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CORPORATE GOVERNANCE MODERATOR: FINANCIAL RATIOS AND FIRM'S PERFORMANCE IN EVIDENCE AT TRANSPORTATION SUB-SECTOR LISTED

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Abstract: *Logistics and transport operators, in answering the challenges of Industry 4.0, logistics and transport operators need supply chain management by entities, and producers in goods transactions have the role of play very essential. The problem of infrastructure development in Indonesia is a matter of funding sources specific. This funding can get from many investors came from financial and non-financial information. This study purpose of giving empirical evidence of definite factor, i.e., the liquidity ratio and profitability ratio with each of current ratio and return on equity ratio proxy, while the firm's performance uses basic earnings per share calculated. Corporate Governance use of the member of the audit committee as a moderator function. This study uses the research object of the transportation sub-sector companies listed in Indonesia during 2014-2019 with a purposive sampling technique. The final sample determine is 108 observation data. The data analysis method used moderated regression with panel data. This study's results only prove that the liquidity ratio has a positive and significant effect on a firm's performance, while it does not verify the profitability ratio. On the other hand, Good Corporate Governance, which functions as a moderator, cannot evaluate financial ratios' impact on a firm's performance.*

Keywords: *Financial Ratios; Current Ratio; Firm's Performance*

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INTRODUCTION

Industrial Revolution (Industry 4.0) and outgrowth of Information and Communication Technologies (ICT) industry have unpreventable. They are used to carry out self-acting, with reiterant and automatic modes, with less human involvement (Barreto, Amaral, & Pereira, 2017). According to the Global Economic Transitions and Next Evolutionary Industrial Acts, industry 4.0 has a role that has brought a more proactive approach to supporting the global economy to speed up this advancement. It focuses on innovation, proficiency establishment, strengthens labor than the industrial type of fabrication model in the context of 'make, take, waste' but utilizes scant energy and raw resource. The characteristics of Industry 4.0 depend on the utilize of ICT from the supply chain, which involves forming the

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system efficient there out the firm environment boundary not only from the focus of production, marketing, logistic sectors, and services. The life cycle approach has also become targets that significantly utilize intelligent science to decrease production, distribution, and transportation costs (Anbumozhi & Kimura, 2018). The wave of Industry 4.0 coming up is not just dynamic. one of the main topics is the transportation sector's expectations is a transformation with social prospects – signed to recent ever-movement dynamics. Therefore, linking with interaction betwixt transport management, academic and practice, and policymakers become essential (Amonya, 2018).

Several countries implement Industry 4.0 focus on manufacturing and transportation sectors. According to the Industrial Internet Consortium of General Electrics and several enterprises in the United States, the public sector and transportation size up one of the overalls of 46 percent of the global household management can stead of technology, i.e., industrial internet. Evidence from SEW Euro drive from Baden-Württemberg enterprise in Germany, human factors become alleviated from the heavy manual labor linked with moving and transporting half-products, which implied the high productivity (Rojko, 2017). China's Ministry with the initiative as 'Made in China 2025' was implemented industry 4.0 utilize digital technology to create a new industry surrounding, based on the World Bank and China's National Bureau of Statistics data, which there is trajectory their entrepreneurship for socio-economic changes in development focus in improve well-established brands and increase the ability to create new products (Li, 2018). Executive Yuan (EY) announcements as "Taiwan Productivity 4.0 Initiative" promote smart technology for the increase and transform in one of focus transportation supplies in fabricating industries and service and agriculture industries. 'Make in India' from the Department of Industrial Policy and Promotion (DIPP) alter India for a global design and manufacturing hub. A major focus is to bring up investments and develop best-in-class infrastructure in its twenty-five prioritized sectors (Liao, Loures, Deschamps, Brezinski, & Venâncio, 2017).

In answering the challenges of Industry 4.0, logistics and transport operators in supply chain management are surrounded by entities and producers in goods transactions in the market offered new network solutions, namely the Internet of Things (IoT) and robotic concepts. The installation of new equipment can reduce the specific operating costs of the supply chain for transportation, facilitating and reducing capital investment (Paprocki, 2016). In the context of Indonesia, IoT, with the utilization of ICT to solve the logistics problem, especially transportation sectors, use eight of Key Success Factors (KSF) with the evidence analysis that timely delivery and clear standards make architectural references for IoT systems within the implementation framework of Industry 4.0 (Hakim & Putriandita, 2018)

The problem of infrastructure development in Indonesia is a matter of funding sources. The 2015-2019 National Medium Term Development Plan (RPJMN) needs

a general amount of IDR 4,796 trillion for fulfilling the infrastructure establishment aim (appointed by the government) in 2019. However, the government can only meet 41 percent of funding sourced from the central and regional governments, then 22 percent of BUMN and the remaining 37 percent must come from the private sector (Indonesia-Investments, 2017). In analysis and World Bank Report in 2013, all transport subsectors are constructed to have gone up to levels of infrastructure expenditure five years future. Roads and ports are the most subsectors from investment value, but accretion is also intended in airports and railways infrastructure (PwC, 2016). Besides, this infrastructure focus is not only carried out in urban areas but also in other areas. This is in line with the 3rd point of 'Nawacita', namely, Building Indonesia from the periphery by strengthening regions and villages within a unitary state framework (Adrian, Supriyadi, & Lenggogeni, 2017). Various infrastructure development types have also been carried out, such as toll roads, MRT, LRT, trains, seaports, airports, reservoirs, and border offices. To carry out development projects smoothly, companies need funding from many investors. Before injecting funds, investors need both financial and non-financial information from infrastructure and transportation companies. Investors, in other words, see that the company will ensure that the reported profit is not excessive on the reporting, which makes investors feel confident in investing their money (Pasupati, 2020), this is stated in the Return on Equity. ROE is a tool for measuring firm's performance.

The private sector and BUMN are given ample opportunities for investors in infrastructure and transportation. Therefore, investors need both financial and non-financial information from infrastructure and transportation companies. Financial information can sight through the firm's audited financial statements. Determination of firm value of this context also be noticed from the perspective of international financial management in international transaction activities; namely, the expected cash flow, expected change rate, and cost-of-capital, where when the scheduled cash flow increases, the company value will also increase and vice versa (Hady, 2020, pp30). Non-financial factors such as good corporate governance (GCG) are catalysts in company performance. The function of GCG will be a priority for stakeholders to monitor the management, which acts as the agent of the company that executes the company's performance. Useful corporate governance applications can increase profit, competitive advantage, credibility, reputation and improve relationships with investors, business partners, employees, and customers (Todorovic, 2013). The board of directors is an essential component in the corporate governance mechanism. The effectiveness of the board of directors' role has a notable role in deciding the funding of costs (Martín & Herrero, 2018). Corporate governance can play a role in reducing the agency costs that might occur in mechanisms corporate, governance role for reducing for the case of shareholders to retain the firm's earnings table risky schemes instead of handing out the profits to all of them. This condition implies to minority shareholders lose their earnings

(Panda & Leepsa, 2017). On the second level of monitoring of corporate governance, the audit committee board has this mechanism's role, which is very important. In this study, the opportunity of a can is reduced through good corporate governance mechanisms. On the other side, reporting a firm's performance on any term may be controlled by an existing audit committee, which sticks monitoring in an organizational structure (Bassey, 2018).

The score of Indonesian issuers in 2019 only managed to rise to the position of 70.8 from the average value in 2017 at place 70.59 for the ASEAN Corporate Governance Scorecards (ACGS) ranking. However, even though Indonesia's value has increased, the practice of GCG in Indonesia is recorded from 100 listed companies; the most considerable market capitalization value is already represented by the total market capitalization of the IDX in Indonesia, which is 84.3 percent (Busthomi, 2020). In other words, the implementation of GCG in Indonesia still needs to be the future focus that must attract investors to companies in Indonesia, where family company groups dominate 54 percent of the market capitalization (OECD, 2017).

Several previous studies have also proven that the results of financial ratios help out investors evade stocks that will have significant firm activities. Financial ratios are beneficial for forecasting the firm's financial impediments, take action yields, nowadays and future financial condition of the firm's, as well as a guide for investors regarding past and future performance (Ak, 2013). Financial ratios are useful for investors to get a guarantee for the security of their investment and the ability to invest in generating cash flows in the future (Daniel, 2015, pp85). Ever of choosing measure firm performance and committee characteristics no distinction in the yields betwixt ROA and ROE proxy used (Zhou, Owusu-Ansah, & Maggina, 2018). Furthermore, The current ratio is essential in the context of management efficiency to reduce the presence of unused company liquidity in a study at BOS's Group two international branches - Mexico and China (Al Attar, 2016). A study on 125 companies in the innovative category and 98 companies in the less creative category in Slovenia shows that the results of the study show that the size of firm's factor has a positive impact on the efficiency of firms in a corporation that are more renewal so that they are more probable to get cost benefits (efficiency) from various kinds of eco-innovation (Hojnik, Ruzzier, & Manolova, 2017). The moderation effect is examined by interacting with and intervening in the Corporate Governance Index (CGI) on free cash flow and agency costs regarding the performance of Asian Real Estate Investment Trusts (REITs) using proxy ratio Tobin's Q, where CGI acts as a cheerful moderator in which could enhance and accelerate the ROA and ROE as predictive variables that function as variables control (Chong, Ting, & Cheng, 2018). The Liquidity risk metrics predict a financial performance involving 47 observational data on 9 Commercial Banks in Kosovo in the period 2010-2015 with a total of 47 observations. The research findings state that a positive relationship

and improved performance can be done to deal with the risk of liquidity shocks, liquidity risk short term, and there is a considerable risk of the existence of non-liquid assets (Rudhani & Balaj, 2019). The difference in this study is that the profitability ratio specifically uses ROE Proxy to see the impact of equity returns and uses the basic earnings per share to measure its performance. This study uses the 2014-2019 period to fully monitor the infrastructure development acceleration program with a header "Nawacita." As a result, this research is expected to provide new contributions to measure a firm's performance to assist potential investors in accelerating investment decision-making through the Corporate Governance (CG) structures. Hereinafter, this study also contains the Financial Services Authority ('OJK,' in Indonesia) in assessing monitoring in the context of the transportation sub-sector stock in listing in the Indonesia Stock Exchange (IDX).

THEORETICAL AND LITERATURE REVIEW

Agency Theory

Agency theory was well-known of Jensen and Meckling (1976) of the firm's activity practice, which illustrates the matter of stakeholders' and has agency conflicts because of its propensity not to act following the principal in the act of management. The agency problem is one of the age-old matters that persisted now that the evolution is ignored since every organization probably obtained from this matter in a different case (Panda & Leepsa, 2017). This gap betwixt managers and stakeholders' raises agency costs to preserve the stockholders' interests in the framework financing and the firm's performance. A financial ratio is used as one instrument of foreseeing investor wealth as a return on equity (La Rocca, La Rocca, & Cariola, 2007). Besides, the technique for evaluating the linkage betwixt boards and firm performance has typically been Return On Asset proxy, which synchronizes several of the conflicting evidence about agency theory in the specific context of corporate governance (Merendino & Melville, 2019). In this study, the structure of corporate governance hoped may strengthen thru audit committee members, which also have escort functions board commissioners into daily, monthly, and yearly activity to bring down the existing gap of asymmetry information.

Financial Ratio's

Financial ratios are relationships that indicate industrial activity. The financial ratios source is the corporate financial statements, which are only meaningful compared to other information. Financial ratios help individuals understand the company's performance compared to its competitors and are often used to measure performance (CFA Institute, 2011, pp270). Financial statement analysis becomes a tool for shareholders and creditors to access as the attractiveness of the firm's

investment by knowing the firm's potency to meet short and long-time obligations (Al Attar, 2016). According to Keown (2014), liquidity can be measured by several approaches: (i) the current ratio, namely by comparing cash and assets that can transform inside cash in the year in which the obligation is due and will be paid in that year (Subramanyam, 2014, pp546), and (ii) quick ratio (acid-test ratio) that uses current assets by removing the inventory element, which is the least liquid part of the numerator (Subramanyam, 2014, pp599). In this study, the liquidity ratio used is the Current Ratio in predicting liquidity with the following formula:

$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities}$$

(Keown, Martin, & Petty, 2014, pp107)

According to Brigham and Houston (2016), various ways to measure profitability make it better to use Return on Assets (ROA). ROA is a quantity of the firm's potential to generate profits with all its assets. A good company profitability condition will encourage investors to invest in the company (Rosikah, Prananingrum, Muthalib, Azis, & Rohansyah, 2018). ROA is quantified proxy by dividing income before depreciation with fiscal year-end total assets, specifically to measure the firm's performance output (Merendino & Melville, 2019). The profitability ratio if utilize ROA proxy can calculate with the following formula:

$$Return\ On\ Assets = \frac{Net\ Income}{Total\ Assets}$$

(Zhou, Owusu-Ansah, & Maggina, 2018)

While Return on Equity (ROE) is used to measure the effectiveness of the company is using the available capital. Companies that have a high ROE allow the company to deliver more profits next time. Profit is also essential information for investors in their decision to invest in a company. Thus, long-term investors will have a substantial stake. In this study, the profitability ratio used is ROE in predicting profit with the following formula:

$$Return\ On\ Equity = \frac{Net\ Income}{Total\ Equity}$$

(Keown, Martin, & Petty, 2014, pp114)

Firm Performance

Firm performance is a value defined as follows: "firm value which is the present value of expected free cash flow discounted at the weighted average cost of capital." (Brigham & Houston, 2016, pp58). The present value can be described

as the current value of free cash flows for the look-out for discount rate according to the weighted common cost of capital. One of the alternatives used in assessing firm value is to use Tobin's Q (Fu, Singhal, & Parkash, 2016). This ratio was extended by James Tobin, who was well-thought-of to be proof to set the optimum information about phenomena in firm activities, as well as the relationship betwixt management share ownership and firm value. Firm value can be computed using a market value-based ratio analysis approach consisting of earnings per share (EPS) calculate, price-earnings ratio (PER) calculate, price-book value ratio (PBVR) calculate, market book ratio (MBR) calculate, and dividend payout ratio (DPR). In this study, the firm performance used is Basic EPS in predicting corporate value by subtracting net income and preferred dividends compared to the counting of the weighted common number of usual shares outstanding throughout the term with the following formula:

$$Basic\ EPS = \frac{NI - Pref.DIV}{\mathrm{W - ANoCSO}}$$

(Subramanyam, 2014, pp386)

Annotation:

Basic EPS	:	Basic earnings per share
NI	:	Net income
Pref. DIV	:	Preferred dividends
W-ANoCSO	:	Weighted-average number of common shares outstanding

Corporate Governance (CG)

Corporate governance is a mechanism to ensure that company capital owners or shareholders can get results from activities carried out by management. Corporate governance is an aggregate of rules that explain the relationship between shareholders, creditors, agents, personnel, government, internal and external stakeholders' concerning rights and obligations, and the system that directly controls the company (OECD, 2017). In internal mechanisms, such as the board of directors, appears a base part as an internal mechanism and is noticed as the main decision-making body on behalf of shareholders (Merendino & Melville, 2019). According to the Financial Services Authority ('OJK,' in Indonesia) Number 21/POJK.04/2015 consideration the Implementation of Governance Guidelines for Public Companies, a public firm, must comply with corporate governance. If it does not meet a public company, it must explain the underlying reasons (OJK, 2015). The audit committee is the right hand of the board of commissioners in executing the functions of GCG. The Indonesia Stock Exchange requires public companies to have an independent audit committee. The audit committee also acts

as an intermediary if there is a dispute between the firm's agent and the auditors regarding the interpretation and application of accounting standards to produce a more accurate report.

The audit committee consists of independent parties who know accounting and finance areas to support the auditor's opinion. Companies that have reporting errors, violations, and unreliable reporting tend not to have an audit committee. According to OJK Regulations, Number 55/POJK.04/2015 of the Formation and Work Guidelines for the Audit Committee and the Indonesia Stock Exchange, Clause 4 appoints that the audit committee composes at least three people from Independent Commissioners and parties from outside the firms. In this study, the audit committee members are calculated by noticing the quantity of with the following conditions:

$$AC \geq 3\ members$$

(OJK, 2015, pp3)

Research Model and Hypothesis

The research model is a mathematical statement of the matters (Rajasekar, Philominathan, & Chinnathambi, 2013, pp11), which refers to the relationship between variables that influence and understand the research problem. In multiple linear regression matters, verifying hypotheses about the model framework helps quantify the models assessment (Montgomery, 2019, pp157). The formulation of the model extracted as follows:

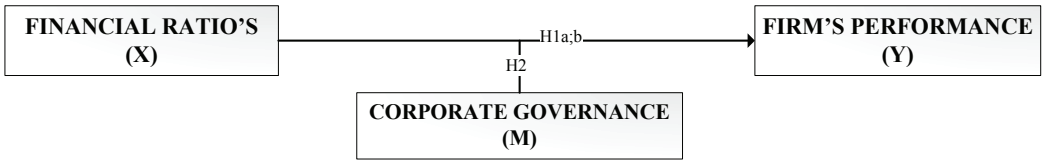

Fig1 Proposed Research Model

This model is computed into the following hypothesis:

H1a: There is an influence on the Financial Ratios, i.e., Liquidity Ratio to Firm Performance.

H1b: There is an influence on the Financial Ratios, i.e., Profitability Ratio to Firm Performance.

H2: The Corporate Governance moderate each of Financial Ratio's, i.e., Liquidity and Profitability to Firm's Performance.

METHODS

Population and Sampling Technique

The population for this study comprises the firm's transportation sub-sector registered at Indonesia Stock Exchange (called 'IDX') for 2014-2019. The sampling technique makes use of a purposive approach and then judgment sampling with the following criteria: (1) Firms that fall within the sub-sector of transportation consistently during the observation period; (2) Firms have complete data and information throughout the observation time; and (3) Firms utilize the besides IDR currency as the reporting currency, then it is converted using the BI middle rate. Based on the above criteria, total observations can be computed by counting the number of companies that meet the requirements multiplied by the observation period, which is 108 observational data on the sub-sector of transportation was listing in IDX.

Measurement of Variables

The measurement of variables is computed as follow:

Table 1. Execution of Variable

Variable Type	Variable **(Acronym)**	**Proxies**	**Scale of Measures**
Independent	Liquidity (CR)	*Current Ratio*	Ratio
	Profitability (ROE)	*Return on Equity*	
Moderating	Audit Committee (AC)	Number of Audit Committees	
Dependent	Firm's Performance (EPS)	Basic Earnings per Share	

Source: Based on the foregoing study, and literature (2020)

Analysis Methods

Data were imported and analyzed using an Eviews software package with pull-down menus and compatible with old operating systems 'OS' (McCullough, 1999). Hereinafter, regression analysis and forecast or future value discover statistical intercourse from data and predict look-out values quickly under the Windows OS (Ma, Hu, Lin, & Han, 2018). The OLS model fits use econometric approach and estimates of the three-panel regression. First, the common-effect model (CEM abbreviated), fixed-effect model (FEM abbreviated), and random-effect model (FEM abbreviated), thereby the Chow's and Hausman's test and must verify this model before interpret. This equation stated that:

$$EPS = \alpha + \beta 1CR + \beta 2ROE\ \varepsilon_1 \ldots (1)$$

$$EPS = \alpha + \beta 1CR + \beta 2ROE + \beta 3M1 + \beta 4M2\ \varepsilon_2 \ldots (2)$$

RESULT AND DISCUSSIONS

Descriptive

The descriptive statistics results outcomes from 108 data observations view as follows:

Table 2. Descriptive Results

	EPS	CR	ROE	AC
Mean	123.7663	0.824297	-0.006529	3.074074
Median	0.001835	0.529200	0.020900	3.000000
Maximum	20000.00	5.650000	0.389300	5.000000
Minimum	-4500.000	0.003700	-1.251600	3.000000
Std. Dev.	1997.014	0.975441	0.221794	0.296513
Skewness	9.111249	2.653208	-2.184187	4.273616
Kurtosis	92.88409	11.07025	12.16558	22.17534
Jarque-Bera	37850.44	419.7913	463.9076	1983.369
Probability	0.000000	0.000000	0.000000	0.000000
Sum	13366.76	89.02403	-0.705119	332.0000
Sum Sq. Dev.	4.27E+08	101.8089	5.263590	9.407407

Source: author's elaborate by program outputs

Table 2 summarizes analysis statistic descriptive with the Jarque-Bera score of all variables produces a significant probability of less than 0.05 so that the data is not normally disparted. Still, the use of OLS does not require the assumption of normality. Then, can be continued multicollinearity testing. The multicollinearity test is tested using the correlation matrix technique, which requires a score between data to be less than 0.8.

Table 3. Multicollinearity Test Results

	EPS	CR	ROE	AC
EPS	1	0.31663	0.06039	-0.01563
CR	0.31663	1	0.04756	-0.05684
ROE	0.06039	0.04756	1	0.07522
AC	-0.01563	-0.05684	0.07522	1

Source: author's elaborate by program outputs

Table 3 summarizes multicollinearity test, which all variables have a correlation matrix value of less than (<) 0.8, so that the regression model does not indicate multicollinearity between independent variables.

Assessment of Panel Data Estimation

According to model verification of the panel data regression, inferences are as follows:

Table 4. Summary of Panel Data Regression Model Output

Model	Tests	Verifying betwixt	Yield
1	Chow	CEM and FEM	Choice of CEM
	Hausman's	FEM and REM	-
	Langrage Multiplier	CEM and REM	-
2	Chow	CEM and FEM	Choice of CEM
	Hausman's	FEM and REM	-
	Langrage Multiplier	CEM and REM	-

Source: author's elaborate by program outputs

Table 4 summarizes the Chow test results for both initial stages for the model estimated, which choose the Common-Effect Model because both models yield a cross-section probability. Chi-square is more significant than 0.05. The appropriate estimation technique is used in panel data regression to setted directly, namely the Common-Effect Model (CEM). Appraise summary of simultaneous panel data regression (F-test) and partial (t-test) Common-Effect Model's by White-test of dependent of variable: EPS before and after moderated by corporate governance, Method: Panel Least Square PLS (Cross-section weights) viewed as follows:

Table 5. Summary of Model Estimation

Model		Adjusted R^2	Prob. (F-stat) α = 0.05	T-value; Prob. (t-stat) α = 0.05	Sign Probability (t-stats)	
(1) Before	*Moderated*	0.085216	0.003460 is Significant	3.397180; 0.0010 0.490851; 0.6246	CR ROE	(+) Significant Not Significant
(2) After		0.069020	0.002243 is Significant	-0.121818; 0.9033 -0.176279; 0.8604	CR ROE	Not Significant Not Significant

Source: author's elaborate by program outputs

The model estimation before moderated by corporate governance quantifies audit committees from table 5 above generates a determination fitted rate (R^2) is 0.085216 points. It counts as a contribution of the firm's performance only 8.52 percent from financial ratios, i.e., liquidity (CR proxy) and profitability (ROE proxy) dimensions. After moderated by corporate governance, the model estimation quantifies audit committees generates a determination fitted rate (R^2) is 0.069020 points. It counts as a contribution of the firm's performance decrease of 1.62 percent from financial ratios, i.e., liquidity (CR proxy) and profitability (ROE proxy) dimensions. The model estimation in the choice before and after moderated corporate governance variable with audit committee proxy decry a decreased score a coefficient determination adjusted, but both models still a significant score probability from F-statistics, i.e., less than 0.05 points, i.e., 0.003460 and a 0.002243 score. CR proxy is described current ratio only signifying in predicting

a firm's performance as a direct with probability score is 0.0010, but insignificant use ROE proxy which produces probability score more than 0.05 points, i.e., 0.6246. In moderation effect by corporate governance with audit committee proxy, both CR and ROE proxy by each probability score are more than 0.05 points, i.e., 0.9033 and 0.8604, it means that ROE proxy is described profitability ratio both as a before and after moderated insignificant in predicting a firm's performance through audit committee proxy. So, in the hypothesis, proof only Accepted 'H_1a.' However, this proof is Rejected 'H_1b, and H_2 both of CR and ROE proxy.

Discussions

Statistical denominations for every independent variable in the first model data panel regression before moderating yields a probability of significantly smaller than 0.05 for liquidity ratio with CR proxies, which means that liquidity ratio has a significant impression on a firm's performance with a positive sign while yields a significantly more than 0.05 for profitability ratio with ROE proxies which means that profitability ratio has an insignificant impression on firm's performance. From this result, we can conclude that liquidity risk with CR proxy has important in the framework of management efficiency in an investment (Daniel, 2015) and also the ratio Tobin's Q obtain to view future operating achievement in the long run investment (Fu, Singhal, & Parkash, 2016). Increased performance is obtained from short-term liquidity risk to reduce liquidity risk due to the presence of non-liquid assets (Rudhani & Balaj, 2019). The importance of the liquidity ratio in this study sample is proxied as a tool to accelerate cash turnover to generate profits and get better at knowing the efficiency degree in the operations to increase a firm's performance. The impact of returns on equity can meet long-term liabilities through retention and reserve of profits to reduce the burden of fees to third parties, which will also indirectly impact net income and the value of the primary share per sheet then treatment of always charged in every year. This technique is used in years of economic crisis to ensure investment security better to generate future cash flows (Daniel, 2015). In this study, a return on equity ratio does not always align with the firm's performance output. Firms may add equity return from funding resource third parties as leverage function in the long-term firm's.

Statistical denominations for every independent variable in the second model data panel regression after moderating yields through GCG variable with audit committee proxies obtain of significance greater than 0.05 for liquidity and profitability ratio, which means that both financial ratios have no significant impression on a firm's performance, This is also indicated by a decrease in the Adjusted R-Square value before and after moderation, namely from 0.085216 or 8.52 percent to 6.90 percent. From this result, we can conclude that GCG, which functions as a moderator, can not evaluate the impact of financial ratios on a firm's performance. Good Corporate Governance (GCG), which is played as a moderation

in the sample of this study, even though it has fulfilled the number of committee members at least three members in the OJK regulations, does not effectively have a function in monitoring the performance of companies listed on the IDX. This study's findings do not confirm the Corporate Governance Index (CGI) moderating effect on free cash flow and agency costs related to company performance using Tobin's Q proxy ratio. It can decrease agency cost in the context of profit (Chong, Ting, & Cheng, 2018). It also failed to come across any linkage between audit committee characteristics and the firm's performance (Zhou, Owusu-Ansah, & Maggina, 2018). Otherwise, these findings confirming the previous study give the empirical evidence of probability with ROA proxy and the firms' performance with Tobin's Q thru the negative implication and insignificant as the board of directors function (Martín & Herrero, 2018). On the second level of monitoring corporate governance, the audit committee board should have a must mechanisms role, which is very important in routine activity In annual years. This part of audit committee members' moderate function yields empirical evidence that corporate governance with the audit committee's quantity fails and contrasts with agency theory. However, this study sample generates an average of the amount audit committee, which has fulfilled the OJK rule in Indonesia in assessing liquidity and profitability with current ratio and return on equity proxy.

CONCLUSIONS

The study aimed to analyze whether financial ratios, i.e., liquidity and profitability moderated by Good Corporate Governance, are proven not to affect a firm's performance significantly. Each financial ratio factor only positively affects the liquidity ratio on company performance, while the profitability ratio has no significant impact. The decrease in the Adjusted R-Square value, which explains the magnitude of the contribution between the factors in this study before and after moderation, proves that the Corporate Governance variable is not a moderating variable.

This study has some confine. The ratio score metering of the firm's performance only exploited the basic earnings per share based on enumerating the final income in profit and loss statement less preferred stock, disjunctive the weighted average number of common shares outstanding. Eventually, this proxy some utilize from foregoing research. The corporate governance structure components abortive to the moderate function of current ratio and equity from income, and another in a few countries. Sample expansion is also needed to better identify impacts with other linked sub-sectors in the context of long-term plans undertaken by the Government for the specified period.

Financial Services Authority ('OJK,' in Indonesia) must concern and evaluate this rule to try to nice identifying in the firm's performance determining, because of the limit of information in received stakeholders' as own agency problem as the

firms tend an only fulfill the principal rule based on the audit committee members currently. Hereinafter, investors and creditors must consider this aspect in monitoring corporate governance through another component such as mechanism, proportion, and frequency of board and members and instruments in corporate governance. Further research framework in assessing a firm's performance can use the measurement of Tobin's Q Ratio and PBV, which can better identify stock market prices against book prices in the firm's funding structure. Besides, the proxy return on assets (ROA) can be examined again in sub-sector besides Transportation so that it is expected to increase research findings in future studies. The next agenda research can involve another factor which implies towards firm's performance such as earnings quality, audit quality, dividend policy, corporate social responsibility disclosure, external factors, and structure and mechanism of corporate governance with another proxy, i.e., the board size, director size, frequency meetings and proportion of independent members in each of them.

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