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Political Connection, Gender Diversification, and Firm Performance: The Moderating Role of Good Corporate Governance

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ABSTRACT

Purpose : The research examines the influence of political connections and gender diversification on firm performance, with good corporate governance as a moderating variable. The research focuses on infrastructure sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2022 period.
Method : The research method used is Structural Equation Modeling - Partial Least Square (SEM-PLS) using WarpPLS Version 7.0 software. The population for this study is infrastructure sector companies listed on the Indonesia Stock Exchange in 2019-2022. This research used a non-probability purposive sampling technique, resulting in a total sample of 35 companies.
Findings : The research results show that political connections do not affect firm performance. However, political connections on firm performance have a significant influence when moderated by good corporate governance. Gender diversification does not influence firm performance and good corporate governance cannot moderate the influence of gender diversification on firm performance.
Novelty : Unlike prior research which focuses on sectors like banking and manufacturing, this study targets the infrastructure sector—strategic, politically linked, and historically male-dominated—making the discussion on gender diversity particularly relevant. The finding that GCG selectively moderates only political connections offers a novel contribution to existing literature.

INTRODUCTION

Rapid business competition often occurs to improve firm performance to survive and grow. Firm performance is an indicator used to assess and determine the success of a company (Febiana et al., 2023). In the era of increasingly competitive globalization, companies are often faced with the need to increase their effectiveness and efficiency to compete well. Factors that influence a company's firm performance can be measured using financial performance in a certain period, companies will have different financial performances, due to decreases, increases, and fluctuations in profits obtained (Eliya & Suprapto, 2022). ROA and ROE are indicators used to assess a company's financial performance which can reflect how effectively management utilizes its assets and equity to generate income (Prosvirkina & Wolfs, 2021). Firm performance can be assessed through financial ratios, as they help managers, investors, and policymakers analyze and forecast future revenues and expenses (Yousaf & Dey, 2022). The following is the performance of several infrastructure companies in 2019-2022 :

Based on the Figure 1, the average performance of infrastructure companies from 2019 to 2022 shows a phenomenon of sharp fluctuations in ROE and stability in ROA. After increasing from 2019 to 2020, ROE experienced a drastic decline in 2021, possibly due to the impact of the COVID-19 pandemic, before recovering significantly in 2022. Meanwhile, ROA remained stable during the period, reflecting good asset efficiency. The recovery in 2022 shows the company's success in overcoming challenges and restoring profitability.

2024 is a political year in Indonesia, where various political agendas will take place, including the election of the president and vice president, as well as the election of legislative members. This is expected to significantly impact various sectors, including the economy and business. Companies that have connections can benefit the company (Wang et al., 2019). Political connections can open access to important information related to government

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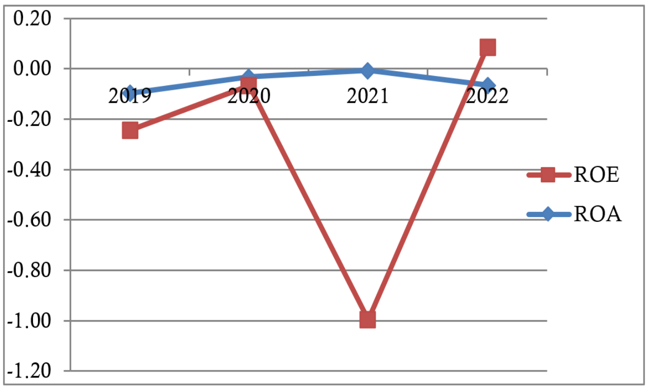

Figure 1. Average Percentage of Infrastructure Company Performance 2019-2022.
Source: Processed Secondary Data (2024)

policies, regulations, and profitable business opportunities. One of the phenomena that occurs due to political connections for firm performance is that an Indonesian businessman fully supports one of the Indonesian presidential candidates in 2024. If the presidential candidate wins the 2024 presidential election, the businessman will continue the previous president's programs, such as infrastructure development which has the potential to be continued. Not only that, downstream mining, especially mineral mining from the previous president's era, also has the potential to be continued if the presidential candidate wins the 2024 presidential election (cnbcindonesia.com).

Infrastructure development plays a very important role in spurring economic growth, both at the national and regional levels, as well as reducing unemployment, alleviating poverty and of course improving people's welfare. The availability of reliable infrastructure is very important to support economic activities and business growth. Previous research conducted by Sukarmanto et al. (2021), the results showed that Political connections have a positive and significant effect on company performance. Meanwhile, research conducted by Bahar & Herliansyah (2023), Tang (2023), and Azizah & Amin (2020), the results showed that political connections did not effect on firm performance. In addition to political connections, Gender diversification in company management has become a major topic in business sustainability and corporate social responsibility. Gender diversification in companies is a vital aspect of advancing the company, because it can provide added value by considering various points of view and also producing more diverse contributions (Dobija et al., 2022). In addition, gender diversification can also affect the level of creativity and quality of performance produced by the company. The existence of gender diversification in the company's executive ranks will give rise to various policy variations because women and men have different views due to the differences in nature that are inherent in them. The second phenomenon in this study is that the infrastructure industry has a characteristic where the majority of the dominant workforce is male. This is due to the long history of this industry which is often considered a more suitable environment for men. Men have dominated careers in this industry for years. Although the infrastructure industry tends to be dominated by men, there has been a change in terms of gender diversification at the employee level, this means that over time, many women have entered this industry, especially in positions such as the board of commissioners and board of directors, but the percentage of women is still very low compared to men. Gender equality between women and men in infrastructure sector companies from 2019-2021 has not increased and the percentage is very low (IBCWE, 2022).

Based on figure 2, IDX200 companies are dominated by male CEOs. There were only 8 female CEOs in 2021 (4%) in IDX200 companies. This figure has not changed since 2019. For this reason, it is necessary to consider the influence of gender diversification in company management on firm performance in the infrastructure sector. With the low percentage of women, does gender diversification affect firm performance? financial performance becomes clear and highly significant when three or more women are appointed to the board, compared to a lower level of

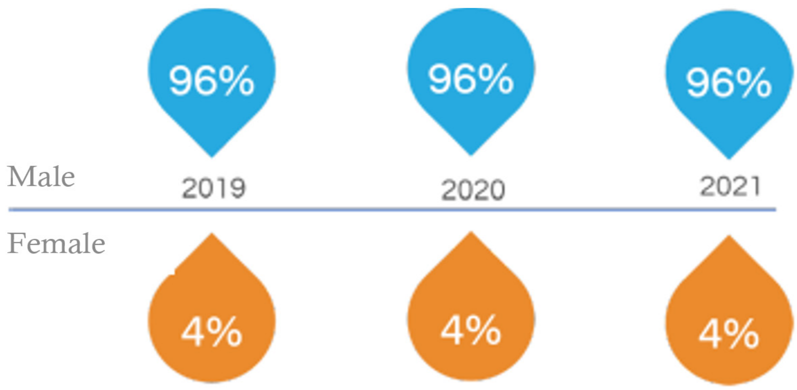

Figure 2. Percentage comparison of female to male leadership in companies listed on IDX200.
Source : IBCWE 2022.

female representation on the board (Brahma et al., 2021). The presence of women on the board can enhance its performance, as they tend to communicate more participatively and focus on the process (Martín-Ugedo & Minguez-Vera, 2014). Thus, researchers are trying to uncover this. Previous research conducted by Eliya & Suprapto (2022) the results showed that the diversity of the female board of directors has a significant positive effect on financial performance. In research conducted by (Alshirah et al., 2022), the results showed that gender diversification does not effect company performance. In addition to these two problems, in this study, the researcher also wants to examine how good corporate governance acts as a moderating variable between political connections and gender diversification on firm performance. Good Corporate Governance is a prudential corporate management procedure that is built to gain the trust of stakeholders (Rahmawati et al., 2017). Good corporate governance is one of the main factors in increasing economic efficiency, which includes various interactions between 6 company management, the board of directors, shareholders, and other related parties. This includes various policies and procedures designed to ensure transparency, accountability, and shareholder protection. The basic principle of good corporate governance is to improve firm performance, including behavioral patterns measured through performance, growth, financing structure, and treatment of shareholders.

The third phenomenon in this study shows a problem in good corporate governance, namely the corruption case of the construction of the Sheikh Mohammed bin Zayed (MBZ) toll road, the director of investigation (Dirdik) of the Attorney General's Office's Jampidsus Kuntadi stated that the estimated loss for the MBZ Jakarta-Cikampek II toll corruption case reached around Rp1.5 trillion. There are five defendants in the alleged corruption case, namely the operational director of PT Bukaka Teknik Utama (Sofiah Balfas), the President Director of PT Jasamarga Jalan Layang Cikampek (Djoko Dwijono), the Chairman of the auction committee of PT Jasamarga Jalan Layang Cikampek (Yudhi Mahyudin), the expert staff of the bridge of PT LAPI Ganeshatama Consulting (Tony Budianto Sihite) and one other suspect, namely the former head of division 5 of PT Waskita Karya (Ibnu Noval) Kompas.com. This case reflects weaknesses in the company's internal supervision and the lack of integrity and transparency in the implementation of large projects, which are indicators of poor corporate governance. As a result, project quality declines and costs increase, which ultimately harms the company's performance and damages its public reputation. The infrastructure sector plays an important role in the economy because it is the backbone of various economic activities. Good infrastructure not only improves connectivity and logistics efficiency, but also drives economic growth through job creation and increased productivity.

Research on the infrastructure sector is also important to understand how factors such as political connections and gender diversification affect firm performance. With good corporate governance as a moderating variable, this study aims to analyze how good corporate governance can strengthen or weaken the influence of these factors on firm performance. Choosing the infrastructure sector as the focus of the study is expected to provide valuable insights into the dynamics and interactions between political connections, gender diversification, and good corporate governance practices in the context of improving firm performance. This study also aims to provide recommendations for stakeholders to improve the quality and performance of the infrastructure sector through the implementation of more effective good corporate governance. Thus, this study is expected to provide real contributions to the development of policies and best practices in the infrastructure sector, as well as encourage the creation of a more transparent and accountable business environment.

This study uses Agency Theory to explain the influence of political connections on company performance, Stakeholder Theory to highlight good corporate governance in improving company performance, and Upper Echelon Theory which emphasizes how the background of top executives, including gender diversity, affects company performance. With the background description above, the following hypotheses are formed:

H_1: Political connection has a positive effect on firm performance

According to Cheng & Leung (2016), political connection isproportion of directors who have experience or hold political office at the central, regional, or military level, as well as experience as a people's representative in legislative or consultative institutions. Political relationships are social interactions that involve tactics or strategies to gain benefits, authority, or power (Wong & Hooy, 2018). Companies with stronger political connections usually have easier access to long-term funding (Ling et al., 2016). Companies that have political connections tend to have better performance, in terms of profitability, growth, and company value. Firm performance is used as a measure of company performance in increasing company profitability.

The performance measurement used in this study is ROA (return on assets) which is calculated from profit after tax divided by the average total assets and ROE (return on equity) which is calculated by comparing net profit with the amount of company equity (Tadić et al., 2019). This indicator provides insight into a company's ability to generate profits from its assets and shareholders' equity (Abaidoo & Agyapong, 2021). In economic and management research, Return on Assets (ROA) and Return on Equity (ROE) are used as evaluative metrics to assess a company's profitability and performance (Adnan et al., 2018). According to agency theory, company management acts as an agent representing the interests of shareholders. In agency theory, Political connections can enrich the company in various ways. Companies with managers who have political connections perform better than those without such managers (Wu et al., 2012). Improving management performance can contribute to improving overall firm performance.

Political connections support firm performance by providing privileged access to critical resources and lucrative contracts. In addition, these connections provide early information on policy or regulatory changes, allowing firms to adapt more quickly. Finally, political connections also serve as a buffer against adverse policies or as a means to influence regulations, which directly contributes to the stability and improvement of a firm's financial performance. The results of previous research conducted by Sukarmanto et al. (2021), the results state that political connections have a positive and significant influence on company performance, research conducted by Maaloul et al. (2018), also shows that political connections also have a positive and significant influence on firm performance and the results of research conducted by Sharma et al. (2020).

H_2: Gender diversification has a positive effect on firm performance

Gender diversification refers to efforts to create gender diversification in various layers of the organizational structure, especially at the leadership and decision-making levels in the company. Gender diversification can increase creativity and innovation, better decision-making, employee job satisfaction, and company profits. The purpose of gender diversification is to achieve gender equality across all levels of the organization, ensuring that both men and women have equal opportunities to participate and thrive in the workplace. This is not only a form of social justice, but can also provide real benefits to corporate performance and innovation. In the context of agency theory, the effect of gender diversification on firm performance refers to the complex interaction between the company's decision-making structure and the dynamics between management as agents and shareholders as principals. In the context of Upper Echelon Theory, the effect of gender diversification on firm performance refers to the complex interaction between the company's decision-making structure and the dynamics between management as agents and shareholders as principals.

Gender diversification, as measured by the proportion of women on the board, is believed to bring diverse perspectives and leadership styles, encourage innovation, and improve the quality of strategic decisions that can ultimately improve company performance. With gender diversification in the board of directors, companies can expect improvements in management oversight and accountability. Based on the results of research conducted by Long Khuc et al. (2021), research results show that gender diversification has a positive effect on firm performance, research results conducted by Kabara et al. (2022), the results of gender diversity have a positive and significant influence on company performance and the results of research conducted by Pidani et al. (2020), the results show that board gender diversity has a positive and significant effect on firm performance.

H_3: Good corporate governance moderates the influence of political connections on firm performance

Good corporate governance is a prudential corporate management procedure that is built to gain stakeholder trust (Rahmawati et al., 2017). This system aims to improve firm performance and create added value for all stakeholders. Political connections are an external factor in corporate governance mechanisms that can influence organizational behaviour (Joni et al., 2020). Companies that implement good corporate governance tend to have better performance, in terms of profitability, growth, and company value. Thus, within the framework of stakeholder theory, good corporate governance can play a key role in regulating the impact of political connections on firm performance. Companies that have political connections can more easily adapt to changes in regulations or public policies. Political connections can help companies in lobbying activities to influence government policies that can affect firm performance.

Companies with political connections may be more likely to win government contracts or projects. Political connections can provide advantages in access to information or preferences that allow companies to compete better in bidding. Previous research conducted by Sinambela & Rachmawati (2021), the research results show that good corporate governance has a significant influence on firm performance and research conducted by Maulana et al. (2022), the results shows that good corporate governance has a positive and significant effect on firm performance, and research conducted by Ika et al (2021), the results of his research show that good corporate governance strengthens relationships politically related independent commissioners towards firm value. Based on the explanation of the definition, mechanism, and underlying theory, the hypothesis of this study is that political connections will have a positive impact on company performance, and this impact will be stronger when accompanied by the implementation of good corporate governance.

H_4: Good corporate governance moderates the effect of gender diversification on firm performance

Gender diversification in corporate leadership has a positive potential for firm performance, especially when supported by the principles of good corporate governance. Good corporate governance that involves transparency, accountability, and independence, provides a strong foundation to ensure that gender diversification is effectively integrated into strategic decision-making and corporate management. With good corporate governance, the role of women in leadership can be strengthened, ensuring that decisions taken are fair, transparent, and by ethical principles. In the context of stakeholder theory, the relationship between corporate governance mechanisms and gender diversification on firm performance becomes clear. Effective governance mechanisms consider the interests of all parties involved, including internal and external stakeholders.

Gender diversification in the company's leadership and management structure reflects the diverse needs and

Table 1. Sample Criteria

Criteria	Amount
Number of infrastructure sector companies listed on the Indonesia Stock Exchange in 2019-2022	165
Companies that have not submitted an Annual Report for the last 4 consecutive years (2019-2022)	(23)
The company does not have a positive or negative ROA ratio percentage consistent with ROE.	(7)
Number of samples	35
Observation year (year)	4
Number of samples during the research period	140

Source: Processed Secondary Data (2024)

perspectives of stakeholders, which can drive innovation and better decision-making. Companies that are responsive to stakeholder expectations and needs tend to have better reputations and better overall performance. According to research conducted by Thoomaszen & Hidayat (2020), it is stated that the implementation of gender diversification in the top management structure has a positive impact on improving the quality of corporate governance and firm performance. In addition, this can reduce agency problems that often occur in companies. The importance of gender diversification in the corporate context is highlighted as a necessity because it is expected that differences in perspective between men and women can bring innovation and increase creativity. This is considered a factor that can help companies identify and exploit new opportunities. Research conducted by Elijah & Suprapto (2022), research results show that gender diversification has a significant positive influence on firm performance.

RESEARCH METHODS

This research uses secondary data in the form of annual reports of Infrastructure sector companies listed on the Indonesia Stock Exchange (IDX) from 2019-2022. This research focuses on the Infrastructure sector, considering the important role of infrastructure in economic development and integration, and its strong links to political policies (Magwedere & Marozva, 2023). Furthermore, Infrastructure companies are no longer solely an arena of "muscle and strength"; female executives are gradually taking positions in Infrastructure companies, becoming an important part of senior management diversification where they play a significant role in modern corporate governance (Zhao & Ma, 2022). The time frame of 2019 to 2022 was chosen because this period encompasses various significant economic and political conditions, including the impact of the COVID-19 pandemic which presented unique challenges for the infrastructure sector. The data source used is secondary data obtained through annual financial reports (Annual Report). The research sample focuses on purposive sampling criteria, with company data for 4 consecutive years. Based on the established criteria, 35 companies were obtained (Table 1).

Infrastructure sector companies listed on the Indonesia Stock Exchange in 2019-2022, published annual reports on the Indonesia Stock Exchange and on the company's website in 2019-2022, companies that consistently

Table 2. Operational Variables

No	Variables	Indicator	Scale
Independent Variable			
1	Political Connections (Tawiah et al., 2022)	1= If you have a political connection 0= If you don't have a political connection.	Dummy
2	Gender Diversification (Setiawan et al., 2022)	BOD = Number of woman on the board of directors / Number of board of directors BOC = Number of woman on the board of commissioners / Number of board of commissioners	Ratio
Dependent Variable			
1	Firm Performance (Prosvirkina & Wolfs, 2021)	Return on Assets = Net income / Total asset Return on Equity = Net income / Shareholder equity	Ratio
Moderating Variable			
1	Good Corporate Governance (Adi & Suwarti, 2022)	Independent Commissioner = Number of independent board of commissioners / Number of board of commissioners Board of Directors = Number of board of directors Audit committee = Number of audit committees Institutional Ownership = The number of shares owned by company / Total company shares	Ratio

Source: Processed Secondary Data (2024)

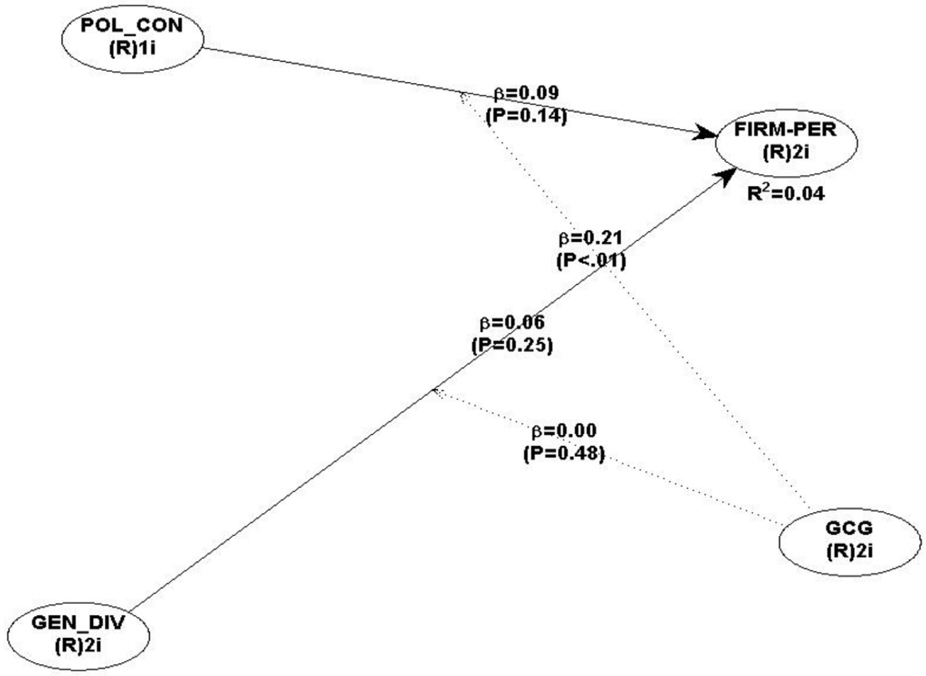

Figure 3. Research Path Model and Diagram
Source: Source: Output WarpPLS 7.0, 2024

published annual reports during the 2019-2022 period.

The data analysis technique in this research is the Structural Equation Modelling-Partial Least Square (SEM-PLS) method using WarpPLS Version 7.0 software. The use of this program is based on its ability to handle non-normal data, ease of use, support for non-linear analysis, suitability for small sample sizes, provision of comprehensive model evaluation, ability to model complex relationships, offering clear visualization of results, and being supported by good documentation and community.

The key research variables (Table 2) include political connections, gender diversification, firm performance, and good corporate governance. Political connections examine the influence of company ties with government officials, while gender diversification assesses the impact of gender representation in management. Firm performance is measured through financial and operational indicators, whereas good corporate governance evaluates the effectiveness of governance practices. By analyzing these variables, the study aims to provide insights into how corporate governance and political ties influence business performance.

Data analysis includes descriptive, outer model testing (convergent validity, composite reliability, and discriminant validity), and inner model (R-square, Q-square, and goodness of fit). Hypothesis testing is carried out using path analysis to determine the effect of independent and moderating variables on the dependent variable. Figure 3 is the research model used. Based on the description of the Figure 3, the regression model is shown by Equation 1.

$$Firm\_Per_{it}=\beta_0+\beta_1 Pol\_Conit+\beta_2 Gen\_Divit+\beta_3(Pol\_Con_{it}\times GCG_{it})+\beta_4(Gen\_Div_{it} \text{ x } GCG_{it}) + \varepsilon_{it} \quad \text{........................1}$$

Description:
Firm_Per = Firm Performance
Pol_Con = Political Connection
Gen_Div = Gender Diversification
GCG = Good Corporate Governance
β_0 - β_4 = Regression coefficients
ε_{it} = Error term
i = Company
t = Year

RESULTS AND DISCUSSIONS

This study uses a sample of 35 infrastructure companies on the IDX, including state-owned and private companies, with an analysis period of 2019–2022. Sample selection is based on company type, business sector, period, and annual report publication. The infrastructure sector was chosen because of its vital role in the national economy and its involvement in public policy. The focus of the study includes gender diversity and company performance, with annual reports as the main data source for analyzing trends and managerial practices. This sample selection is expected to provide a representative picture of the dynamics of the infrastructure sector in Indonesia.

Table 3. Presents the Descriptive Statistics of the Study Variables

Variable	Indicator	N	Minimum	Maximum	Mean	Std. Deviasi
POL_CON	POL_CON	140	0.000	1.000	0.600	0.492
GEN_DIV	BOD	140	0.000	0.500	0.095	0.144
	BOC	140	0.000	0.500	0.082	0.143
GCG	DIECTOR	140	2.000	9.000	4.871	1.604
	AUD_COM	140	3.000	5.000	3.229	0.592
FIRM_PER	ROA	140	-0.3090	0.450	-0.005	0.280
	ROE	140	-41.650	0.690	-0.325	3.567

Source: Output WarpPLS 7.0, 2024

Descriptive Statistics

Table 3 shows the political connection (POL_CON) variable consists of 140 samples, with a minimum value of 0.000 and a maximum of 1.000. The average value of 0.600 indicates that approximately 60% of the companies in the sample have political connections. The standard deviation of 0.492 suggests significant variation between companies with and without political connections. Gender diversification is measured through BOD (Board of Directors) and BOC (Board of Commissioners). The BOD average of 0.095 indicates that only about 9.5% of board members are women, with a standard deviation of 0.144. Meanwhile, the BOC average of 0.082 shows an even lower representation of women on the board of commissioners, with a standard deviation of 0.143. Corporate governance is assessed based on the number of directors and audit committee members (AUD_COM). The average number of directors is 4.871, with a standard deviation of 1.604, indicating variation across companies. Meanwhile, the average number of audit committee members is 3.229, with a standard deviation of 0.592, suggesting a smaller variation compared to the number of directors.

Firm performance is measured using ROA (Return on Assets) and ROE (Return on Equity). The ROA average of -0.005 indicates low profitability, with a minimum value of -0.3090 and a maximum of 0.450. The standard deviation of 0.280 reflects differences among companies. Meanwhile, the ROE average of -0.325, with a standard deviation of 3.567, shows substantial variation, with some companies experiencing significant losses.

Measurement Model Evaluation (Outer Model)

Based on Table 4, all indicators have outer loading values greater than 0.70. This indicates that each indicator meets the requirement for convergent validity and is therefore valid for measuring its corresponding latent variable. As shown in Table 5, all constructs demonstrate composite reliability values greater than 0.70. This confirms that all latent variables in the model fulfill the reliability standard, indicating consistent internal measurement.

Structural Model Evaluation (Inner Model)

This structural model evaluation includes the coefficient of determination (R-squared), predictive relevance (Q-squared), and effect size (F-squared), which are presented in the Table 6. Based on Table 6, the following can be explained Coefficient of Determination (R^2), This means that the firm performance variable is explained by political connection and gender diversification by 4.3%, while the remaining 95.7% is explained by other variables outside this study. Predictive Relevance (Q^2), indicates that the model's predictive ability is 7%, while 93% is explained by other factors. Although small, this value still shows significant predictive capability. This indicates that the variables used in this study, such as political connections, gender diversification, and good corporate governance, are not the main factors that directly affect company performance. This result also reflects that company performance is influenced by many other aspects that have not been included in the model, such as business strategy, operational efficiency, human resource quality, product innovation, and economic conditions and market competition.

Table 4. Convergent Validity Results After Indicator Elimination

Variable	Indicator	Outer Loading	Description
Political Connection	POL_CON	1.000	Valid
Gender Diversification	BOD	0.920	Valid
	BOC	0.791	Valid
Good Corporate Governance	DIECTOR	0.788	Valid
	AUD_COM	0.735	Valid
Firm Performance	ROA	0.927	Valid
	ROE	0.982	Valid

Source: Output of WarpPLS 7.0, 2024

Table 5. Composite Reliability Results

Variable	Composite Reliability	Description
Political Connection	1.000	Reliable
Gender Diversification	0.712	Reliable
Good Corporate Governance	0.860	Reliable
Firm Performance	0.744	Reliable

Source: Output of WarpPLS 7.0, 2024

Table 6. R^2 and Q^2 Values

Exogenous Variable	R-Square	Q-Square
Firm Performance	0.043	0.074

Source: Output WarpPLS 7.0, 2024

Model Fit Test

The model fit test (Goodness of Fit Model) is presented in Table 7. Overall, the model has weak but significant predictive relevance and does not contain multicollinearity (low AVIF), indicating that the model is still acceptable in an exploratory context.

Hypothesis Testing Results

Based on the results of hypothesis testing using WarpPLS 7.0 (Table 8), it was found that political connection does not have a significant effect on firm performance, as indicated by a path coefficient of 0.090 and a P-value of 0.138 (> 0.05). This result leads to the rejection of the first hypothesis. Furthermore, the analysis also shows that gender diversification does not significantly influence firm performance, with a path coefficient of 0.057 and a P-value of 0.249 (> 0.05), resulting in the rejection of the second hypothesis. However, for the moderating effect, the findings reveal that good corporate governance significantly moderates the relationship between political connection and firm performance. This is supported by a path coefficient of 0.209 and a P-value of 0.005 (< 0.05), leading to the acceptance of the third hypothesis. Meanwhile, the moderating role of good corporate governance on the relationship between gender diversification and firm performance is not statistically significant, as indicated by a path coefficient of 0.004 and a P-value of 0.480 (> 0.05), resulting in the rejection of the fourth hypothesis.

The Effect of Political Connection on Firm Performance

The results of the study indicate that political connection does not have an effect on firm performance. Although, in theory, political connections may offer certain advantages, in practice they have not been proven to enhance performance. Therefore, it is important for companies to consider other factors that are more relevant and have a tangible impact in efforts to improve firm performance sustainably. However, with the implementation of good governance and strict anti-corruption policies, companies can reduce the negative impact of political connections. The results of this study are in line with the results of research conducted by Tang (2023) and Bahar & Herliansyah (2023), where the research results state that political connections do not influence firm performance, however, this research contradicts the results of research conducted by Sitarisyah & Sukarmanto (2023) and Sharma et al (2020) which states that political connections effect firm performance.

Although political connections may provide the advantage of access to certain resources or influence over regulatory policies, it does not guarantee sustainable improvements in long-term performance. The participation of board members in the political sphere does not always contribute positively to improving the company's performance (Ashyrov & Lukason, 2022). Politically connected firms tend to face different types of agency problems compared to non-connected companies. In such situations, their ability to make strategic decisions becomes constrained, which ultimately leads to lower profitability compared to independent firms without political ties (Sami et al., 2019). In certain situations, political connections can actually reduce a company's profitability. Ease of obtaining long-term financing can lead to an excess supply of credit, which ultimately reduces the company's operational efficiency (Najaf & Najaf, 2021). Over-reliance on politics can increase reputational risk and legal uncertainty, potentially harming company performance. Without strong governance, political ties may lead to ethical concerns, regulatory issues, or instability, reducing stakeholder trust and long-term growth opportunities.

The Effect of Gender Diversification on Firm Performance

Likewise, gender diversification does not have a significant direct impact on firm. Although gender diversifi-

Table 7. Goodness of Fit Model

Criteria	Cut of Value	Result	Evaluation
Average path coefficient (APC)	P-value ≤ 0,05	0.090	Weak
Average R-Squared (ARS)	P-value ≤ 0,05	0.043	Weak
Average adjusted RSquared (AARS)	P-value ≤ 0,05	0.015	Significant
Average block VIF (AVIF)	≤ 3,3, but values ≤ 5 are acceptable	1.326	Low

Source: Output WarpPLS 7.0, 2024

Table 8. Path Coefficient Value and P-Value Value

Variables	Path Coefficient	P_Value	Conclusion
X1 → Y	0.090	0.138	Hypothesis is Rejected
X2 → Y	0.057	0.249	Hypothesis is Rejected
X1 * Z * Y	0.209	0.005	Hypothesis Accepted
X2 *Z *Y	0.004	0.480	Hypothesis is Rejected

Source: Output WarpPLS 7.0, 2024

cation is socially important, empirical results show that gender diversity does not always create consistent improvements in a company's financial performance. However, gender diversification remains an ethical and social step that supports equality and inclusivity in the workplace. The results of this study are in line with the results of research which is conducted by Alshirah et al (2022), regarding do corporate governance and gender diversity matter in firm performance (ROE). Empirical evidence from Jordan and Manurung (2022), regarding the effect of gender diversity, board bombing, and leverage on firm performance and the results show that gender diversification does not influence firm performance, the results of this study contradict the results of the study conducted by (Pidani et al., 2020).

Based on the Upper Echelons theory, it is suggested that characteristics such as gender can influence the perspectives and decisions taken by top executives. However, empirical research linking firm performance with company performance yields mixed and often insignificant results. This suggests that while demographic characteristics are important, they are not the only factors that determine company performance. According to the Upper Echelons theory, gender diversification at the executive level can bring different perspectives and approaches to strategic decision-making. However, the success of strategy implementation and its outcome still depend heavily on other factors such as organizational culture, the strategy chosen, and market dynamics. So, even though gender diversification can influence the decision-making process and offer a variety of insights that may be useful, there is no guarantee that this will be immediately reflected in improvements. Firm performance. Gender representation on company boards of directors should be based on their expertise and qualifications, not just to meet gender quotas (Bahar & Herliansyah, 2023).

Moderating Effect of Good Corporate Governance on Political Connection and Firm Performance

Furthermore, good corporate governance is proven to moderate the influence of political connections on firm performance. Good corporate governance strengthens the positive impact of political connections in improving company performance. Good corporate governance helps optimize political connections, minimizes the risk of abuse of power, and increases transparency. In the context of Agency Theory and Stakeholder Theory, strong corporate governance ensures that political connections benefit all stakeholders. The results of this study are in line with the results of research conducted by Sharma et al. (2020), the results show that political connections have a positive and significant influence on the company's export performance and Maulana et al. (2022), the results show that good corporate governance has a positive and significant influence on firm performance and Ika et al (2021), the results of the study show that good corporate governance strengthens the relationship between politically related independent commissioners and firm value. When a company implements good corporate governance, political connections can be more effectively leveraged to gain support and access to crucial resources for business growth and development. Strong governance mechanisms help prevent the misuse of power, ensuring that political ties are utilized transparently and responsibly. This not only strengthens investor and stakeholder trust but also enhances the company's reputation, ultimately leading to improved overall performance.

Furthermore, good corporate governance provides clear policies and ethical guidelines that regulate how political connections are managed. This reduces the risk of favoritism, corruption, or conflicts of interest that could harm the company's long-term success. As a result, companies that uphold strong corporate governance while maintaining valuable political connections are more likely to achieve higher performance levels compared to those lacking either aspect. By balancing governance integrity with strategic political networking, firms can create a sustainable competitive advantage in their industry.

Moderating Effect of Good Corporate Governance on Gender Diversification and Firm Performance

On the other hand, good corporate governance does not moderate the relationship between gender diversification and firm performance. This means that the existence of good corporate governance does not strengthen the relationship between gender diversification and firm performance. This may indicate that in a tight governance environment, strategic decisions focus more on formal procedures than on the personal characteristics of top management, such as gender diversity. The results of this study are in line with the results of research (Abdullah, 2021) where good corporate governance negatively moderates the relationship between gender diversification and firm performance. Although gender diversification plays an important role in business, its influence on firm performance is not necessarily strengthened by good corporate governance practices. This finding highlights the need for a more holistic approach to corporate governance—one that goes beyond financial and operational aspects to also prioritize inclusion and diversification. Simply increasing gender representation in management is not enough; companies must also foster an environment that actively supports the participation and contributions of all individuals.

Overall, the findings of this study confirm that strong corporate governance has a greater impact on improving firm performance than merely establishing political connections or increasing gender diversity. Therefore, companies must implement sustainable business strategies while upholding the principles of fairness and inclusivity. By doing so, they can create a more resilient and competitive business environment, ensuring long-term growth and stability while fostering an equitable workplace for all employees.

CONCLUSIONS

This study examines the influence of political connections and gender diversification on firm performance, with good corporate governance (GCG) as a moderating variable. The results show that political connections do not have a direct impact on firm performance. Similarly, gender diversification does not directly contribute to firm performance outcomes. However, the role of good corporate governance has been proven to moderate the relationship between political connections and firm performance, strengthening its impact. In contrast, good corporate governance does not have a moderating effect on the relationship between gender diversification and firm performance. These findings confirm that although a company has political connections, this does not directly affect its financial results or performance. Another crucial factor in optimizing the benefits of political connections is the implementation of good corporate governance. With strong GCG in place, companies can leverage political connections more effectively to enhance their performance. Conversely, companies with political connections but without proper governance practices may not experience significant benefits from those political ties. On the other hand, gender diversity in a company's management structure also does not directly impact firm performance. This suggests that simply having diverse gender representation does not necessarily lead to improved performance. Other factors, such as organizational culture, internal policies, and business strategies, may play a more significant role in determining the extent to which gender diversity positively influences company outcomes.

Nevertheless, although GCG does not moderate the relationship between gender diversification and firm performance, this does not mean that efforts to enhance gender diversity are unimportant. Instead, the findings indicate that companies and policymakers should adopt a more comprehensive approach to promoting gender diversification. More in-depth and holistic strategies, such as increasing women's access to leadership positions, fostering inclusive leadership training, and implementing policies that support gender equality in the workplace, can help enhance the positive impact of gender diversity on firm performance in the long run. Thus, this study highlights the importance of implementing good corporate governance to maximize the benefits of political connections in improving firm performance. Furthermore, although gender diversification does not directly influence firm performance, more strategic policies to support gender diversity remain necessary to achieve sustainable business success.

This study has several limitations that should be acknowledged. First, the scope of the research is limited to infrastructure sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2022 period, so the findings may not be generalizable to other sectors with different characteristics. Second, the sample size is relatively small—only 35 companies—which may limit the statistical power in testing the relationships among variables. Third, the data used are secondary data derived from annual reports without support from qualitative data, thus limiting the ability to capture managerial context, corporate culture, and strategic considerations. Moreover, the measurement of political connections and gender diversification adopts a relatively simple approach, which may not fully reflect the complexity of real-world practices.

Future research is recommended to broaden the scope across various industry sectors to obtain more generalizable results that represent the diverse dynamics of the Indonesian business environment. In addition, the use of a mixed-method approach that combines both quantitative and qualitative techniques can offer deeper insights into how and why political connections and gender diversification influence firm performance. For the gender diversification variable, relying solely on the proportion of board members is considered insufficient to capture the actual contributions of women in decision-making processes. Therefore, future studies are encouraged to incorporate questionnaires to explore work styles, leadership roles, and the tangible impact of gender diversity on firm performance, thereby generating more relevant and contextual findings.

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