



The Effect of Digitalization Strategy and Corporate Governance on Transportation Firms' Financial Performance

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Abstract

Purpose: This study examines the effects of digitalization strategy and good corporate governance on the financial performance of transportation sector companies listed on the Indonesia Stock Exchange.

Research Methodology: This study uses a quantitative approach based on secondary data obtained from the annual reports of 12 transportation companies during 2020–2024, resulting in 60 observations. Data analysis was conducted using multiple linear regression with SPSS to test the relationship between the digitalization strategy, institutional ownership, managerial ownership, and financial performance.

Results: The findings reveal that the digitalization strategy has a significant negative effect on financial performance. Institutional ownership has no significant effect, whereas managerial ownership has a significant positive effect on financial performance. The model explains 14% of the variation in financial performance ($R^2 = 0.140$).

Conclusions: The study concludes that digitalization in the transportation sector has not yet fully contributed to improved financial performance, while internal governance through managerial ownership plays a more effective role than institutional ownership.

Limitations: This study is limited to transportation companies listed on the Indonesia Stock Exchange and only covers the 2020–2024 period, which may limit its generalizability.

Contributions: This study contributes to the literature on digital transformation and corporate governance by providing empirical evidence from the Indonesian transportation sector.

Keywords: Digitalization Strategy, Financial Performance, Institutional Ownership, Managerial Ownership, Transportation Sector

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1. Introduction

The transportation sector in Indonesia plays a crucial role in driving economic growth and supporting community mobilization. Considering Indonesia geographical conditions, which consist of thousands of islands, this sector serves as a key connector between regions, facilitates the distribution of goods, and expands access to public services. Therefore, it is an important contributor to the national Gross Domestic Product (GDP) and job creation. However, several challenges remain, such as infrastructure inequality, urban traffic congestion, and safety issues that need to be addressed promptly (Budiman & Krisnawati, 2021).

In recent years, the digitalization process has significantly transformed this sector. The emergence of digital-based services such as Gojek and Grab has changed the way people access transportation, simplified the booking process, and enabled cashless payments. This shift in consumption patterns, which increasingly relies on mobile applications, reflects a transition toward the digital economy. In addition, digitalization supports operational efficiency through the implementation of technologies such as transportation management systems and data analytics, which improve service quality and user experience ([Maudita, 2023](#)).

The implementation of good corporate governance is also an important factor in maintaining the sustainability and performance of transportation firms. Good GCG practices ensure that corporate governance is conducted in a transparent, accountable, and ethical manner, thereby increasing the trust of investors and other stakeholders. The strong implementation of GCG also helps companies reduce corrupt practices, improve efficiency, and ensure that decision-making aligns with the organization's long-term objectives ([OECD, 2004](#)).

Institutional ownership refers to the ownership of a company's shares held by institutions or organizations, both public and private, and domestic and foreign. This reflects the involvement of institutions such as investment companies, banks, pension funds, and insurance companies in the company's ownership structure. Institutional ownership is considered effective in reducing agency conflicts between shareholders and management. Institutional investors generally have adequate capabilities and resources to monitor managerial actions more effectively than individual shareholders ([Putri, & Rahmaita, 2024](#); [Muzizah, Cardias, & Ermawati, 2024](#)). Managerial ownership describes the proportion of company shares owned by managers directly involved in decision-making processes. In other words, managers who own company shares perform dual roles as managers and owners. This condition encourages managers to act in line with shareholders' interests, as their decisions directly affect their welfare ([Sanchez-Riofrio, Lupton, & Rodríguez-Vásquez, 2022](#)).

Financial performance is an evaluation process that uses specific indicators to assess the extent to which a company successfully generates profits. Various financial ratios, such as liquidity, profitability, solvency, activity, and market ratios, are used as tools to measure corporate financial performance. Although many studies have examined digitalization and good corporate governance, a gap in the literature remains that specifically investigates the relationship between these two aspects and their impact on financial performance, particularly in the transportation sector. This study aims to analyze the effect of digitalization strategy and good corporate governance on the financial performance of transportation sector companies listed on the Indonesia Stock Exchange. Furthermore, this study seeks to provide empirical evidence regarding the role of institutional and managerial ownership as components of corporate governance in influencing firm financial performance in the digital era.

2. Literature Review

2.1 Agency Theory

Agency theory was first introduced by [Jensen \(1993\)](#), who explained the contractual relationship between the principal (company owners) and agent (managers). In this relationship, owners delegate authority to managers to run the company to maximize firm value. However, due to differences in interests and information asymmetry between principals and agents, agency conflicts often arise, which may reduce corporate management efficiency.

This theory serves as the foundation for the development of various corporate governance policies and practices, as it focuses on addressing agency problems arising from the separation of ownership and control in firms ([Jensen, 1993](#)). Furthermore, ([Bhatt & Bhatt, 2017](#)) explain that corporate governance reform aims to minimize agency conflicts through the establishment of supervisory boards that ensure that management acts in the best interests of

shareholders, thereby strengthening transparency, accountability, and the effectiveness of corporate management.

Within the context of this study, agency theory is used as a foundation to explain how good corporate governance helps reduce agency conflicts through improved monitoring and accountability. Digitalization supports the implementation of GCG by enhancing transparency, accelerating information distribution, and reducing information asymmetry between managers and owners. Therefore, the effective implementation of digitalization and corporate governance is expected to reduce agency costs and improve the financial performance of companies listed in the transportation sector.

2.2 Digitalization Strategy

A digitalization strategy refers to a systematic effort by companies to integrate digital technology into all aspects of their business, including operations, marketing, and customer service. This includes the adoption of technologies such as big data analytics, cloud computing, artificial intelligence (AI), the Internet of Things (IoT), and mobile technology ([Berman and Bell 2018](#); [Westerman et al. 2014](#)). The transportation sector, which has traditionally relied on physical assets, has experienced significant disruption owing to digitalization. Digitalization enables route optimization, fuel efficiency improvement, enhanced safety, and better customer experiences.

Digitalization strategies also play an important role in improving operational transparency and decision-making effectiveness within transportation firms. Through real-time data integration, companies can monitor fleet performance, track customer demand patterns, and respond more quickly to market changes. This responsiveness allows firms to reduce operational inefficiencies and improve service reliability, which is critical in a highly competitive industry environment ([Fatorachian, Kazemi, & Pawar, 2025](#)). Furthermore, digital platforms such as ride-hailing applications and integrated logistics systems have reshaped the delivery and consumption of transportation services. These platforms not only connect service providers with customers more efficiently but also create new business models based on data-driven ecosystems that are more efficient. However, the effectiveness of digitalization is highly dependent on infrastructure readiness, particularly Internet accessibility and digital literacy. Without adequate supporting infrastructure, the benefits of digital transformation may not be fully realized, especially in developing regions ([Alanazi & Alenezi, 2024](#)).

2.3 Good Corporate Governance

Good corporate governance is a system that directs and controls companies to create added value for all stakeholders ([OECD, 2004](#)). CG involves a set of principles, policies, and procedures that guide corporate behavior in achieving organizational goals while considering stakeholder interests. In the transportation sector, GCG is crucial because of the high capital requirements, operational risks, and environmental and social impacts. Good governance ensures efficient resource allocation, effective risk mitigation and compliance with strict regulations.

The main principles of GCG are commonly summarized as TARIF (Transparency, Accountability, Responsibility, Independence, and Fairness) ([Komite, 2006](#)). Transparency emphasizes openness in providing relevant and material information accurately, timely, and accessibly to stakeholders. Accountability refers to the clarity of the functions, structures, and responsibilities of each corporate organ to ensure efficient management. Responsibility requires companies to operate in compliance with regulations and ethical value. Independence ensures that company management is conducted objectively and professionally, without external interference. Finally, fairness requires companies to treat all stakeholders equitably, based on the principles of justice and applicable regulations ([Hapsari, Yadiati, Suharman, & Rosdini, 2023](#); [Napitupulu, 2023](#)).

2.3.1 Institutional Ownership

Institutional ownership refers to the proportion of a company's shares held by institutions, such as investment firms, banks, insurance companies, and other financial institutions. Institutional investors are considered effective monitoring agents capable of overseeing managerial decisions [\(Affes & Jarboui, 2023\)](#). The larger the proportion of institutional ownership, the greater the voting power and influence of these institutions in monitoring management, which in turn promotes better corporate governance and improves firm performance [\(Febrina & Sri, 2022\)](#).

Institutional ownership can also influence managerial behavior by aligning corporate policies with the expectations of external stakeholders, who prioritize long-term value creation and risk management. With stronger oversight from institutional shareholders, companies are often encouraged to implement more structured governance mechanisms, improve financial discipline, and reduce opportunistic managerial actions that may harm firm values [\(Morin, 2024\)](#). The presence of institutional investors may further enhance credibility in the eyes of the market, as their involvement is frequently interpreted as a signal of financial stability and sound governance. This can potentially improve investor confidence and support better access to external funds. However, the extent of this influence largely depends on how actively institutional shareholders participate in monitoring and whether their objectives are fully aligned with those of the firm's [\(Celestin, 2022\)](#).

2.3.2 Managerial Ownership

Managerial ownership is the proportion of a company's shares owned by management, such as directors, commissioners, and other executives directly involved in corporate decision-making. According to [\(Febrina & Sri, 2022\)](#), an increase in managerial ownership can enhance firm performance because managers have stronger incentives to improve company value, which directly affects their personal wealth as shareholders.

Managerial ownership also serves as an effective mechanism for aligning managers' interests with those of shareholders, thereby reducing potential agency conflicts within the firm [\(Tahir, Ali, & Kashif, 2021; Bian, Kuo, Pan, & Zhang, 2023\)](#). When managers hold a significant proportion of company shares, they are more likely to make decisions that prioritize long-term value creation over short-term personal gains. This alignment encourages greater responsibility, efficiency, and commitment to managing company resources [\(Tejedo-Romero & Araujo, 2022\)](#). Furthermore, managerial ownership can strengthen internal control and improve the quality of strategic decision-making because managers are directly exposed to the financial consequences of their actions. This condition fosters a stronger sense of ownership and accountability, which may ultimately contribute to improved operational and financial outcomes. However, the effectiveness of managerial ownership may still depend on the proportion of shares held and the overall governance structure of the company [\(Sarhan, & Al, 2023; Saona, Muro, & Alvarado, 2020\)](#).

2.3.3 Financial Performance

Financial performance measures a company's success or failure in managing its financial resources to generate profits and create value for shareholders [\(Brigham & Houston, 2019\)](#). Financial performance is generally measured using ratios derived from financial statements. Strong financial performance is essential as it reflects the company's operational health and sustainability and serves as an indicator that attracts investors and supports future growth strategies.

Financial performance also reflects how efficiently a company utilizes its assets, manages its liabilities, and controls its operating costs to achieve optimal profits [\(Olayinka, 2022\)](#). It provides a comprehensive overview of a firm's financial condition over a specific period, allowing stakeholders to assess whether the company can sustain its operations in the long term. Beyond profitability, financial performance is closely related to a company's ability to generate stable cash flows and maintain financial stability under changing market conditions [\(Nasimiyyu, & Kamau, 2023; Nguyen,](#)

[Le, & Nguyen, 2023](#)). A strong financial performance signal can enhance investor confidence, improve market valuation, and support companies in accessing external funding sources for expansion and strategic development ([Levytska, Akimova, Zaiachkivska, Karpa, & Gupta, 2020](#)).

2.3.4 The Effect of Digitalization Strategy on Financial Performance

Digitalization refers to the process of utilizing digital technology to improve operational efficiency, accelerate business processes, and support data-driven decision making. According to [Yavuz \(2025\)](#), digital transformation positively affects firm financial performance by enhancing operational efficiency, brand value, and overall competitive strength. Similar findings were reported by [\(Masoud & Basahel, 2023\)](#), who found that digital transformation improves firm performance in Indonesia financial sector. Based on these studies, we conclude that digitalization plays an important role in improving corporate financial performance. Therefore, the first hypothesis of this study is that a digitalization strategy has a positive effect on financial performance.

The implementation of a digitalization strategy enables firms to streamline operational workflows, reduce transaction costs, and improve service delivery speed, all of which contribute to enhanced organizational efficiency ([\(Ghobakhloo & Fathi, 2020\)](#)). Through the integration of digital tools, companies can also improve data accuracy and responsiveness in decision-making, which supports more effective resource allocation and performance monitoring. In addition, digitalization strengthens customer engagement by providing more accessible, flexible, and personalized services that can increase customer satisfaction and loyalty. These improvements collectively enhance a firm's competitive advantage in the market. Therefore, consistent with previous studies, digitalization is expected to have a positive and significant impact on financial performance ([\(Dyatmika, Suyanto, Setijaningrum, Rizky, & Mkhize, 2025\)](#)).

2.3.5 The Effect of Good Corporate Governance on Financial Performance

Good corporate governance is a system that regulates and controls companies to achieve a balance among the interests of various stakeholders, including the management, shareholders, and external parties. The relationship between principals (owners) and agents (managers) often leads to conflicts of interest due to differences in goals and information asymmetries. Agents, as company managers, possess more information than principals, which may result in managerial decisions that are not always aligned with the owners' interests. To address this issue, effective monitoring and control mechanisms are required to ensure that managers act in accordance with shareholders' interests.

[Affes et al. \(2023\)](#) show that the implementation of good corporate governance can improve financial performance, measured by Return on Assets (ROA). An increase in managerial ownership can encourage management to be more oriented toward shareholders' interests. The presence of institutional investors in a company's ownership structure plays an important role in strengthening monitoring mechanisms for managerial performance.

[\(Febrina & Sri, 2022\)](#) indicate that managerial ownership has a positive and significant effect on firm financial performance. This finding is consistent with [Candradewi and Sedana \(2016\)](#), who found that both managerial and institutional ownership have a positive effect on financial performance. These results are further supported by [\(Yavuz, Tatli, & Bozkurt, 2025\)](#), who stated that institutional ownership has a simultaneous effect on financial performance. Based on these findings, the second hypothesis of this study is that good corporate governance has a positive effect on financial performance.

3. Research Methodology

3.1 Type of Research

This study employed a quantitative research approach that focused on explaining the possible relationships between variables, problem-solving, and data analysis. This research was also based on a library research method. Data were collected from relevant literature studies covering all the necessary information ([Santoso, 2019](#)).

3.2 Population and Sample

The population consists of all transportation sector companies listed on the Indonesia Stock Exchange (IDX), totaling 36. The sample was selected using purposive sampling based on specific criteria. This study includes 12 companies with an observation period from 2020 to 2024, resulting in 60 observations for the sample.

3.3 Data Source

The data used in this study are secondary data obtained from annual reports available on the official website of the Indonesia Stock Exchange, as well as from supporting articles and academic journals.

3.4 Operational Definition of Variables

3.4.1 Financial Performance (Y)

Financial performance is measured using Return on Assets (ROA) to determine the level of profit generated from the use of assets. This ratio is commonly used to assess financial performance, and the formula is as follows:

$$ROA = \frac{\text{Net Profit After Tax}}{\text{Total Assets}} \times 100\% \quad (1)$$

Formula (1) shows the calculation of Return on Assets (ROA), which measures the company's ability to generate profits from its total assets. This ratio is widely used to evaluate financial performance because it reflects management's efficiency in utilizing corporate assets to produce earnings.

3.4.2 Digitalization Strategy (X1)

Digitalization is measured using the Return on Digitalization (ROD) approach, which reflects the utilization of information technology, business process automation, and data integration that support the effectiveness and efficiency of corporate operations. The data were obtained using a text-mining method that identifies the extent to which companies emphasize digitalization. Text mining was used to determine the frequency of keywords related to the digitalization strategy, representing the intensity of digitalization in the company's annual reports.

3.4.3 Good Corporate governance (X2)

In this study, institutional and managerial ownership are measured using the following formulas ([Candradewi & Sedana, 2016](#)):

3.4.3.1 Institutional Ownership

$$\text{Institutional Ownership} = \frac{\text{Total Shares Owned by Institutional Investors}}{\text{Total Outstanding Shares}} \times 100\% \quad (2)$$

Formula (2) measures Institutional Ownership by comparing the total number of shares held by institutional investors with the total outstanding shares. This variable serves as a proxy for the external monitoring function of corporate governance, as institutional investors are expected to supervise managerial decisions more effectively and mitigate agency problems.

3.4.3.2 Managerial Ownership

$$\text{Managerial Ownership} = \frac{\text{Total Shares Owned by Management}}{\text{Total Outstanding Share Capital}} \times 100\% \quad (3)$$

Formula (3) measures Managerial Ownership by comparing the total shares owned by management with the total outstanding share capital. This variable serves as a proxy for the internal governance mechanism based on agency theory, where managerial share ownership aligns managers' interests with those of shareholders, thereby reducing agency conflicts and encouraging decisions that improve corporate financial performance.

3.5 Data Analysis

3.5.1 Descriptive Statistics

3.5.1.1 Multiple Linear Regression Analysis

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon \quad (4)$$

Formula (4) represents the multiple linear regression model used to analyze the effects of institutional ownership, managerial ownership, and digitalization strategy on financial performance. The regression coefficients (β) indicate the magnitude and direction of the effect of each independent variable on financial performance, where as the error term (ε) captures the influence of other factors outside the model.

Where: Y = Financial Performance, α = Constant, $\beta_1, \beta_2, \beta_3, \beta_4$ = The direction of the regression line indicating the change in Y value due to a 1-unit change in X (respective regression coefficients, X_i), X_1 = Digitalization, X_2 = Good Corporate Governance, ε = Error terms.

3.5.1.2 Hypothesis Testing

If the p-value is less than 0.05, the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted, indicating that the independent variable has a statistically significant effect on the dependent variable. Conversely, if the p-value is greater than 0.05, the null hypothesis (H_0) is accepted and the alternative hypothesis (H_a) is rejected, indicating that the independent variable has no statistically significant effect on the dependent variable.

3.5.1.3 Model Fit Test (F-Test)

If the significance value is less than 0.05, the regression model is statistically significant, indicating that the independent variables have a significant effect on the dependent variable. Conversely, if the significance value is greater than 0.05, the regression model is not statistically significant, indicating that the independent variables do not affect the dependent variable simultaneously.

3.5.1.4 Coefficient of Determination (R^2)

A small R^2 value indicates that the independent variables have limited explanatory power in accounting for variation in the dependent variable. Conversely, an R^2 value close to one indicates that the independent variables explain most

of the variation in the dependent variable and provide substantial information for predicting its behavior.

4. Results and Discussions

4.1 Results

4.1.1 Descriptive Statistical Analysis

Descriptive statistical analysis was employed to summarize the characteristics of the research data by calculating measures of central tendency, including the mean, and classifying the data into predetermined categories. This analysis provided an overview of the respondents' perceptions of each research variable and facilitated the interpretation of the overall distribution of the collected data.

Table 1. Multiple Linear Regression Results

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Digitalization	60	0	164	2284	38,07	43,617
Institutional Ownership	60	,00	98,41	4040,00	67,3333	27,14124
Managerial Ownership	60	,00	31,58	242,00	4,0333	8,82249
Financial performance	60	-59,93	10,75	-332,14	-5,5357	16,02136
Valid N (listwise)	60					

Source: Data Processed (SPSS 25), 2026

Table 1 shows Financial performance (Y), measured using Return on Assets (ROA), has a mean value of -5.5357 and a standard deviation of 16.02136. Because the mean is lower than the standard deviation, the data exhibit relatively high variability, indicating substantial dispersion among the observations. The digitalization variable (X_1), measured for transportation sector companies during the 2020–2024 period, has a mean value of 38.07, and a standard deviation of 43.617. A mean lower than the standard deviation indicates relatively high data variability, suggesting considerable differences in the level of digitalization across the sampled companies.

The ownership structure variable was measured using two proxies: Institutional Ownership (IO) and Managerial Ownership (MO). Institutional Ownership has a mean value of 67.333 and a standard deviation of 27.14124. Because the mean exceeds the standard deviation, the data show relatively low variability, indicating that the institutional ownership is fairly consistent across the sample. In contrast, Managerial Ownership has a mean value of 4.0333 and a standard deviation of 8.82249. Because the mean is lower than the standard deviation, the data exhibit relatively high variability, reflecting considerable differences in managerial ownership among the sampled companies.

Table 2. Multiple Linear Regression Results

Unstandardized Coefficients			Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	-3,677	7,201		-,511	,612
Institutional Ownership	-,009	,092	-,015	-,098	,922
Managerial Ownership	,705	,311	,388	2,264	,027
Digitalization	-,108	,051	-,293	-2,096	,041

Source: Processed Data (SPSS 25), 2026

Based on Table 2, the multiple linear regression equation can be expressed as follows:

$$\text{Financial Performance} = -3.677 - 0.009 (\text{Institutional Ownership}) + 0.705 (\text{Managerial Ownership}) - 0.108 (\text{Digitalization}) + \varepsilon$$

Based on the significance values presented in the regression table and a significance level of 0.05 (5%), the results indicate that managerial ownership (MO) and digitalization (DIG) significantly affect financial performance, whereas institutional ownership (IO) does not. The regression constant is -3.677, indicating that when all independent variables are assumed to be zero, the financial performance is expected to decrease by 3.677 units. This finding suggests that good corporate governance and digitalization play important roles in influencing financial performance, although their effects vary across various governance mechanisms ([Lin & Qamruzzaman, 2023](#)).

The regression coefficient for institutional ownership is -0.009, indicating a negative relationship between institutional ownership and financial performance. This implies that, holding other variables constant, a one-unit increase in institutional ownership is associated with a 0.009-unit decrease in financial performance. In contrast, managerial ownership has a positive regression coefficient of 0.705, indicating that a one-unit increase in managerial ownership is associated with a 0.705-unit increase in financial performance. Meanwhile, the digitalization variable has a regression coefficient of -0.108, suggesting that, *ceteris paribus*, a one-unit increase in digitalization is associated with a 0.108-unit decrease in the financial performance.

4.1.2 Hypothesis Testing Results

4.1.2.1 T Statistics

Table 3. T-Test Results

Unstandardized Coefficients	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	-3,677	7,201		-,511	,612
Institutional Ownership	-,009	,092	-,015	-,098	,922
Managerial Ownership	,705	,311	,388	2,264	,027
Digitalization	-,108	,051	-,293	-2,096	,041

Source: Processed Data (SPSS 25), 2026

Table 3 shows that the digitalization variable (X_1) has a significance value of 0.041, which is below the 0.05 threshold value. This finding indicates that digitalization has a significant negative effect on financial performance (Y). Regarding good corporate governance (GCG) (X_2), which is measured using two proxies, institutional ownership (IO) has a significance value of 0.922, exceeding the 0.05 significance level, indicating that institutional ownership does not significantly affect financial performance. In contrast, the significance value of managerial ownership (MO) is 0.027, which is below 0.05, indicating a significant positive effect on financial performance. Therefore, while managerial ownership contributes positively to improving financial performance, institutional ownership does not demonstrate a statistically significant influence on financial performance ([Rashid, 2020](#)).

4.1.2.2 Model Feasibility Test (F Test)

Table 4. F-Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2121,666	3	707,222	3,041	,036b
Residual	13022,694	56	232,548		
Total	15144,360	59			

Source: Processed Data (SPSS 25), 2026

Table 4 show that the calculated F-value is 3.041, with a significance value of 0.036, which is below the 0.05 significance level. This indicates that the independent variables have a statistically significant effect on the dependent variable when considered simultaneously. Therefore, the overall regression model is statistically significant and

appropriate for explaining the relationship between the independent variables and financial performance.

4.1.3 Coefficient of Determination Test

Table 5. Results of the Coefficient of Determination (R^2) Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,374 ^a	,140	,094	15,24953	,920

Source: Data Processed (SPSS 25), 2026

Table 5 shows that the R-square value is 0.140 or 14%. This indicates that the independent variables (X), consisting of GCG and digitalization, explain 14% of financial performance (Y), while the remaining 86% is explained by other factors not included in this study.

4.2 Discussion

4.2.1 Digitalization Strategy Impact on Financial Performance

From the hypothesis testing (T-test), the digitalization variable has a coefficient of -0.108 with a significance value of $0.041 > 0.05$, indicating that it has a negative effect on financial performance. This result rejects the proposed hypothesis and contradicts the findings of [Yavuz \(2025\)](#). These findings suggest that digitalization has not yet fully contributed positively to firm profitability in the transportation sector. This is also supported by the limited digital promotion and interaction conducted by firms in the sector.

This may be because, as a service-oriented sector prioritizing direct customer service, promotional activities through social media have not yet produced optimal returns. Consumers tend to respond directly when choosing transportation services rather than being influenced by digital promotion. In Indonesia, the high use of motorcycles intensifies competition among ride-hailing operators. Resistance from conventional motorcycle taxi drivers, who have long operated in the industry, further restricts the market for online transportation applications. This situation is exacerbated by the fact that many regions in Indonesia still lack Internet access, limiting the reach of digitalization. This presents a paradox: while digitalization continues to develop, many areas still lack Internet connectivity. These conditions strengthen the study's findings, as companies have attempted to implement digitalization, yet the outcomes remain suboptimal and may even contribute to financial losses that need to be addressed in the future.

Motorcycle usage in Indonesia is also relatively high, intensifying competition among ride-hailing operators. Resistance from traditional motorcycle taxi drivers, who have long been established in their profession, further narrows the operational space for online transportation platforms [\(Icasiano & Taeihagh, 2021\)](#). This situation is further complicated by the fact that many regions in Indonesia still lack Internet access, making it difficult for communities to access various forms of digital services. It is indeed ironic that while digitalization continues to develop, many areas still lack adequate Internet connectivity. These conditions strengthen the study's findings, as companies have attempted to implement digitalization; however, the results remain suboptimal and may even lead to financial losses that need to be addressed in the future. The optimization of digitalization in the transportation sector must be improved, particularly by addressing fundamental issues such as Internet accessibility. Digital transformation has the potential to create time and labor efficiency and enhance the performance of companies in the transportation sector.

4.2.2 Effect of Good Corporate Governance on Financial Performance

The hypothesis testing results show that GCG measured through institutional ownership has a coefficient of -0.009 with a significance value of $0.922 > 0.05$, indicating that it has no effect on financial performance (Y). This finding contradicts the studies of [Candradewi and Sedana \(2016\)](#), who

reported that institutional ownership has a positive effect on financial performance. These studies argue that institutional shareholders can provide strong monitoring of management, thereby ensuring more reliable financial reporting.

However, the results of this study are contrary to this. In the transportation sector, the number of institutional shareholders is relatively smaller than in other sectors; therefore, their role does not significantly affect financial performance [\(Patriandari, Rianto, & Ristianti, 2023\)](#). This suggests that management still relies more on internal managerial systems to make key business decisions. External intervention is often perceived as disruptive to a company's strategic direction and internal interests, potentially leading to agency conflicts. Such conflicts indirectly create financial burdens for the company as resources must be allocated to resolve differences in interest. The relatively small presence of institutional shareholders is also caused by the fact that the transportation sector is still in the developing stage in Indonesia, making its long-term prospects less attractive to institutional investors [\(Darminto, Mubarok, & Ahmar, 2025\)](#). This further reinforces the finding that institutional involvement does not contribute positively in this context, as it may lead to inefficiencies arising from agency conflicts.

4.2.3 Effect of Managerial Ownership on Financial Performance

Contrary results are found for managerial ownership, which has a coefficient of 0.705 and a significance value of $0.027 < 0.05$, indicating a positive effect on financial performance. This strengthens the argument that firms in this sector still rely heavily on strategic decisions made by management or internal parties. As a developing sector, managers remain focused on improving internal systems that managerial owners closely understand. Managerial ownership can also support better decision-making because both management and owners share the same goals and vision. In addition, agency conflicts can be minimized under managerial ownership, thereby reducing the additional burden of business operations.

The conclusion that can be drawn from these two measurements is that the transportation sector still places greater trust in managerial decisions and internal intervention than institutional ownership. Internal parties have a deeper understanding of the company's culture, conditions, and operational context, making decisions more rational and less driven by personal interests than external parties. The core principle of internal ownership is that decisions are made based on business needs, which can improve stakeholder welfare and achieve optimal profitability [\(Schulze & Zellweger, 2021\)](#). In contrast, external parties tend to prioritize profit maximization without fully considering the operational challenges faced by firms, especially in developing sectors such as transportation.

5. Conclusions

The results show that the R^2 value is 0.140 or 14%, indicating that the independent variables (X) explain 14% of the variation in financial performance (Y), while the remaining 86% is explained by other external factors not included in this study. Digitalization, measured using text mining, was found to have a negative effect on financial performance, thus rejecting the first hypothesis. Good Corporate Governance (GCG), measured through institutional ownership, has no significant effect on financial performance. This is attributed to the transportation sector still being in a stage where excessive intervention from institutional investors may create conflict. Meanwhile, GCG measured through managerial ownership has a positive effect on financial performance, indicating that business decisions are strongly influenced and dominated by internal management.

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Author Contributions

MAHY was responsible for the conceptualization, methodology design, and data analysis. AK contributed to the validation and supervision of the research process. RS assisted with data collection, literature review, and manuscript drafting. ADMBR contributed to the writing, editing, and final manuscript review. All authors have read and approved the final version of this manuscript.

Conflict of Interest

The authors declare no conflicts of interest regarding the publication of this manuscript. The research was conducted independently, without any financial or personal relationships that could influence the results or interpretation of the study.

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