EFFECT OF BOARD, OWNERSHIP, AND SDG IMPLEMENTATION OF FINANCIAL PERFORMANCE IN INDONESIA CONSUMER NON-CYCLICAL SECTOR

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Abstract

This study aims to analyze the effect of board characteristics, ownership attributes, and SDG implementation on corporate financial performance in Indonesia's consumer non-cyclical sector. The research uses a quantitative approach with secondary data collected from 41 publicly listed companies between 2022 and 2024. Financial and sustainability reports were used as sources, and the data were analyzed using panel data regression. The findings reveal that female board membership and sales growth have a positive impact on long-term capital efficiency (ROCE), while board independence and institutional ownership negatively affect it. Foreign ownership significantly improves short-term profitability (ROA), while SDG implementation shows a trade-off—reducing ROA but enhancing ROCE. Leverage and firm age positively affect ROA but reduce ROCE, whereas firm size shows the opposite pattern. These results underline that governance mechanisms and corporate characteristics have mixed effects on different dimensions of financial performance. The study provides insights for corporate managers to refine governance strategies and for investors to better evaluate firm fundamentals. Future studies are encouraged to include qualitative approaches and cross-sectoral comparisons to broaden the analysis

Keywords: Board Characteristic, Corporate Governance, Financial Performance, Non-Cyclical, Ownership Structure, SDG Implementation

INTRODUCTION

Financial performance holds a central role in assessing how effectively a company manages its operations and ensures long-term business sustainability. In the context of modern corporate management, robust financial performance not only reflects operational success but also signals managerial efficiency to stakeholders. Among various performance indicators, Return on Assets (ROA) and Return on Capital Employed (ROCE) are widely recognized as comprehensive financial metrics that capture the company's ability to generate earnings relative to its resources. Publicly listed companies on the Indonesia Stock Exchange (IDX) are particularly required to monitor and disclose these indicators, given their responsibility to uphold transparency and accountability to investors, regulators, and the public. This obligation is mandated under *Undang-Undang No. 8 Tahun 1995* concerning the Capital Market, reinforcing the importance of financial disclosure in capital markets (Badan Pemeriksaan Keuangan, 1996).

ROCE measures how efficiently a firm utilizes its long-term capital, comprising both equity and debt, to produce profits, serving as an important benchmark for long-term investment effectiveness. ROA, on the other hand, focuses on how efficiently a company employs its total assets to generate net income (Bauri, Mondal, & Fama, 2025). Both metrics are used extensively by stakeholders to evaluate whether a company is managing its internal and external resources efficiently to support sustainable business growth (Sajjad, 2023).

Beyond financial performance, listed companies are increasingly expected to demonstrate their commitment to Environmental, Social, and Governance (ESG) standards, particularly within the global framework of the Sustainable Development Goals (SDGs). On environmental and social dimensions, public firms in Indonesia are obligated to publish annual Sustainability Reports, which function as critical supplements to traditional Annual Reports. In terms of governance, corporate structures and board practices are regulated by the Financial Services Authority (OJK), particularly through *Peraturan OJK No. 33/POJK.04/2014* concerning the Boards of Directors and Commissioners of Public Companies (Badan Pemeriksa Keuangan, 2014). These reporting obligations reflect a shift in corporate responsibility, from a sole focus on profit generation to a broader orientation toward stakeholder value, ethical conduct, and long-term environmental sustainability (Yoshikawa, Nippa, & Chua, 2021).

Furthermore, the ownership structure, especially in the form of institutional and foreign shareholding, has emerged as an influential determinant of corporate performance. Prior research demonstrates that institutional ownership can influence various performance indicators, including Return on Equity (ROE), ROA, the Market-to-Book Ratio (MBR), and Tobin's Q, suggesting that ownership concentration often leads to more disciplined and performance-oriented governance (Din, Khan, Khan, & Khan, 2022). Empirical and theoretical literature suggests that ownership concentration affects how firms balance short-term profitability with long-term ESG priorities and risk governance (Sajjad, 2023).

In parallel, the composition and attributes of the Board of Directors significantly shape a firm's strategic direction and financial results. Board members serve not only as advisors but also as key decision-makers, and their effectiveness can be influenced by board size, independence, and gender diversity. While larger board sizes have been traditionally linked to more resources and diverse perspectives—potentially improving oversight and decision-making—evidence regarding their consistent benefit remains mixed

The composition and characteristics of the Board of Directors also shape corporate performance. Board members hold strategic authority and influence critical decision-making processes. Larger board size is generally associated with improved financial outcomes, particularly with respect to ROA and ROE (Achim & Lungu, 2025). In addition, gender diversity within the board contributes positively to both performance and sustainability. The presence of female board members enhances corporate effectiveness and long-term resilience (Almaqtari, Elmashtawy, Farhan, Almasria, & Alhajri, 2024).

Moreover, gender diversity, particularly the presence of women on boards, has been shown to enhance both performance and organizational resilience, especially in firms that prioritize ESG goals

This study aims to analyze the influence of corporate governance factors, including board independence, board size, and female board membership, alongside ownership attributes such as institutional ownership and foreign ownership, and SDG implementation as reflected through CSR engagement, sustainability activities, and company policies. Additionally, this study incorporates control variables including sales growth, firm size, leverage, and firm age to provide a more accurate estimation of the determinants of financial performance. The scope of this study is limited to consumer non-cyclical sector firms listed on the IDX, with the objective of offering empirical insights for improving governance mechanisms, sustainability practices, and investment evaluation frameworks.

REVIEW OF LITERATURE

Corporate Financial Performance Indicators

Corporate financial performance in this study is assessed using two primary indicators: Return on Assets (ROA) and Return on Capital Employed (ROCE). ROA is defined as net income divided by total assets, and it reflects how effectively a firm utilizes its asset base to generate earnings. It serves as a critical measure of operational efficiency and managerial performance (Brigham & Houston, 2019). ROA is frequently used in corporate governance research as a proxy for firm success, particularly in examining how internal structures, such as board composition and ownership attributes, influence profitability. On the other hand, ROCE, calculated as earnings before interest and taxes (EBIT) divided by total capital employed (i.e., equity plus interest-bearing debt), provides a more comprehensive view of how efficiently long-term capital is used to generate returns (Ross, Westerfield, & Jordan, 2022). This ratio is particularly relevant in capital-intensive industries, where it helps assess whether firms are deploying both debt and equity in a value-maximizing manner. The use of ROCE is supported by agency theory (Jensen & Meckling, 1976), which posits that capital efficiency is often shaped by managerial behavior and ownership structures. Firms with aligned governance and financing decisions are more likely to achieve higher ROCE, highlighting its utility as a strategic and financial performance metric.

Board Size and Financial Performance

Board size refers to the total number of directors and commissioners within a company Agency theory suggests that smaller boards are more effective in monitoring management due to reduced coordination costs, while resource dependence theory argues that larger boards provide broader access to expertise, resources, and external connections. However, empirical findings are mixed. In the study of firms in Sub-Saharan Africa,

concluded that increasing board size beyond minimal governance requirements does not yield any meaningful improvement or deterioration in financial outcomes (Oshim & Igwe, 2024). This is in line with the findings of (Anis, Chizema, Lui, & Fakhreldin, 2017), who revealed that board size does not have a significant impact on financial performance. Their study on Egyptian listed companies suggests that merely increasing the number of board members may not enhance firm outcomes, potentially due to reduced decision-making efficiency in larger boards.

H_1: Board size has no effect on firm financial performance.

Board Independence and Financial Performance

The term "board" in this context refers collectively to the board of directors and commissioners within a firm. Board independence concerns the proportion of directors and commissioners who are not affiliated with the company's management or major shareholders, enabling more objective oversight. Independent board members act as a control mechanism to reduce agency conflicts between managers and shareholders. (Masum & Khan, 2019) , using a sample drawn from the financial sector, found that higher board independence is negatively associated with financial performance. This suggests that increased independence may lead to excessive monitoring, delayed decision-making, and reduced strategic flexibility. This finding is also supported by (Bhagat & Black, 2002) and (Jensen & Meckling, 1976), who theorized that while independence may reduce agency costs, it may also constrain managerial discretion, potentially harming firm value.

H_2: Board independence has negative effect on firm financial performance.

Woman on Board and Financial Performance

The inclusion of women on boards reflects evolving corporate governance practices aimed at promoting diversity and inclusiveness. Legitimacy and resource-based theories suggest that gender diversity strengthens a firm's social legitimacy and enriches strategic decision-making through diverse perspectives. (Anifowose, Abdul rashid, & Annuar, 2017) in Agency Theory, found that gender-diverse boards improve governance effectiveness through more dynamic discussions and diversified viewpoints. Recent studies by (Masum, Alam, & Alam, 2024) and (Saidat, Al-gharaibeh, Marashdeh, & Suwayyid, 2024) provide empirical support, demonstrating that gender diversity on boards contributes positively to firm profitability. These studies argue that female representation enhances strategic oversight, risk management, and stakeholder trust.

H_3: Female representation on the board has positive effect on firm financial performance.

Foreign Ownership and Financial Performance

Foreign ownership refers to the proportion of shares held by non-domestic investors. These investors often possess distinct resources and risk management expertise and demand higher standards of transparency and performance. Foreign ownership refers to the proportion of shares held by non-domestic investors. These investors often possess distinct resources and risk management expertise and demand higher standards of transparency and performance. The presence of foreign ownership may introduce coordination complexities and exposure to global market volatility. Empirical research suggests that foreign ownership has a significant positive impact on financial performance (Masum, Alam, & Alam, 2024). Especially in emerging market, the more foreign ownership is impacted the better ROA of the company (Tran & Vo, 2025).

H_4: Foreign ownership has positive effect on firm financial performance.

Institutional Ownership and Financial Performance

Institutional ownership indicates the not an individual shareholder which usually have their own interest, and some cases can sacrifice the interest on minority's shareholders. In the long run, if the condition continues like that, it will not give positive impact to the firm. That explains institutional ownership gives negative impact to the financial performance of the firm (Kirimi, 2024). Ideally, the regulator should have the policy for institutional shareholders in directly influencing the decision-making within the firm while protecting other shareholders' interest.

H_5: Institutional ownership has negative effect on firm financial performance.

SDGs Implementation and Financial Performance

Sustainable Development Goals (SDGs) represent an aggregate measure evaluating corporate performance across ESG dimensions: environmental, social, and governance. As interest in sustainable investing rises, SDGs serve as a critical benchmark in investment decisions, risk mitigation, and reputation management. SDG implementation reflects regulatory compliance, carbon footprint reduction, community engagement, and managerial integrity. The company needs to implement SDGs through its CSR, policy, and activity thus it is believed will give good results for the firm's financial performance (Sharma & Chakraborty, 2024). The implementation of each SDG from number 1 to 17 gives positive effect to the financial condition of the firm such as positive impact to ROA (Ozili, 2023). In this study, SDG implementation is measured through point accumulation across the 17 SDG areas; each fulfilled SDG corresponds to one point.

H_6: SDG implementation has positive effect on firm financial performance.

Control Variables and Financial Performance

Sales growth captures revenue increases over prior periods, reflecting competitiveness, expansion strategies, and market penetration. Sustained growth often signals effective marketing and innovation strategies. Sales growth as control variable to analyze the effect of independent variable to dependent variable is proven give positive effect on ROA (Aldubhani, Wang, & Gong, 2022).

H_7: Sales growth has positive effect as control on firm financial performance.

Leverage refers to the proportion of debt used by a firm to finance its assets. It is a critical determinant of financial structure and performance, reflecting a firm's risk appetite and reliance on external financing. According to *trade-off theory*, moderate leverage can enhance firm value by utilizing tax shields, whereas excessive leverage may increase financial distress and bankruptcy risk. Empirical study on firms in a transition economy, (Masum, Alam, & Alam, 2024) found a significant negative relationship between leverage and firm performance. The authors argue that in less developed capital markets, high leverage tends to undermine operational flexibility and managerial autonomy, ultimately leading to suboptimal investment decisions and reduced profitability.

H_8: Leverage has negative effect as control on firm financial performance.

Firm size, commonly measured by total assets, revenue, or market capitalization, is frequently included as a control variable due to its influence on financial outcomes, capital structure, operational complexity, and disclosure practices. In this research the size of the firm is defined by the total of assets. The bigger of the size of the firm the more negative effect to the financial performance of the company and empirically proven especially in the emerging market, (Masum, Alam, & Alam, 2024)

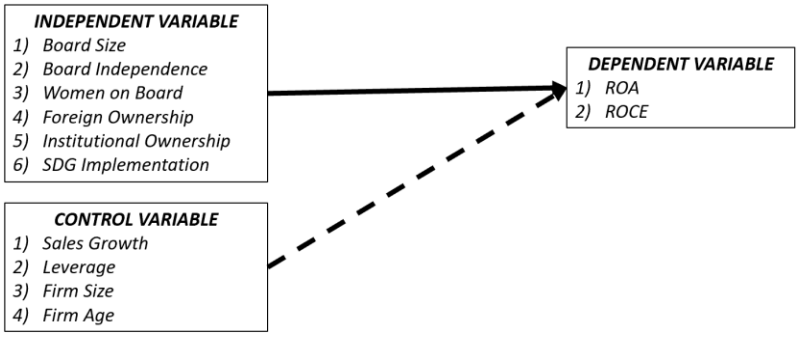
H_9: Firm size has negative effect as control on firm financial performance.

Firm age refers to the number of years since a company's initial public offering. This metric reflects a firm's experience in navigating capital market expectations and operating as a public entity. Older IPO firms often demonstrate established governance systems, robust reporting, and stronger investor relations. Firm's age as public company (Khan, Jabri, Ullah, & Hussain, 2025) as well as the firm's age since the beginning (Mrad & Kacem, 2025) give impact to the performance in various ways.

H_{10}: Firm Age has negative effect as control on firm financial performance.

Based on prior studies and theoretical foundations, the conceptual framework for this research is structured as follows:

Figure 1.
Illustration for Research's Variable



RESEARCH METHOD

This study employs a quantitative approach using panel data regression analysis to examine the effects of independent variables on financial performance. The regression is run by using EViews 10. The data used are secondary data, obtained from companies' Annual Reports and Sustainability Reports, accessible through the official website of the Indonesia Stock Exchange (IDX). The secondary data were analyzed using panel data regression to determine whether the variables influence the dependent variable and the influence positive or negative influence.

Table 1.
Research Variables

Variable	Code	Formula	References
Dependent			
Return on Asset	ROA	$ROA = \frac{Net\ income}{Total\ Asset} x100\%$	(Masum, Alam, & Alam, 2024), (Sharma & Chakraborty, 2024)
Return on Capital Employed	ROCE	$ROCE = \frac{EBIT}{Total\ Asset - Current\ Liabilities}$	(Sharma & Chakraborty, 2024), (Masum,

			Alam, & Alam, 2024)
Independent			
Board Size	SIZE_B	$SIZE\_B = \text{Director} + \text{Comissioner}$	(Oshim & Igwe, 2024), (Masum, Alam, & Alam, 2024)
Board Indepen-dence	I_B	$I\_B = \frac{Independence\ Board}{Comissioner + Directors} x100\%$	(Masum, Alam, & Alam, 2024), (Masum & Khan, 2019)
Women on Board	W_B	$W\_B = \text{Woman Director} + \text{Woman Comissioner}$	(Saidat, Al-gharaibeh, Marashdeh, & Suwayyid, 2024), (Masum, Alam, & Alam, 2024),
Foreign Ownership	FS_O	$FS\_O = \frac{Foreign\ Shares}{Total\ Shares} 100\%$	(Masum, Alam, & Alam, 2024)
Institutional Ownership	IS_O	$IS\_O = \frac{Institutional\ Shares}{Total\ Shares} 100\%$	(Masum, Alam, & Alam, 2024)
SDG Implemen-tation	SDG	$SDG = \frac{SDG\ Implemented}{Total\ SDG} 100\%$	(Sharma & Chakraborty, 2024)
Control			
Sales Growth	SG_C	$SG\_C = \frac{Revenue_{\ t} - Revenue_{\ t-1}}{Revenue_{\ t-1}} x100\%$	(Aldubhani, Wang, & Gong, 2022), (Masum, Alam, & Alam, 2024)
Leverage	LEV_C	$LEV\_C = \frac{Total\ Liabilities}{Total\ Asset} x100\%$	(Masum, Alam, & Alam, 2024), (Sharma & Chakraborty, 2024),
Firm Size	SIZE_C	$SIZE\_C = \ln(Total\ Aset)$	(Masum, Alam, & Alam, 2024) (Sharma & Chakraborty, 2024)

Firm Age	AGE_C	$AGE\_C = Most\ Recent\ Financial\ Report\ Yea - IPO\ year$	(Masum, Alam, & Alam, 2024)

Source: Processed by Authors (2025)

The sample consists of publicly listed companies in the Consumer Non-Cyclical sector. The sampling technique used is purposive sampling, based on the rationale that this sector exhibits relatively low volatility and high relevance to the Indonesian economy, which is characterized by substantial domestic consumption. The data collection method follows a documentation approach, utilizing financial data from the 2022–2024 reporting periods. Data were collected during May–June 2025.

Companies must have gone public (IPO) no later than 2021 to ensure the availability of three consecutive years of annual reports. Only companies listed on the Main Board and Development Board of IDX are included, as they are expected to have relatively stable and strong financial performance. A total of 41 companies met these criteria. With three annual reports used per company, the final dataset consists of 123 firm-year observations. The details of the sampling process are summarized as follows in Table 2.

Table 2.
Sample Selection

Criteria	Number of Samples
Consumer Non-Cyclical Sector	132
IPO after 2021	(34)
Not Listed on Main or Development Stock Board	(18)
Incomplete Annual and Sustainability Reports	(39)
Financial statements not reported in Rupiah	(1)
Total Sample of Companies	**40**
Total Observations over 3 Years	**120**

Source: Processed by Authors (2025)

Before the regression, the model used must be decided through Chow Test. If the cross-section probability figure from Chi-square is more than or equal 0.05 (α = 5%) the the result is Common Effect Model, but if the result is less than 0.05 then used the Fixed Effect Model. Both the result for ROA and ROCE is 0.0000 which are less than 0.05, the model used is Fixed Effect Model (FEM).

Hausman Test also conducted because the result is Fixed Effect Model to decide using Fixed Effect Model or Random Effect Model (REM). If the cross-section probability figure from Chi-square is more than or equal 0.05 (α = 5%) the result is Random Model Effect, but if the result is less than 0.05 then used the Fixed Effect Model. Both the result for ROA and ROCE is 0.0000 which are less than 0.05, the model used is Fixed Effect Model (FEM). The details for Chow and Hausman Test as per Table 3.

Table 3.
Chow and Hausman Test

Model	Cross Section Chisquare	d.f.	Prob
Chow Test			
ROA	234.740962	40	0.0000
ROCE	133.137615	40	0.0000
Hausman Test			
ROA	105.235012	10	0.0000
ROCE	44.594771	10	0.0000

Source: Processed by Authors (2025)

The regression started with Coefficient of Determination to see the value of adjusted R^2 which define the extent of variables (independent and control) which are board's size, board's independence, women on board, foreign ownership, institutional ownership. SDGs implementation, sales growth, leverage, firm's size and firm's age (IPO's age) to the dependent variable ROA and ROCE in the model. For ROA adjusted R^2 is 0.927876 which mean that these variables 92.8776% can define ROA and the rest of 7.2124% is impacted by other variables. For ROCE the adjusted R^2 is 0.967845 than means the variables has the ability of 96.7845% to influence ROCE then the 3.2155% is by other variables not in the model. The detail of the Coefficient of Determination is on Table 3.

F Test or Simultaneous Test used to test the significant of variables to dependent variables. When the p-value of F-statistic is 0.000000 < 0.05 means Ha is accepted, which explained at least one variable significantly effects the dependent variables. Other than that, Ho which all the variables do not give effect to the dependent variables. The detail of the F Test is on Table 4.

Table 4.
Coefficient of Determination and F Test

Coefficient of Determination		
Model	**R^2**	**Adjusted R^2**
ROA	0.957928	0.927876
ROCE	0.981243	0.967845
F Test		
Model	**F-statistic**	**Prob(F-statistic)**
ROA	31.87602	0.00000
ROCE	73.23790	0.00000

Source: Processed by Authors (2025)

Partial Test or t-Test is as part of the regression to analyze the individual variable to significantly effects the dependent variables. The result of the test is on Table 5 and will be explained in detail on the Result and Discussion. This research employs the following mathematical model:

Model 1:

$$ROA = \alpha + \beta_1 I_B + \beta_2 Size_B + \beta_3 W_B + \beta_4 F_B + \beta_5 FS_O + \beta_6 IS_O + \beta_7 SDG + \beta_8 SG_C + \beta_9 SC_C + \beta_{10} AGE_C + \varepsilon$$

Model 2:

$$ROCE = \alpha + \beta_1 I\_B + \beta_2 Size\_B + \beta_3 W\_B + \beta_4 F\_B + \beta_5 FS\_O + \beta_6 IS\_O + \beta_7 SDG + \beta_8 SG\_C + \beta_9 SC\_C + \beta_{10} AGE\_C + \varepsilon$$

Table 5.
T-Test (Partial Test)

Variable	Model ROA			Model ROCE		
	Koefisien	T STAT	Prob.	Koefisien	T STAT	Prob.
SIZE_B	-0.00185	-0.75271	0.2271	-0.00924	-1.6603	0.0507
I_B	0.021218	0.522245	0.3016	-0.09034	-5.2608	0.0000
W_B	0.006981	0.222944	0.4121	0.263418	19.3832	0.0000
FS_O	0.180023	1.984165	0.0256	0.098735	0.6211	0.2683
IS_O	-0.0013	-0.04683	0.4814	-0.16976	-7.4138	0.0000
SDG	-0.08151	-1.74928	0.0423	0.051426	1.8762	0.0324
SG_C	0.001019	2.253921	0.0137	0.00126	9.2383	0.0000
LEV_C	0.05202	1.694524	0.0473	-0.06136	-1.8702	0.0328
SIZE_C	-0.18782	-3.60876	0.0003	0.700402	5.6576	0.0000
AGE_C	0.014229	5.232015	0.0000	-0.0159	-4.4605	0.0000

Source: Processed by Authors (2025)

RESULTS AND DISCUSSION

Table 6 presents the governance and ownership-related factors, which consist of board independence, board size, female board membership, foreign ownership, institutional ownership, SDG implementation, and their effects on firm financial performance. The discussion integrates statistical results with detailed interpretations shown on Tables 2 to 4, with relevant literature to provide meaningful insights and contextual understanding of the findings.

Table 6.
Summary of Analysis Results and Hypotheses Explanation

Independent Variable	Independent Variable Code	Hypotheses Explanation	Result on Dependent Variables	
			ROA	ROCE
Board Size	SIZE_B	Board's size has negative effecton firm financial performance	No effect	Negative
Board Independence	I_B	Board's independence has negative effect on firm financial performance	No effect	Negative
Women on Board	W_B	Woman on Board has positive effect on firm financial performance	No effect	Positive
Foreign Ownership	FS_O	Foreign Ownership has positive effect on firm financial performance	Positive	No effect

Institutional Ownership	IS_O	Institutional Ownership has negative effect on firm financial performance	No effect	Negative
SDG Implementation	SDG	SDG Implementation has positive effect on firm financial performance	Negative	Positive
Sales Growth	SG_C	Sales Growth has positive effect on firm financial performance	Positive	Positive
Leverage	LEV_C	Leverage has positive effect on firm financial performance	Positive	Negative
Firm Size	SIZE_C	Size of the Company has positive effect on firm financial performance	Negative	Positive
Firm Age	AGE_C	Listing History has positive effect on firm financial performance	Positive	Negative

Source: Processed by Authors (2025)

Board's Size and Financial Performance

Table 6 shows that board size is not significantly related to ROA ($\beta = -0.00185$, $t = -0.753$, $p = 0.2271$), but exhibits a negative effect with ROCE ($\beta = -0.00924$, $t = -1.660$, $p = 0.0507$). These results indicate that expanding the board beyond an optimal level may slightly reduce long-term capital returns (ROCE) without materially affecting operational efficiency (ROA). Therefore, the findings support Hypothesis 1 only on ROA, which aligns with (Oshim & Igwe, 2024) and (Anis, Chizema, Lui, & Fakhreldin, 2017), who found no statistically significant relationship between board size and firm performance. These studies collectively suggest that while board size may influence governance structure, it does not necessarily translate into performance gains or losses. Besides, negative impact of Board Size in Financial Performance also supported by the study from (Palaniappan, 2017), who said that larger boards may impair corporate performance because of less coordination and slow decision-making.

Board's Independence and Financial Performance

As shown in Table 6, board independence shows no significant effect on ROA ($\beta = 0.0212$, $t = 0.522$, $p = 0.3016$), but reveals a significant negative relationship with ROCE ($\beta = -0.0903$, $t = -5.261$, $p < 0.001$). his indicates that while board independence does not affect short-term profitability, it is associated with a considerable decline in long-term capital efficiency among Indonesian consumer non-cyclical firms. This finding supports Hypothesis 2 with respect to ROCE, and is consistent with (Masum & Khan, 2019), who observed similar patterns in the financial sector. The results also echo the theoretical arguments by (Bhagat & Black, 2002) and (Jensen & Meckling, 1976), who cautioned that too much independence might hamper management agility and strategic responsiveness. Conversely, the non-significant result for ROA aligns with studies such as (Ciftci, Tatoglu, Wood, Demirbag, & Zaim, 2019), which reported no clear linkage between board independence and overall financial outcomes.

Woman on Board and Financial Performance

The presence of women on the board has no significant effect on ROA (β = 0.00698, t = 0.223, p = 0.4121) but shows a strong positive effect on ROCE (β = 0.26342, t = 19.383, p < 0.001). This suggests that while gender diversity does not impact short-term asset-based profitability, it substantially improves long-term capital efficiency. Thus, Hypothesis 3 is supported only in relation to ROCE. These results are in line with empirical evidence from (Masum, Alam, & Alam, 2024) and (Saidat, Al-gharaibeh, Marashdeh, & Suwayyid, 2024), who reported that gender-diverse boards positively affect firm profitability. Their studies reinforce the notion that female directors contribute valuable perspectives, enhance board deliberations, and improve strategic outcomes over time.

Foreign Ownership and Financial Performance

Foreign ownership of the firm is proven has positive effect to ROA. In the t-test the coefficient 0.180023 and the p-value is 0.0256 < 0.05. However, for the ROCE is not proven is affected by foreign ownership because the p-value is 0.2683 > 0.05. Hypothesis 4 is proven through the ROA only. This empirical result is in line with the research in 2024 from Masum, Alam, and Alam that foreign ownership of the firm has positive effect on ROA. Other research from Vietnam which the country is similar with Indonesia as an emerging market also gives the same result that foreign ownership give positive effect to ROA (Tran & Vo, 2025).

Institutional Ownership and Financial Performance

Hypothesis 5 stated that institutional ownership gives negative effect to the firm's financial performance. For the ROA model, this is not accepted because institutional ownership does not affect the firm's ROA with p-value 0.4814 > 0.05. This finding indicate that institutional ownership might not give performance impact to the ROA (Verma, Sharma, & Priyanka, 2021). However, the hypothesis is proven on ROCE model, with coefficient –0.16976 and p-value 0.0000 < 0.05. Institutional ownership. This finding is the same with the case in National Stock Exchange India that institutional ownership gives negative effect to ROCE (Singala, 2020).

SDGs Implementation and Financial Performance

SDGs implementation within the company gives negative effect on ROA and positive effect on ROCE. In the ROA model the coefficient is –0.08151 and p-value 0.0423 < 0.05 while in the ROCE model the coefficient is 0.051426 and p-value 0.0324 < 0.05. The more of SDS's implemented will give more positive effect to the firm's financial performance (Ozili, 2023). With the current situation that ESG and sustainability become part of the business, it is relevant that company conduct comprehensive SDGs implementation for the good of the company itself.

Control Variables and Financial Performance

Sales growth as control variable get the coefficient for ROA 0.001019 and ROCE 0.00126 while the p-value for ROA is 0.00126 < 0.05 and ROCE is 0.0000 < 0.05. These result mean that sales growth gives positive effect to the financial performance of the company. The more sales of the year from the previous year is the better financial condition of the company.

Leverage as controlling for financial performance has significant positive relationship with ROA (β = 0.05202, t = 1.695, p = 0.0473), indicating that firms employing higher debt levels can amplify asset-based returns, perhaps through tax shields or disciplined capital

structure. However, Leverage is significantly negatively associated with ROCE (β = –0.06136, t = –1.870, p = 0.0328), suggesting that excessive indebtedness may erode long term capital efficiency by increasing financing costs and financial risk.

Firm's size has negative effect on ROA but positive effect on ROCE. ROA's p-value is 0.0003 < 0.05 and the coefficient is –0.18782 while ROCE's coefficient is 0.700402 and p-value is 0.0000 < 0.05. The firm size through the total assets of the company, the bigger is the better for financial performance. Company can utilize the assets to get good results.

Firm's age counted since the date of IPO has positive effect on financial performance. The older of the company, the more experience and the better brand name of the company will give good result for the financial. The result in the regression shows in the ROA model coefficient is 0.014229 and p-value is 0.0000 < 0.05 while the ROCE is –0.0159 for coefficient and p-value is 0.0000 < 0.05.

CONCLUSION

This study investigates the influence of board characteristics, ownership attributes, SDG implementation on corporate financial performance. It measured by Return on Assets (ROA) and Return on Capital Employed (ROCE), within the Consumer Non-Cyclical sector in Indonesia. The findings reveal a nuanced interaction between governance mechanisms and financial performance indicators. Specifically, board independence does not significantly affect ROA but has a negative impact on ROCE, implying that while independent directors may not hinder operational performance, they could be less effective in enhancing long-term capital efficiency, potentially due to limited contextual expertise or overly cautious decision-making. Likewise, board size exhibits no significant impact on either ROA or ROCE, suggesting that beyond a certain threshold, the number of board members neither facilitates nor impedes firm performance.

In contrast, the presence of women on boards demonstrates a positive and significant influence on ROCE but not on ROA, highlighting the contribution of gender diversity in strategic oversight and long-term value creation. Regarding ownership structures, foreign ownership positively affects ROA but shows no significant relationship with ROCE, indicating that international investors may enhance short-term profitability without necessarily influencing capital productivity. Meanwhile, institutional ownership presents no impact on ROA but negatively affects ROCE, suggesting that large institutional investors may prioritize risk-averse strategies that limit investment effectiveness over the long term.

Interestingly, the implementation of Sustainable Development Goals (SDGs) is associated with a negative impact on ROA and a positive impact on ROCE. This contrast implies that while SDG-related initiatives may burden short-term profitability due to upfront investments, they contribute positively to long-term capital efficiency and sustainable returns. In terms of control variables, sales growth is found to significantly improve both ROA and ROCE, reaffirming the central role of revenue expansion in driving firm profitability. Leverage, on the other hand, positively influences ROA but negatively impacts ROCE, emphasizing the dual role of debt in boosting short-term earnings through tax shields while potentially undermining long-term efficiency due to increased financial obligations. Firm size is negatively associated with ROA but positively with ROCE, indicating that while larger firms may experience declining asset efficiency, they benefit from economies of scale and more effective capital utilization. Firm age shows the opposite pattern: positively

associated with ROA but negatively with ROCE, implying that more mature firms tend to operate efficiently but may struggle to generate high returns from capital investments.

Based on these findings, it is recommended that firms in the Consumer Non-Cyclical sector carefully balance the composition and function of their boards. While independent directors are important for monitoring, excessive independence without industry-specific expertise may impair strategic decision-making. Gender diversity should be actively promoted, given its demonstrated value in enhancing capital efficiency. Foreign investors appear to bring tangible benefits to operational performance and should be further engaged through transparent governance practices. At the same time, institutional investors' influence should be monitored to ensure alignment with long-term performance goals. SDG adoption, although costly in the short run, shows promise in strengthening long-term profitability and should be integrated more strategically into corporate planning. Finally, financial strategies such as leveraging, scaling, and managing firm maturity should be aligned with specific profitability goals for balancing short-term efficiency and long-term sustainability. The results of this study provide meaningful implications for corporate leaders, policymakers, and investors in Indonesia who seek to strengthen the governance-performance in an evolving economic landscape. Future research should consider comparative cross-country studies and incorporate qualitative insights to further enrich the understanding of these dynamics.

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