debt to Asset Ratio (DAR) (Aprianingsih & As'ari, 2023). A heightened leverage level signifies that the firm's funding structure is predominantly composed of debt rather than equity. An increasing level of leverage has the potential to cause financial risk because the interest burden that the company must bear also becomes greater. Conversely, low leverage reflects relatively small financial risk, although the consequence is that the rate of return obtained by the company tends to be lower (Lutfiana & Hermanto, 2021).

2.4. Institutional Ownership

Institutional ownership refers to shareholders who are institutions or entities, such as financial institutions, governments, foreign institutions, legal entities, trust funds, and various other organizations or institutions (Himawan & Fazriah, 2021). Through monitoring mechanisms, institutional ownership serves to mitigate agency conflicts, given that institutional investors possess both the resources and the incentives to oversee managerial decisions with greater efficiency (Himawan & Fazriah, 2021).

2.5. Gender Diversity

Gender diversity is a crucial element in company expansion because it can provide added value. This occurs via greater contributions and expanded viewpoints when weighing alternative options, which ultimately improves creativity and product quality (Dobija et al., 2022). Furthermore, the board of directors holds a critical function within corporate governance systems, namely to protect and secure the interests of shareholders (Eliya & Suprpto, 2022). A broader array of ideas and perspectives accrues to companies when diversity characterizes board composition. Moreover, the divergent viewpoints between male and female board members serve to enrich the organization's cognitive repertoire, thereby facilitating the recognition of a wider spectrum of potential risks and corresponding solutions. A gender-balanced board also ensures access to a more diverse understanding of employee and consumer preferences, including considerations based on gender.

2.6. Hypothesis Development

Leverage is a financial ratio measuring how extensively a company uses debt to finance operations (S. R. Putri & Mayangsari, 2023). Furthermore, research by Cahyati et al. (2024) explains that effective debt management allows companies to optimize debt as a funding source for profit generation, which in turn improves the firm's financial performance. Companies that use funds through debt can optimize revenue and expand operations. This research is in line with (Ardiles, 2024), who revealed that leverage has a positive effect on financial performance. With high leverage, companies can be utilized to obtain higher profits by using capital from debt or assets financed by debt, thereby enabling companies to maximize their operations and increase their profits.

H1: Leverage has a positive effect on financial performance

Institutional ownership refers to shareholders from outside the company, namely institutions or other business entities that act as investors in a company. Institutional share ownership, such as by the government or legal institutions, encourages stricter supervision of management because these institutions have the means to monitor. Greater institutional ownership strengthens the supervisory function over management, thereby potentially increasing the efficiency of corporate asset utilization. According to the study, institutional ownership positively affects financial performance: the larger the institutional shareholding,

the better the company’s financial performance. This confirms that the proportion of shares held by institutions, whether large or small, determines financial performance.

H2: Institutional ownership has a positive effect on financial performance

According to Anggraini et al. (2023), board gender diversity brings diverse perspectives and experiences to strategic decision-making, which can improve corporate governance effectiveness and financial performance. Crucially, this diversity functions as a risk-balancing mechanism, where the diversity of character and background of board members has the potential to create balance in risk-taking and managerial oversight. This condition results in stable risk management, which does not lean towards extreme aggressiveness or defensiveness (Novita & Lukman, 2025).

Gender diversity positively affects corporate financial performance, according to Purnama et al. (2025), indicating that female board representation contributes meaningfully to firm value beyond any symbolic function. The empirical evidence presented leads to the conclusion that board-level diversity fortifies oversight over managerial conduct and augments the effectiveness of strategic deliberations.

H3: Gender diversity has a positive effect on financial performance

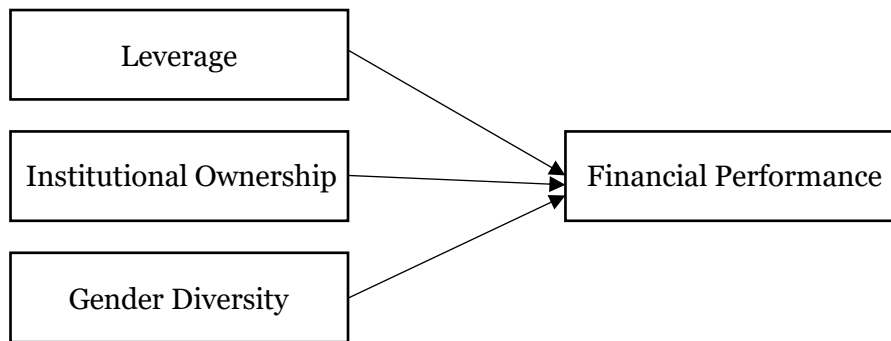


Figure 1. Research Framework
 Source: Researcher’s compilation, 2025

The research framework in Figure 1 shows that financial performance is influenced by three main variables, namely leverage, institutional ownership, and gender diversity. Leverage serves as a measure of debt utilization in a company’s capital structure, thereby affecting its risk profile and profit-generating capacity. In parallel, institutional ownership captures the fraction of equity controlled by institutional investors, a factor that plays a significant role in enhancing supervisory capabilities and governance practices. Meanwhile, gender diversity refers to gender diversity within the management or board ranks, which is believed to enrich perspectives in decision-making. It is assumed that these three independent variables directly affect corporate financial performance, both partially and simultaneously. Accordingly, this study aims to empirically test and analyze these proposed relationships.

3. Research Method

Employing an associative quantitative design to test variable relationships, this study focuses on manufacturing firms listed on the Indonesia Stock Exchange (IDX) over the 2022–2024 period, utilizing secondary data extracted from annual financial reports accessible via the IDX’s official portal. The population comprises 228 manufacturing companies for the most recent 2024 period. A purposive sampling strategy was applied based on three criteria: (1) consecutive listing on the IDX throughout 2022–2024, (2) publication of complete financial statements, and (3) availability of data for all research variables. As presented in Table 1, the

resulting dataset constitutes balanced panel data encompassing 30 manufacturing firms as cross-sectional units across a three-year observation period (2022–2024), yielding an aggregate of 90 observations.

Table 1. Sampling Criteria

Criteria	Sample
Population Manufacturing companies listed on the Indonesia Stock Exchange in the latest period of 2024	228
Companies listed on the IDX consecutively during the 2022-2024 period	185
Companies for which complete financial reports are available for the 2022-2024 period	124
Manufacturing companies listed on the Indonesia Stock Exchange that have data related to all research variables (2022-2024)	30
Total sample over 1 year	30
Total sampel over 3 year (30x3)	90

Source: Data processed, 2025

This study involved a pooled data approach with multiple linear regression as a form of simplification of analysis, taking into account software limitations. The strength of the model was evaluated through descriptive statistical testing as well as classical assumption diagnostics, in conjunction with multiple linear regression analysis. SPSS version 27 served as the analytical tool for data processing.

Table 2. Operational Definitions and Measurement of Variables

Variable	Definition	Measurement
Leverage	Employed as a metric to evaluate the degree to which a firm’s asset base is funded by liabilities or debt, leverage constitutes a key financial indicator (Joe & Ginting, 2022).	$DAR = \frac{Total\ Liabilities}{Total\ Assets}$
Institutional Ownership	Institutional ownership is defined as the ownership stake in a company held by institutions or legal entities, such as insurance providers, banking institutions, investment companies, and other organizational shareholders (Burhan & Malau, 2021).	$KI = \frac{Num.\ of\ institutional\ shares}{Num.\ of\ shares\ outstanding} \times 100\%$
Gender Diversity	Enabling a more exhaustive and holistic evaluation of any given issue, gender diversity within work teams typically facilitates the accumulation of a broader range of experiences and perspectives (Fitroni & Feliana, 2022).	$KG = \frac{Number\ of\ female\ directors}{Number\ of\ board\ members} \times 100\%$
Financial Performance	Financial performance is essential for assessing a company’s progress. It reflects the firm’s financial condition, generally evaluated using various financial measures or ratios (Jumantari et al., 2022).	$ROA = \frac{Net\ Profit}{Total\ Assets}$

As summarized in Table 2, this investigation encompasses four variables: leverage, institutional ownership, gender diversity, and financial performance. Leverage is operationalized via the Debt to Asset Ratio (DAR), a metric that quantifies the proportion of a company’s assets financed through debt obligations (Joe & Ginting, 2022). Measured as a percentage, institutional ownership is computed as the number of institutional shares divided by total outstanding shares, multiplied by 100% (Burhan & Malau, 2021). According to Fitroni & Feliana (2022), gender diversity is operationalized by dividing the number of female directors by the total board size and multiplying the result by 100%. In parallel, financial performance which essential for analyzing a firm’s expansion is measurable via the return on assets (ROA) metric.

4. Results and Discussion

4.1. Research Results

4.1.1. Descriptive Statistical Analysis

To ascertain the minimum, maximum, mean, and standard deviation for each variable descriptive statistical analysis was applied. The corresponding results are displayed in table 3.

Table 3. Descriptive Statistics Results

	N	Minimum	Maximum	Mean	Std. Deviation
Leverage	90	0.0326	0.866	0.3809	0.2056
Institutional Ownership	90	0.0092	0.9249	0.6126	0.2377
Gender Diversity	90	0.0000	0.4545	0.0902	0.1340
Financial Performance	90	0.0032	0.2928	0.0769	0.0588
Valid N (listwise)	90				

Source: SPSS 27 Output

Descriptive analysis reveals that leverage (DAR) has a mean of 0.3809 (SD = 0.2056), indicating variation in debt usage across manufacturing firms. Institutional ownership averages 0.6126 (SD = 0.2377), gender diversity averages 0.0902, and financial performance (ROA) averages 0.0769, the latter reflecting profit generation from assets during 2022-2024.

4.1.2. Classical Assumption Test

The classical assumption test results and partial t-test outcomes are reported in Table 4. As shown, the research model meets all classical assumption criteria including normality, multicollinearity, autocorrelation, and heteroscedasticity and the table also presents the effect of each independent variable on corporate financial performance.

Table 4. Classical Assumption Test Results

Model	Normality Test	Multicollinearity Test		Autocorrelation Test	Heteroscedasticity Test	
	Asymp. Sig.	Tolerance	VIF	Durbin-Watson	t	Sig.
(Constant)	0.200			0.921	3.679	<0.001
Leverage		0.967	1.034		1.659	0.101
Institutional Ownership		0.949	1.053		-1.244	0.217
Gender Diversity		0.952	1.050		1.726	0.088

Dependent Variable: Financial Performance (ROA)

Source: SPSS 27 Output

The normality test serves to verify whether the residuals in the regression model are normally distributed. As shown in Table 4, the Kolmogorov-Smirnov test (N=90) was applied, and after corrective measures were taken to address normality concerns, the unstandardized residuals produced an Asymp. sig. (2-tailed) of $0.200 > 0.05$. This result permits the inference that the tested data follow a normal distribution, meaning the normality requirement has been successfully fulfilled. With respect to multicollinearity, a phenomenon characterized by high correlations among independent variables that can destabilize coefficient estimation and hinder interpretability, the diagnostic tests yield tolerance values greater than 0.10 and VIF values below 10. These results demonstrate that no multicollinearity exists among the predictor variables. Therefore, the regression model meets the criteria to advance to further analysis.

Autocorrelation refers to the relationship between the current residual and its lagged value. To detect this phenomenon, the Durbin-Watson test was applied, producing a statistic of 0.921. Given that the value lies within the -2 to 2 range, the regression model has no autocorrelation. The Glejser test for heteroscedasticity which regressing absolute residuals against each independent variable shows significance levels > 0.05 for all variables in Table 4, indicating no heteroscedasticity. Thus, the model meets the homoscedasticity assumption and is efficient.

4.1.3. Regression Analysis Test

A regression test examining how leverage, institutional ownership, and gender diversity influence financial performance was conducted, with findings reported in Table 5.

Table 5. Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.037	2.819		2,016	0.047
Leverage	- 0.005	0.133	0.253	-0.173	0.863
Institutional Ownership	0.047	0.025	0.190	1,888	0.062
Gender Diversity	0.149	0.044	0.340	3,386	0.001*

Source: SPSS 27 output

Table 5 provides the regression analysis for the three independent variables. Leverage yields a coefficient of -0.005, a computed t-value of -0.173 (versus the critical value of 1.98793), and a p-value of 0.863 well above the 0.05 cutoff. Consequently, the findings support the rejection of H₁, confirming that leverage does not significantly influence financial performance. Regarding institutional ownership, the coefficient stands at 0.047 with a t-value of 1.888 (t-table = 1.98793) and a significance of $0.062 > 0.05$, failing to establish a positive significant effect; therefore, H₂ is rejected. By contrast, gender diversity yields a coefficient of 0.149, a t-value of 3.386 (exceeding the t-table), and a significance of $0.001 < 0.05$, indicating a positive and statistically significant impact. Hence, H₃ is accepted.

4.1.4. F-Test

The results of the simultaneous F-test are displayed in Table 6, which supplies the calculated F-value and corresponding p-value required to determine if leverage, institutional ownership, and gender diversity jointly affect corporate financial performance.

Table 6. F Test Results

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	0.054	3	0.018	6,039	0.001 ^b
Residual	0.255	86	0.003		
Total	0.309	89			

Source: SPSS 27 Output

The model’s adequacy is confirmed by a significance level of 0.001 (< 0.05) and an F-statistic of 6.039, which exceeds the F-table benchmark of 2.71.

4.1.5. Coefficient of Determination Test

Table 7 presents the results of the coefficient of determination analysis, wherein the R, R Square, and Adjusted R Square statistics are employed to measure the extent to which leverage, institutional ownership, and gender diversity collectively explain the variance in corporate financial performance.

Table 7. Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.602 ^a	0.174	0.145	0.054 44

Source: SPSS 27 Output

Table 7 reports the explanatory capacity of leverage, institutional ownership, and gender diversity in relation to financial performance. With an Adjusted R-Square value of 0.145, the model accounts for roughly 14.5% of the variance in the dependent variable, while the remaining 85.5% is explained by other exogenous variables that were not included in this analysis.

4.2. Discussion

4.2.1. The Effect of Leverage on Financial Performance

Supported by a t-statistic of -0.173 and a significance level of 0.863 (well above the 0.05 threshold), the rejection of the first hypothesis (H1) leads to the conclusion that leverage exerts no influence on financial performance. This finding deviates from the agency theory framework articulated by Jensen & Meckling (1976), given that the reliance on debt financing over equity has not translated into enhanced corporate financial performance within the context of this study. Specifically, manufacturing firms have been unable to deploy debt effectively to generate returns surpassing the associated costs. The absence of a significant leverage effect implies that fluctuations in leverage levels do not correspond to variations in financial performance, attributable to the fact that manufacturing companies do not consistently rely on external borrowing to satisfy their funding requirements. These findings align with those reported by Krisdamayanti & Retnani (2020) and Jumantari et al. (2022), both of which conclude that leverage lacks a meaningful impact on financial performance.

Based on the perspective of industry characteristics and corporate management policies. In practice, companies do not always rely on debt as the primary source of operational financing, so variations in leverage levels do not directly impact the increase or decrease in financial performance. In addition, management’s ability to manage borrowed funds is a key factor, where suboptimal use of debt does not contribute to corporate profitability. These results are also supported by the research of Paramita & Prasetyo (2025) which shows that leverage does not have a significant effect on financial performance due to other factors such as company size, profitability, and managerial policies that are more dominant in determining

corporate performance. Furthermore, Khoza (2025) states that the relationship between leverage and financial performance tends to be inconsistent or indirect, so its effect can become insignificant in certain empirical models. Additional evidence from Wulandari (2025) confirms that leverage lacks a significant effect on financial performance, suggesting that sustainability factors such as green accounting and corporate social responsibility exert greater influence on improving corporate performance. Thus, these findings strengthen the conclusion that leverage is not a principal driver of financial performance but merely one of several supporting elements, the effectiveness of which depends substantially on a company's internal circumstances and strategic choices.

4.2.2. The Effect of Institutional Ownership on Financial Performance

A t-test value of 1.888 with a significance level of 0.062 (> 0.05) leads to the acceptance of the second hypothesis (H2), from which it is concluded that institutional ownership lacks a positive and significant effect on financial performance. This finding runs counter to agency theory, which would predict a more pronounced monitoring role; instead, the results suggest that institutional ownership does not consistently correlate with financial performance.

This indicates that the supervisory function is not working optimally because institutional investors tend to take a passive or inactive stance in supervising management. Companies and institutions that invest have different long-term and short-term objectives. Some of them only perform their duties as transit investors (temporary share ownership) who focus on profits, which are obtained in the short term, so they will disregard the supervision of managerial performance (Yuliyanti & Cahyonowati, 2023). Also constraining the potential influence of institutional investors are external factors, including fluctuating global macroeconomic conditions. This finding corroborates the work of Rahardjo et al. (2021), Ningsih et al. (2021), and Anshari & Kusumawati (2025), all of whom report that institutional ownership exerts no significant effect on financial performance.

Furthermore, the insignificant effect of institutional ownership on financial performance can be explained by the heterogeneity of characteristics and orientations of institutional investors, where not all institutional investors carry out active monitoring functions, so their presence does not necessarily reduce agency conflicts or improve corporate efficiency. The efficacy of institutional ownership depends heavily on institutional type, ownership concentration levels, and the market environment in which the company operates. According to Kristiani & Ekadjaja (2025), institutional ownership does not significantly affect financial performance in the Indonesian banking sector. Further, Laurensia et al. (2024) conclude that without the reinforcement of other governance mechanisms particularly an effective board of commissioners, institutional ownership fails to improve financial performance optimally.

Meilanda et al. (2025) shows that the relationship between institutional ownership and financial performance is inconsistent, particularly in developing countries, so its effect can become insignificant depending on economic conditions and investor behavior, and also found that although theoretically institutional ownership serves as a monitoring mechanism, in practice this effect is often suboptimal due to limitations in exercising direct control over management, and under certain conditions can have an insignificant or even negative impact if not accompanied by effective oversight (Firmansyah & Kartiko, 2025; Yahaya, 2025). Thus, the findings of this study reinforce the argument in agency theory that the presence of institutional ownership is not always able to effectively suppress agency conflicts, so its role in financial performance is contextual and cannot be measured solely by the size of the proportion of institutional ownership.

4.2.3. The Effect of Gender Diversity on Financial Performance

Consistent with agency theory predictions, the acceptance of the third hypothesis (H3) is supported by a t-statistic of 3.386 ($p = 0.001 < 0.05$), leading to the inference that gender diversity exerts a positive and statistically significant influence on financial performance. This finding indicates that substantive heterogeneity in board gender composition yields beneficial effects on corporate financial outcomes.

Firms that achieve higher degrees of gender diversity tend to outperform their counterparts financially. Hence, promoting equitable gender participation in strategic decision-making at the board level constitutes a critical lever for improving corporate financial performance (Ariansyah et al., 2023; Hartati, 2020). Thus, the capacity and contribution of each individual is often associated with biological characteristics inherent in leaders, namely the difference in gender between men and women (Anshari & Kusumawati, 2025). This is in line with the research by Eliya & Suprpto (2022) and Purnama et al. (2025), which shows that gender diversity has a significant positive effect on financial performance.

Furthermore, the findings of this study also reinforce the view that gender diversity not only contributes to aspects of social justice, but also provides economic value to companies through improved decision-making quality. Female representation on corporate boards generally introduces a broader range of perspectives, thereby reducing susceptibility to decision-making bias and improving the efficacy of managerial monitoring. These results align with the work of Amo et al. (2025) which highlights the critical role of gender composition in advancing corporate economic performance. Furthermore, studies by Aziz & Cek (2026), Sitanggang (2021), Wijaya & Aryanindita (2025) confirm that gender diversity on boards significantly and positively affects financial performance by elevating the caliber of decision-making processes.

These findings further substantiate that gender diversity occupies a strategic position in driving corporate performance improvements. This conclusion is reinforced by Agustin & Deliana (2023) who report that gender diversity enhances the relationship between ESG practices and financial performance. Moreover, the presence of women on audit committees contributes positively, especially by strengthening oversight quality and internal control. According to Juwita & Endah (2025) gender diversity in audit committees significantly boosts financial performance, as women exhibit greater thoroughness in supervisory and internal control roles. In line with this, Fernandes (2025) states that gender diversity can promote the creation of better corporate governance, thereby impacting the overall improvement of financial performance.

Thus, the results of this study further affirm that gender diversity is not merely a symbolic factor in organizational structure, but is a strategic element capable of creating corporate competitive advantage through improved decision quality, innovation, and strengthened corporate governance, which ultimately impacts the improvement of financial performance.

5. Conclusion

This study draws distinct conclusions from its examination of how leverage, institutional ownership, and gender diversity influence return on assets (ROA) among manufacturing companies listed on the Indonesia Stock Exchange between 2022 and 2024. The absence of significant effects for both leverage and institutional ownership on financial performance implies that the disciplinary function of debt and the monitoring role of institutional investors have yet to operate effectively as drivers of performance improvement. Conversely, gender

diversity exhibits a positive and significant influence, demonstrating that increased board heterogeneity improves decision-making processes and, consequently, overall corporate performance.

These results carry dual implications. Theoretically, they indicate that the efficacy of agency theory mechanisms is not uniform, as certain instruments fail to improve financial performance in the specific setting of Indonesian manufacturing companies. Practically, the findings highlight the importance for management to incorporate gender diversity into their governance frameworks as a strategic element for long-term corporate sustainability. For investors, these findings can also serve as consideration in evaluating the quality of corporate governance before making investment decisions. Furthermore, from a policy perspective, the results of this study can serve as a basis for regulators to encourage increased gender representation in corporate leadership structures.

With an adjusted R-square of only 14.5%, the model demonstrates limited capacity to account for variation in financial performance, implying that external factors beyond those examined also play a role. The study's primary constraint lies in its three-year observation horizon (2022–2024), which is insufficient to capture long-term dynamics fully. Accordingly, subsequent investigations are advised to lengthen the time frame, broaden the sample, and include other pertinent variables to achieve more comprehensive results.

6. References

- Agustin, M., & Deliana, M. (2023). A Review Gender diversity dan Environmental, Social, and Governance (ESG) terhadap financial performance. *Journal Business Administration: Entrepreneurship and Creative Industry*, 2(2), 96–103. <https://doi.org/10.32734/jba.v2i2.13299>
- Amalia, A. N., & Khuzaini, K. (2021). Pengaruh Ukuran Perusahaan, Leverage dan Struktur Modal Terhadap Kinerja Keuangan. *JIRM: Jurnal Ilmu Dan Riset Manajemen*, 10(5), 1–17. <https://jurnalmahasiswa.stiesia.ac.id/index.php/jirm/article/view/4025>
- Amo, D., García-López, M.-J., & Hamoudi, H. (2025). Gender diversity on boards: a myth or a missed opportunity for financial performance? *Administrative Sciences*, 15(5), 167. <https://doi.org/10.3390/admsci15050167>
- Anandamaya, L. P. V., & Hermanto, S. B. (2021). Pengaruh good corporate governance, ukuran perusahaan dan leverage terhadap kinerja keuangan. *Jurnal Ilmu Dan Riset Akuntansi (JIRA)*, 10(5), 1–24. <https://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/3988>
- Anggraini, F., Annisa, A., & Zefriyenni, Z. (2023). Pengaruh Keragaman Gender Dewan, Dan Earnings Management Terhadap Kinerja Keuangan Perusahaan. *Jurnal Proaksi*, 10(4), 437–449. <https://doi.org/10.32534/jpk.v10i4.4534>
- Anshari, R., & Kusumawati, Y. T. (2025). Pengaruh Kepemilikan Keluarga dan Kepemilikan Manajerial terhadap Kinerja Perusahaan di Sektor Perdagangan Jasa Dan Investasi. *Balance: Jurnal Akuntansi Dan Manajemen*, 4(2), 833–842. <https://doi.org/10.59086/jam.v4i2.849>
- Aprianingsih, R., & As'ari, H. (2023). Pengaruh Perputaran Kas, Leverage, dan Ukuran Perusahaan terhadap Profitabilitas pada Perusahaan Manufaktur Subsektor Makanan dan Minuman yang Tercatat di BEI (2020–2022). *Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi (MEA)*, 7(3), 1030–1046. <https://doi.org/10.31955/mea.v7i3.3494>
- Ardiles, D. E. (2024). Pengaruh Leverage, Debt Maturity, Kebijakan Dividen, dan Cash Holdings terhadap Kinerja Keuangan Perusahaan. *Jurnal Akuntansi, Keuangan, Perpajakan Dan Tata Kelola Perusahaan*, 1(3), 194–212. <https://doi.org/10.59407/jakpt.v1i3.552>

- Ariansyah, R., Meidiyustiani, R., & Lestari, I. R. (2023). Pengaruh ukuran perusahaan, kepemilikan institusional dan likuiditas terhadap kinerja keuangan dengan struktur modal sebagai variabel moderasi. *Jurnal Akuntansi, Keuangan, Perpajakan Dan Tata Kelola Perusahaan*, 1(2), 247–263. <https://doi.org/10.59407/jakpt.v1i2.205>
- Aziz, H., & Cek, K. (2026). The role of board gender diversity in financial performance: role of sustainability, climate risk and internal control systems. *Applied Economics*, 58(4), 721–736. <https://doi.org/10.1080/00036846.2025.2456129>
- Burhan, M. C., & Malau, H. (2021). Pengaruh Kepemilikan Institusional, Ukuran Dan Umur Perusahaan Terhadap Praktik Perataan Laba (Studi Kasus Pada Perusahaan BUMN Yang Terdaftar Di Bursa Efek Indonesia Tahun 2017-2019). *Akuntansi: Jurnal Akuntansi Integratif*, 7(1), 26–43. <https://doi.org/10.29080/jai.v7i1.440>
- Cahyati, S. N., Wawo, A. B., & Labangu, Y. L. (2024). Pengaruh Kepemilikan Institusional dan Leverage terhadap Kinerja Keuangan (Studi Kasus Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia). *Jurnal Akuntansi Dan Keuangan*, 9(1), 10–22. <https://doi.org/10.33772/jakuho.v9i1.123>
- Deniza, R., Wahyuni, S., Wibowo, H., & Pandansari, T. (2023). Pengaruh Kepemilikan Institusional, Proporsi Dewan Komisaris Independen, Frekuensi Rapat Dewan Komisaris, dan Latar Belakang Pendidikan Dewan Komisaris terhadap Kinerja Keuangan Perusahaan. *Juremi: Jurnal Riset Ekonomi*, 2(4), 567–578. <https://doi.org/10.53625/juremi.v2i4.4592>
- Dobija, D., Hryckiewicz, A., Zaman, M., & Puławska, K. (2022). Critical mass and voice: Board gender diversity and financial reporting quality. *European Management Journal*, 40(1), 29–44. <https://doi.org/10.1016/j.emj.2021.02.005>
- Eliya, S., & Suprpto, Y. (2022). Pengaruh Keberagaman Gender terhadap Kinerja Keuangan pada Perusahaan Manufaktur Barang Konsumsi Publik di Indonesia. *Journal of Management & Business*, 5(2), 2022–2045. <https://doi.org/10.37531/sejaman.v5i1.2024>
- Eseimieghan, T., & Onuorah, A. C.-C. (2025). Financing Mix Decision and Firm Performance Optimality: Evidence from the Nigerian Oil and Gas Industry. *Journal of Accounting, Finance, and FinTech Advancements*, 1(2), 70–78. <https://ojs.proaksara.com/index.php/jaffa/article/view/76>
- Estiasih, S. P., Suhardiyah, M., Suharyanto, S., Putra, A. C., & Widhayani, P. S. (2024). The Effects of Leverage, Firm Size, and Market Value on Financial Performance in Food and Beverage Manufacturing Firms. *Jurnal Aplikasi Manajemen*, 22(2), 414–425. <https://doi.org/10.21776/ub.jam.2024.022.02.09>
- Eyamu, E. O., Eyamu, F. O., & Emudainohwo, O. B. (2025). Effect of Cash Flow and Liquidity on Financial Performance of Non-Financial Firms in Nigeria. *Journal of Economic Equity, Finance, and Taxation*, 1(1), 1–11. <https://doi.org/10.70865/jeeft.v1i1.27>
- Fernandes, V. P. (2025). The Effect of Good Corporate Governance, Corporate Social Responsibility, and Gender Diversity of the Board of Commissioners on the Financial Performance of Companies in the LQ45 Index in 2022–2024. *Al-Kharaj: Journal of Islamic Economic and Business*, 7(4), 8253–8340. <https://doi.org/10.24256/kharaj.v7i4.8498>
- Firmansyah, A., & Kartiko, N. D. (2025). Institutional Ownership and Corporate Sustainable Growth: Insights from the Indonesian Banking Sector. *Jurnal Dinamika Akuntansi Dan Bisnis*, 12(1), 89 – 110. <https://doi.org/10.24815/jdab.v12i1.43149>
- Fitroni, N. A., & Feliana, Y. K. (2022). Pengaruh Keragaman Gender Pada Dewan Komisaris, Dewan Direksi, Dan Komite Audit Terhadap Manajemen Laba. *Akuntansi Dan Teknologi Informasi*, 15(1), 8–21. <https://doi.org/10.24123/jati.v15i1.4575>
- Hartati, N. (2020). Pengaruh Ukuran Dewan Komisaris , Komite Audit , dan Kepemilikan Institusional Terhadap Kinerja Keuangan Perusahaan. *EKOMABIS: Jurnal Ekonomi Manajemen Bisnis*, 01(02), 175–184. <https://doi.org/10.37366/ekomabis.v1i02.72>

- Himawan, F. A., & Fazriah, R. (2021). Pengaruh Intellectual Capital, Kepemilikan Manajerial, Kepemilikan Institusional, Komisaris Independen Dan Komite Audit Terhadap Kinerja Keuangan Dengan Ukuran Perusahaan Sebagai Variabel Pemoderasi (Pada Perusahaan Jasa Keuangan yang terdaftar di BEI per. *Jurnal Manajemen Bisnis*, 24(1), 1–21. <https://doi.org/10.37531/sejaman.v7i2.6564>
- Jensen, M. C., & Meckling, W. H. (2019). Theory of the firm: Managerial behavior, agency costs and ownership structure. In *Corporate Governance*. Gower. <https://www.taylorfrancis.com/chapters/edit/10.4324/9781315191157-9/theory-firm-managerial-behavior-agency-costs-ownership-structure-michael-jensen-william-meckling>
- Joe, S., & Ginting, S. (2022). The The Influence of Firm Size, Leverage, and Profitability on Earnings Management. *Jurnal Ilmiah Akuntansi Kesatuan*, 10(3), 567–574. <https://doi.org/10.37641/jiakes.v10i3.1505>
- Jumantari, I. G. P. A., Endiana, I. D. M., & Pramesti, I. G. A. A. (2022). Pengaruh Ukuran Perusahaan, Likuiditas, Leverage, Dan Struktur Modal Terhadap Kinerja Keuangan Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2018-2020. *KARMA (Karya Riset Mahasiswa Akuntansi)*, 2(1), 2407–2415. <https://e-journal.unmas.ac.id/index.php/karma/article/view/5401>
- Juwita, B. W. R., & Endah, S. M. D. (2025). Dampak Gender diversity Terhadap Kinerja Keuangan: Kompleksitas Perusahaan, Risiko Perusahaan, dan Ukuran Perusahaan Sebagai Pemoderasi. *Permana: Jurnal Perpajakan, Manajemen, Dan Akuntansi*, 17(3), 1912–1923. <https://doi.org/10.24905/permana.v17i3.1229>
- Khoza, F. (2025). The impact of liquidity and leverage on the financial performance of the johannesburg stock exchange-listed consumer goods firms. *Journal of Risk and Financial Management*, 18(9), 510. <https://doi.org/10.3390/jrfm18090510>
- Krisdamayanti, D. C., & Retnani, E. D. (2020). Pengaruh CSR, Ukuran Perusahaan, dan Leverage terhadap Kinerja Keuangan Perusahaan. *Jurnal Ilmu Dan Riset Akuntansi*, 9(4), 1–17. <https://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/2869>
- Kristiani, D., & Ekadjaja, A. (2025). The Effect of Institutional Ownership, Board Size, and Independent Commissioner on Financial Performance. *International Journal of Application on Economics and Business*, 3(3), 1678–1689. <https://doi.org/10.24912/ijaeb.v3i3.1678-1689>
- Laurensia, L., Lindrawati, L., & Susanto, A. (2024). Sustainability Report, Institutional Ownership, and Foreign Ownership on Financial Performance with Board of Commissioners as Moderating. *Jurnal Ilmiah Manajemen Dan Bisnis*, 9(1), 108–117. <https://doi.org/10.38043/jimb.v9i1.5987>
- Lestari, T., & Mutmainah, K. (2020). Pengaruh Karakteristik Dewan Komisaris dan Dewan Direksi terhadap Kinerja Keuangan (Studi Empiris pada Perusahaan Manufaktur Industri Barang Konsumsi yang terdaftar di BEI Periode 2015 sampai 2018). *Journal of Economic, Business and Engineering (JEBE)*, 2(1), 34–41. <https://doi.org/10.32500/jebe.v2i1.1455>
- Lutfiana, D. E. S., & Hermanto, S. B. (2021). Pengaruh Profitabilitas, Leverage Dan Ukuran Perusahaan Terhadap Kinerja Keuangan. *Jurnal Ilmu Dan Riset Akuntansi*, 10(2), 1–18. <https://jurnalmahasiswa.stiesia.ac.id/index.php/jira/article/view/3816>
- Meilanda, P., Syalwa, M., Adhillah, M. N., & Mukhtaruddin, M. (2025). Institutional Ownership on Firm Performance: a Systematic Literature Review. *Journal of Finance and Business Digital (JFBD)*, 4(1), 157–172. <https://doi.org/10.55927/jfbd.v4i1.56>
- Ningsih, D. A. (2021). Kepemilikan Institusional, Leverage, dan Ukuran Perusahaan terhadap Kinerja Keuangan. *AKUNESA: Jurnal Akuntansi Unesa*, 9(2), 1–10. <https://doi.org/10.26740/akunesa.v9n2.p%25p>
- Novita, A. D., & Lukman, H. (2025). Dampak Pertumbuhan Pendapatan, Keragaman Gender, ESG Risk Rating dan Ukuran Perusahaan terhadap Kinerja Keuangan Perusahaan dalam

- Indeks IDX ESG Tahun 2020-2023. *Jurnal Bina Akuntansi*, 12(2), 40–55. <https://doi.org/10.52859/jba.v12i2.763>
- Paramita, M. D., & Prasetyo, J. E. (2025). Investigating the Effect of Disclosure of Sustainability Reports, Leverage, and Company Size on Financial Performance in the Banking Sector. *International Journal of Applied Business & International Management (IJABIM)*, 10(2), 246–260. <https://doi.org/10.32535/ijabim.v10i2.3969>
- Pramono, H., Fakhruddin, I., & Hapsari, I. (2022). Pengaruh Corporate Social Responsibility dan Kinerja Keuangan Terhadap Nilai Perusahaan. *Ratio: Reviu Akuntansi Kontemporer Indonesia*, 3(2), 78. <https://doi.org/10.30595/ratio.v3i2.13751>
- Pratiwi, A. A., & Rahim, F. R. (2024). Financial Performance Analysis at CV Hasna Laundry RSU PKU Muhammadiyah Delanggu 2019-2023. *Economics and Digital Business Review*, 5(2), 654–672. <https://doi.org/10.37531/ecotal.v5i2.1699>
- Purnama, I. G. A. M. T., Pebrianti, N. G. A. T., Bagiana, I. K., Putra, M. D. P., & Putri, Y. K. W. (2025). Pengaruh Keberagaman Gender Direksi, Risiko Kredit, dan Ukuran Perusahaan terhadap Kinerja Keuangan Perusahaan Perbankan. *Kompeten: Jurnal Ilmiah Ekonomi Dan Bisnis*, 4(1), 1193–1202. <https://doi.org/10.57141/kompeten.v4i1.188>
- Putri, B. G., & Munfaqiroh, S. (2020). Analisis Rasio Keuangan untuk Mengukur Kinerja Keuangan. *Inspirasi: Jurnal Ilmu-Ilmu Sosial*, 17(1), 214–226. <https://doi.org/10.29100/insp.v17i1.1563>
- Putri, S. R., & Mayangsari, S. (2023). Pengaruh Pertanggungjawaban Environmental, Social dan Governance (ESG), Likuiditas, dan Leverage Terhadap Kinerja Keuangan Perusahaan Publik. *Ekonomi Digital*, 2(2), 133–148. <https://doi.org/10.55837/ed.v2i2.108>
- Rahardjo, A. P., & Wuryani, E. (2021). Pengaruh Good Corporate Governance, Kepemilikan Institusional, Dan Ukuran Perusahaan Terhadap Kinerja Keuangan Perusahaan (Studi Pada Perusahaan Perbankan Yang Terdaftar Di Bursa Efek Indonesia (Bei) Tahun 2016-2018). *Jurnal Akuntansi AKUNESA*, 10(1), 103–113. <https://doi.org/10.26740/akunesa.v10n1.p103-113>
- Rahmat, R. (2024). The Influence of Gender Diversity on Board and Company Debt Policy on Corporate Performance Pengaruh Gender Diversity on Board dan Kebijakan Tingkat utang Perusahaan Terhadap Kinerja Perusahaan. *Berkala Akuntansi Dan Keuangan Indonesia*, 9(1), 134–155. <https://doi.org/10.20473/baki.v9i1.53597>
- Sari, R. (2020). Pengaruh Kepemilikan Asing Dan Leverage Terhadap Kinerja Keuangan. *Balance: Jurnal Akuntansi Dan Bisnis*, 5(1), 64. <https://doi.org/10.32502/jab.v5i1.2459>
- Setyasari, N., Rahmawati, I. Y., Naelati Tubastuvi, N., & Aryoko, Y. P. (2022). Pengaruh Kepemilikan Manajerial, Kepemilikan Institusional, Board Diversity, Profitabilitas Dan Ukuran Perusahaan Terhadap Nilai Perusahaan (Studi Empiris Pada Perusahaan Manufaktur Yang Listing Di Bursa Efek Indonesia Tahun 2016 - 2020). *Master: Jurnal Manajemen Dan Bisnis Terapan*, 2(1), 61–74. <https://doi.org/10.30595/jmbt.v2i1.14046>
- Sitanggang, A. (2021). Pengaruh Dewan Komisaris Independen, Komite Audit, Kepemilikan Manajerial, dan Kepemilikan Institusional terhadap Kinerja Keuangan (Studi Empiris pada Perusahaan Perbankan yang Terdaftar di Bursa Efek Indonesia 2016–2018). *JRAK: Jurnal Riset Akuntansi & Keuangan*, 7(2), 181–190. <https://doi.org/10.54367/jrak.v7i2.1401>
- Syadeli, M., & Sa'adah, L. (2021). Pengaruh Komite Audit, Kepemilikan Institusional Dan Tanggung Jawab Sosial Perusahaan Terhadap Kinerja Keuangan. *Adbis Jurnal Administrasi Dan Bisnis*, 15(1), 28–40. <https://doi.org/10.33795/J-ADBIS.V15I1.109>
- Wijaya, C. W., & Aryanindita, G. P. (2025). Analisis Keragaman Gender Dewan Direksi dan Manajemen Laba terhadap Kinerja Keuangan. *EQUILIBRIUM-Jurnal Bisnis Dan Akuntansi*, 19(1), 51–63. <https://doi.org/10.61179/ejba.v19i1.730>

- Wulandari, L. A. (2025). Green Accounting, Company Size, Leverage on Financial Performance: Moderation Role of CSR. *Jurnal ASET (Akuntansi Riset)*, 17(2), 275. <https://doi.org/10.17509/jaset.v17i2.91842>
- Yahaya, O. A. (2025). Institutional Ownership and Firm Performance. *SSRN Electronic Journal*, 14(4), 87–111. <https://doi.org/10.2139/ssrn.5216573>
- Yuliyanti, A., & Cahyonowati, N. (2023). Pengaruh dewan direksi, dewan komisaris, komisaris independen, komite audit, kepemilikan manajerial, dan kepemilikan institusional terhadap kinerja keuangan. *Diponegoro Journal of Accounting*, 12(3), 1–14.