

THE EFFECT OF CORPORATE GOVERNANCE ON THE COMPANY'S FINANCIAL PERFORMANCE IN MANUFACTURING COMPANIES LISTED IN INDONESIA STOCK EXCHANGE PERIOD OF 2015-2018

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***Abstract** – This study aims to determine the effect of Board of Commissioners' Size, Independent Commissioners, Board of Directors, Institutional Ownership, Managerial Ownership, and Audit Committee on (ROA) Financial Performance with company size and financial leverage (DER) as control variables either partially or simultaneously. The research strategy used in this study is an associative research strategy with the research method used is the documentation method. In this study, researchers used quantitative data drawn from the financial statements of manufacturing companies in 2015-2018.*

The results of the study prove that: 1) the Board of Commissioners has no effect on financial performance. 2) Independent Commissioners do not affect Financial Performance. 3) The Board of Directors influences Financial Performance. 4) Institutional Ownership influences Financial Performance. 5) Managerial Ownership has no effect on Financial Performance. 6) Audit Committee influences Financial Performance. 7) Company size has no effect on financial performance. 8) Debt to Equity Ratio affects Financial Performance.

Keywords: *Board of Commissioners, Independent Commissioners, Board of Directors, Institutional Ownership, Managerial Ownership, Audit Committee, Company Size, Financial Leverage (DER), ROA*

I. INTRODUCTION

The company's financial performance is a description of the financial condition of a company which is analyzed using financial analysis tools, to determine whether the financial condition is good or bad that reflects the performance of a company in a certain period. In general, what is often used as a measure of performance appraisal in a company is financial statements (Lestari and Ika, 2015).

Performance appraisal is a form of responsibility and obligation to report the activities, resources and performance achieved by the company. To measure whether the predetermined goals have been achieved properly is not an easy thing, this is because there are not a few management aspects. Companies with good performance will generate optimal returns so as to obtain a high return on investment. The company was founded with the aim of improving the welfare of its owners or stakeholders through improving company performance (Brigham and Houston, 2017). Measuring the company's financial performance can be seen in two ways, namely: the internal side of the company by looking at the financial statements and the external side of the company, namely the value of the company by calculating the company's financial performance using financial ratios (Sarafina and Saifi, 2017). Beberapa upaya pengawasan terhadap perusahaan dapat diwujudkan dengan adanya implementasi praktik good corporate governance. Good Corporate Governance adalah salah satu topik yang cukup sering dibahas dalam berbagai penelitian karena corporate governance adalah salah satu isu yang penting bagi pembuat kebijakan di sektor publik (Hasani dan Yamchi, 2015).

Good Corporate Governance (GCG) was first introduced in 1992 by the Cadbury Committee in its report, which is known as the Cadbury Report. The definition given by Cadbury in Lukviarman's (2016) book, namely Corporate Governance, focuses on the balance between goals and social, between personal and group goals. Its main task is to achieve efficiency in the use of resources and equalize the use of accountability in the use of these resources. The implementation and management of good corporate governance is a concept that focuses on the importance of the rights of shareholders to obtain information about the company's financial performance correctly, accurately, and on time (Lestari and Ika, 2015).

The Forum of Corporate Governance for Indonesia-FCGI (2001) suggests that Corporate Governance is a set of regulations that govern the relationships or systems that control the company, between shareholders, company managers (managers), government, employees, creditors, and internal and external stakeholders. others relating to their rights and obligations. "Good Corporate Governance is a system that regulates and controls companies that create value added for all stakeholders" Sarafina (2017).

Good Corporate Governance is a process that regulates and controls the company in improving its business by paying attention to stakeholders to achieve company goals (Rimardhani, et al 2016). The application of the principles of good corporate governance within the company can make the company's financial performance better and make the company clean from fraud and can increase the trust of stakeholders and the public. The problem that is often faced by companies is the lack of professionalism in running a company. In order for the company to increase work professionalism, it is necessary to make rules for running the company. These rules and principles are called good corporate governance (Alfred and Xiao, 2015).

Several companies that were caught in cases related to the implementation of GCG recently happened to PT. Krakatau Steel (Persero), Wisnu Kuncoro as Director of PT. Krakatau Seteel has been named a suspect in the alleged bribery case for the procurement of goods and services. Wisnu received bribes related to the need for goods and equipment valued at Rp 24 billion and Rp 2.4 billion, respectively (Kabar24). There is also the case of PT. Jiwasraya in 2019, which often carried out share buying and selling transactions and allegedly carried out price engineering with Bank BJB, Semen Baturaja, and PT. PP Properti Tbk. PT. Jiwasraya uses the funds deposited by its customers through the JS Saving Plan to invest in high-risk company stocks. Not only that, Jiwasraya's financial statements that were audited many times by the OJK, BPK, and KAP PwC Indonesia always showed

irregularities in their financial asset reporting. With these facts, it is evident that Jiwasraya failed in applying the principles of accountability and transparency in good corporate governance practices in its company. Another example of cases occurred in the President Director of PT. Garuda Indonesia imported illegal goods into Indonesia, namely spare parts from Harley Davidson and luxury bicycles that were smuggled in the Garuda plane that it had just bought from France. Prior to the smuggling case, Garuda Indonesia was also caught in a financial report manipulation case, not a profit of a few trillion but instead a loss of more than Rp 2 trillion which was originally recorded as profit. This incident is a strong indicator that PT. Garuda Indonesia is not managed in a GCG manner and is far from professional as demands from companies that have gone public (Kompasiana.com).

Research on the application of Good Corporate Governance to the company's financial performance has been conducted by several previous researchers, but most of them show inconsistent results. Research conducted by Christine and Yulius (2017) using company size and leverage as control variables as well as a dummy variable in the form of a financial crisis that occurred in 2008-2009 by testing companies listed in the CGPI ranking for the 2001-2015 period. The results of the study indicate that the implementation of corporate governance has a positive and significant effect on company performance, while company size, leverage, and financial crisis have no effect on financial performance.

In contrast to research conducted by Saragih, et al (2017). They perform the test in order to test and analyze the effect of Good Corporate Governance on the company's financial performance. The independent variables in this study are the Corporate Governance Components, namely the Board of Directors, the Proportion of Independent Commissioners, the Audit Committee, Managerial Ownership, Institutional Ownership, and also debt. The sample used is all service companies other than the financial sector listed on the Indonesia Stock Exchange (BEI) in 2013-2015, with a total sample of 193 companies. The results of this study prove that the proportion of independent commissioners, board of directors, and institutional ownership has a positive effect, and the debt to equity ratio has a significant negative effect on the company's financial performance. Meanwhile, the audit committee and managerial ownership have no effect on the company's financial performance.

This study was conducted to re-examine the relationship between Good Corporate Governance and the company's financial performance with firm size and financial leverage as control variables. The inconsistent results from previous studies have made this issue an important topic to be researched, where researchers expand the variables used in Good Corporate Governance, namely: Size of the Board of Commissioners, Board of Independent Commissioners, Board of Directors, Institutional Ownership, Managerial Ownership, and the Audit Committee. Where in calculating the company's financial performance using profitability ratios as measured by using Return On Assets (ROA). Based on the description above, the researcher draws a problem line in this study, namely "How the influence of Good Corporate Governance on the company's financial performance in Manufacturing Companies". This study aims to empirically analyze the effect of Good Corporate Governance on the company's financial performance in manufacturing companies listed on the Indonesia Stock Exchange for the 2015-2018 period.

2. THEORY BASIS AND HYPOTHESIS DEVELOPMENT

Agency Theory

Agency theory examines the relationship between owner (principal) and management (agent). This agency theory was developed by Jensen and Meckling (1976), agency theory is a theory related to principal and agent relationships. The concept of agency theory is based on agency problems that arise when the management of a company is separated from its ownership. The company is a mechanism that provides opportunities for various participants to contribute in the form

of capital and labor in an effort to maximize long-term benefits. The participant who contributes in the form of capital is called the principal. Participants who contribute to expertise and workforce are called company managers (agents). The presence of the two participants (principal and agent) causes problems about the mechanisms that must be formed to align the interests that lie between the two (Siti Lutfiyana, 2017).

Signalling Theory

Signaling theory was first proposed by Bhattacharya (1979), namely the asymmetry of information obtained by shareholders and managers. The signal given can be done through disclosing accounting information such as company financial reports. However, the information conveyed by agents sometimes does not match the actual conditions of the company. This condition is known as asymmetric information or information asymmetry. Information asymmetry occurs because managers are superior in controlling information compared to other parties (owners or shareholders). Therefore, managers as people who have complete information about the company's cash flow will choose to create clear signals about the company's future if they have the right incentive to do so (Nur, 2017).

Definition and Concept of Good Corporate Governance

Corporate governance is corporate governance that explains the relationship between various participants in the company that determines the direction and performance of the company (Veno, 2015). Van Den Berghe and DeRidder (1999) state that corporate governance is one of the aspects that forms the basis of a country's economic fundamentals. Weak corporate governance is often cited as one of the causes of the financial crisis in Asian countries. The low quality of corporate governance in a country has a negative impact on the stock market and the exchange rate of the country's currency (Salim and Christiawan, 2017).

The Indonesian Institute for Corporate Governance (IICG) defines Good Corporate Governance as the structure, systems and processes used by company organs as an effort to provide added value to the company in a sustainable manner in the long term, while still paying attention to the interests of other stakeholders, based on laws and regulations and prevailing norms. According to Shleifer and Vishny (1997), corporate governance is a mechanism that can be used to ensure that financial suppliers or company capital owners get returns from activities carried out by managers, or how the company's financial suppliers exercise control over managers.

According to Effendi (2016: 15), the principles of Good Corporate Governance developed by the Organization for Economic Corporation and Development (OECD) include five things, namely: protection of shareholder rights, equal treatment of all shareholders, role of stakeholders. interests relating to the company, disclosure of transparency, and accountability of the board of commissioners or directors.

The Good Corporate Governance mechanism is characterized by the size of the board of commissioners, institutional ownership, managerial ownership, and the existence of an audit committee. These mechanisms are as follows:

a. Board of Commissioners Size

The Forum for Corporate Governance Indonesia (FCGI) defines the Board of Commissioners as the core of corporate governance that is tasked with ensuring the implementation of corporate strategy, overseeing management in managing the company and obliging companies and obliging the implementation of accountability. The board of commissioners as an internal organ of the company that has the duty and responsibility to collectively carry out and provide advice to the Board of Directors and ensure that the company implements GCG properly (Hamdani, 2016: 82).

Fidiana & Sulistyowati (2017) also define the board of commissioners as the supervision of the management of the company which is carried out by the directors and provides advice related to the policies of the directors in managing the company. The board of commissioners monitors the performance, effectiveness of company policies, and the decision-making process carried out by the board of directors, including the implementation of strategies to meet the expectations of shareholders and other stakeholders. The board of commissioners is measured by the number of commissioners in the company. The size of the Board of Commissioners is an indicator of Corporate Governance that is often used in research, such as Tertius and Christiawan (2015); Kirana and Wahyudi (2016), and also Fidiana and Sulistyowati (2017).

The size of the board of commissioners can be formulated as follows:

$$\text{Board of Commissioners Size} = \Sigma \text{ Board of Commissioners in the Company}$$

b. Independent Board of Commissioners

The Independent Board of Commissioners is a party that is not allowed to have any relationship with the management of the company. The establishment of an independent board of commissioners is expected to protect shareholders (Ramadhani et al., 2016). According to the Financial Services Authority Regulation Number 33 / POJK.04 / 2014 regarding the regulations regarding the Registration of Shares and Equity Securities other than shares issued by listed companies in item regarding the provisions concerning Independent Commissioners. The regulation states that in order to carry out good corporate governance, a listed company is required to have an Independent Commissioner whose proportion is proportional to the number of shares owned by non-controlling shareholders provided that the number of Independent Commissioners is at least 30% of the total number of commissioners.

According to Weisbach (1998), independent commissioners in a company must be truly independent so they can resist the influence, intervention, and pressure from major shareholders who have certain interests. Independent commissioners are expected to have full attention and commitment in carrying out their duties and obligations, therefore company independent commissioners must have high knowledge, ability, time and integrity.

The Independent Commissioner can be calculated using the following formula:

$$\text{Independent Commissioner} = (\Sigma \text{ Independent Commissioner}) / (\Sigma \text{ Member of the Board of Commissioners})$$

c. Board of Directors

The Board of Directors is someone who is appointed to lead the company. A director is someone who owns the company or a professional person appointed by the business owner to run and lead the company. The board of directors in a company will determine the policies that the company will take in the short or long term. The board of directors controls the day-to-day operations of the company within the limits specified in the Company Law, articles of association, GMS, and is under the supervision of the board of commissioners (Fidiana and Sulistyowati, 2017). The number of the board of directors will logically greatly affect the speed of the company's decision making. Because of course, with a number of boards of directors, it is necessary to have good coordination among the members of the board of commissioners. This illustrates that the size of the board of directors is one of the important corporate governance mechanisms in determining company performance (Anggraini et al. 2019).

The board of directors can be calculated using the following formula:

$$\text{Board of Directors} = \Sigma \text{Members of the Board of Directors}$$

d. Institutional Ownership

Institutional ownership is ownership of company shares by financial institutions such as insurance companies, pension funds, and investment banking. Institutional Ownership is the percentage number of voting rights held by the institution. Institutional investors often become the majority owner in share ownership, because institutional investors have greater resources than other shareholders, so they are considered capable of carrying out a good supervisory mechanism (Febriani, 2019). According to Pura et al. (2018), institutional ownership is ownership of company shares owned by the institution. These institutions can be government institutions, private institutions, domestic or foreign. Institutional investors often become the majority owner in share ownership, because institutional investors have more resources than other shareholders so that they are considered capable of implementing good supervisory mechanisms and have a very large role in minimizing agency conflicts that occur between managers and shareholders .

The higher the institutional ownership, the more optimal monitoring of management performance will be, so that the company's performance will increase. The higher the institutional ownership, the stronger the external control over the company and reduce the agency cost, so the company will use a lower dividend. With the existence of tight controls, it causes managers to use debt at a low level to anticipate the possibility of financial distress and risk of transportation. (Crutley, 1999).

Institutional ownership can be measured by the formula:

$$\text{Institutional Ownership} = (\text{Number of Institutional Shares}) / (\text{Number of Outstanding Shares})$$

e. Managerial ownership

Managerial ownership is ownership of shares by management or internal company parties. It is hoped that management's ownership of shares will be able to align various interests in the company. Supervision of management performance is one way to ensure the implementation of corporate governance principles (Dewi and Putra, 2016). Managerial Ownership is ownership of shares owned by management from the number of shares outstanding (Mahaputeri and Yadnyana, 2014). With the increase in management ownership in the company as a result of increased management ownership. Large management ownership will have an effective impact in monitoring company activities.

Erawati and Wahyuni (2019) and Candradewi (2016) explain that the greater the ownership of shares by management, the less tendency for management to optimize the use of resources while reducing agency costs due to differences in interests. This happens because managers who have involvement in the company through managerial ownership will also feel like they own the company so that everything that is taken by the manager will be done more carefully considering all the consequences that occur as a result of the decisions taken will also have an impact on the manager. Managerial ownership can be obtained through calculations using the following formula:

$$\text{Managerial Ownership} = (\text{Number of Managerial Shares}) / (\text{Number of Outstanding Shares})$$

f. Audit Committee

The audit committee as a committee that works professionally and independently which is formed by the board of commissioners, thus its task is to assist and strengthen the function of the board of commissioners in carrying out the supervisory function or risk management financial reporting process, audit implementation and implementation of corporate governance in companies (Ikatan Indonesian Audit Committee, 2014). The audit committee assists the Board of Commissioners in fulfilling its supervisory responsibilities. In its capacity, the audit committee is responsible for opening and maintaining communication between the audit committee and the directors, the internal audit unit, the board of commissioners, financial managers and independent accountants. In terms of membership, members of the audit committee are appointed and dismissed by the board of commissioners and reported to the General Meeting of Shareholders. In addition, the audit committee also has the responsibility of assisting the board of directors in terms of supervision. The committee also makes recommendations for an action to all directors, in other words it holds a number of responsibilities for making decisions (Lutfiyana, 2017).

In accordance with the Decree of the Chairman of Bapepam Number Kep-29 / PM / 2004, an audit committee is a committee formed by the board of commissioners to carry out supervisory duties in the management of the company. In addition, the audit committee is considered to be the liaison between shareholders and the board of commissioners and management in handling control issues. Based on the Jakarta Stock Exchange (BEJ) Circular Letter Number SE-008 / bej / 12-2001, the membership of the audit committee consists of at least three people including the chairman of the audit committee. There is only one member of this committee who comes from the commissioner, the committee member who comes from the commissioner is an independent commissioner of a listed company as well as the chairman of the audit committee. Other members who are not independent commissioners must come from an independent external party.

Audit committee variables can be measured as follows:

$$\text{Audit Committee} = \Sigma \text{Member of the Audit Committee}$$

Definition and Concepts of Financial Performance

Performance is a complete display of the state of the company for a certain period of time, is a result or achievement that is influenced by the company's operational activities in utilizing its resources (Helfert, 1996). Financial performance is the determination of a certain measure that serves to measure the company in generating profits. In general, financial reports are often used as a measure for assessing the company's financial performance. The financial statements are reflected in the information reports obtained in the cash flow statement, income statement and balance sheet. Financial reports are needed to provide information that will be input into decision making (Lestari and Yulianawati, 2015).

The company's financial performance is a description of the financial condition of a company using financial analysis tools, so that to find out whether the financial condition of a company is good or bad, it can be seen from the reflection of work performance in a certain period. Based on this definition, it can be associated with a theory called Signaling Theory, where the Signaling Theory itself emphasizes the importance of information provided by the company on investment decisions by the company's external parties (investors) (Amirullah, 2015: 206).

Return on assets (ROA) is a ratio to measure the company's ability to generate net income by using the total assets (assets) owned by the company after adjusting for the costs to fund these assets (Hanafi. M, 2016: 157). Meanwhile, according to Kasmir (2014), Return on Assets is a ratio that shows the results (returns) on the total assets used in the company. Not only that, ROA provides a better measure of the company's profitability because it shows the effectiveness of management in

using assets to generate revenue. So ROA is a form of profitability ratio which is meant to measure the company's ability to invest in the company's operating activities with the aim of generating profit by utilizing its assets. ROA is obtained by comparing net income to total assets. ROA can be calculated systematically by the following formula (Riyanto, 2013):

$$\text{Return on Assets (ROA)} = (\text{Net income}) / (\text{Total Assets})$$

Good Corporate Governance with Corporate Financial Performance

Corporate governance acts as a mechanism that is used as a means of control to control or overcome management behavior that is selfish and motivates management to act in accordance with the interests of company owners where one of the interests of company owners is to improve their welfare. So that by implementing good corporate governance, management can manage the company better (Salim and Christiawan, 2017).

According to Goldwin (2017) the implementation of effective corporate governance in companies can be an effective tool to direct the company to produce good performance. This is because corporate governance can be a tool to reduce agency problems that arise because of the separation of ownership from company management. Implementing corporate governance can become a mechanism to control opportunistic management behavior.

The implementation of Good Corporate Governance is urgently needed by companies in order to survive in the face of globalization and increasingly fierce competition and to be able to apply business ethics consistently so as to create transparent, healthy, efficient and conducive business ventures. Good Corporate Governance is a means to make the company better in terms of the relationship between shareholders or owners and other stakeholders such as customers, employees, suppliers, bondholders and so on (Juliana et al. 2018).

Hypothesis Development and Conceptual Framework of Thought

Hypothesis is a temporary answer to the problem formulation in a study. It is said to be temporary, because the answers given are only based on relevant theories, but not based on empirical facts obtained through research. Based on the formulation of the problem, research objectives, theory and results of previous research, the hypotheses in this study are:

H1: The size of the Board of Commissioners has a positive effect on the company's financial performance

H2: The Independent Commissioner has a positive effect on the company's financial performance

H3: The Board of Directors has a positive effect on the company's financial performance

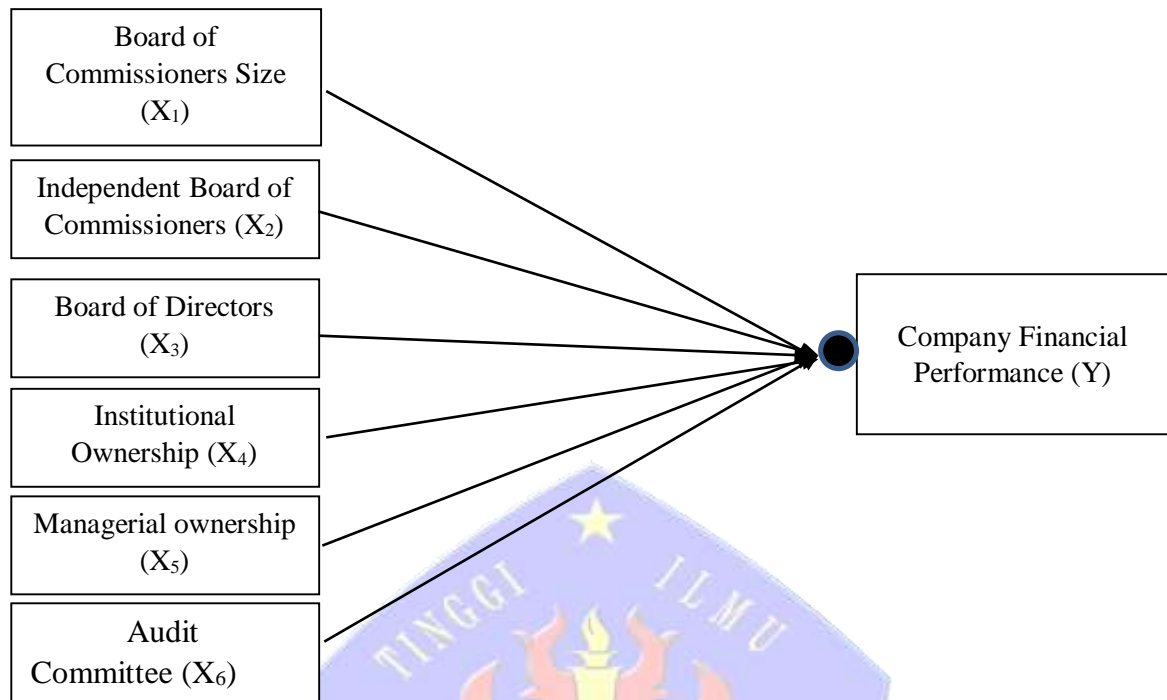
H4: Institutional ownership has a positive effect on the company's financial performance

H5: Managerial ownership has a positive effect on the company's financial performance

H6: The Audit Committee has a positive effect on the company's financial performance

The Effect of Corporate Governance on the Company's Financial Performance in Manufacturing Companies Listed In Indonesia Stock Exchange Period of 2015 - 2018

Based on the theory that has been put forward previously, the following framework is in accordance with the theory as follows:



Picture 2.1 Research Conceptual Framework

3. RESEARCH METHOD

The research method is a scientific way to obtain data with specific purposes and uses (Sugiyono, 2017: 2). The method used in this research is quantitative method. Quantitative method is a type of research that produces discoveries that can be achieved (obtained) using statistical procedures or other means of quantification or measurement (Sujarweni, 2015: 70). The data used are secondary data in the form of financial reports, annual reports, and notes on financial reports obtained from the Indonesia Stock Exchange (IDX) website for 2015-2018.

This research uses associative research. Associative research is a type of research that aims to analyze the relationship between one variable and another. This relationship can be in the form of an ordinary relationship (correlation) or a causal relationship (cause and effect).

Population and Sample Research

Population is the total amount consisting of objects or subjects that have certain qualities and characteristics that are determined by the researcher for research and then draw conclusions (Sujarweni, 2015: 80). The population used in this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2015-2018 period with a total of 166 companies.

The sample is part of a number of characteristics possessed by the population used for research (Sujarweni, 2015: 81). The manufacturing company was chosen because it was considered that the manufacturing company was the most sensitive to economic changes. Sampling in this study using purposive sampling method, namely determining the sample based on the suitability of certain criteria and characteristics. The sample criteria in this study are as follows:

1. Manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 31 December 2015 to 31 December 2018.
2. Manufacturing companies that publish financial reports and annual reports in succession from 31 December 2015 to 31 December 2018 and present the required data in full in the financial statements for calculations regarding the variables to be studied.

There were as many as 166 populations in this study and based on the three criteria above, from a population of 166 manufacturing companies listed on the Indonesia Stock Exchange from 2015 to 2018, a sample of 109 companies was taken that met the three criteria.

4. RESULT AND DISCUSSION

4.1 Descriptive Statistical Analysis

Table 4.1 Descriptive Statistical Analysis Results

	Mean	Maximum	Minimum	Std. Dev	Observations
ROA	5.030390	62.90	-22.01	8.478807	436
Board of Commissioners Size	4.183486	12.00	2.00	1.785845	436
Independent Board of Commissioners	0.405642	1.00	0.20	0.107187	436
Board of Directors	5.183486	15.00	2.00	2.411334	436
Institutional Ownership	63.08046	98.96	0.00	25.28919	436
Managerial ownership	6.841216	89.44	0.00	16.63626	436
Audit Committee	3.064220	5.00	0.00	0.378144	436
Company Size	27.52904	35.97	19.26	2.992520	436
DER	1.09833	2.97	-1.40	1.043066	436

(Source: The result of data processing with Eviews version 10,0)

Table 4.1 above shows that the number of observations in this study was 436. In the financial performance variable with the measurement of Return on Assets (ROA), it has a maximum value of 62.90 which is owned by PT. Unilever Indonesia Tbk. in 2018, while for Return on Asset (ROA) the minimum value is owned by PT. Asia Pacific Investama Tbk. in 2017 amounting to -22.01. The mean value is 5.03, while the standard deviation value is 8.478807.

The variable of the board of commissioners has a maximum value of 12 which is owned by PT. Astra International Tbk. in 2016 and 2017, which means that during these two years, the role of the board of commissioners is very much needed as an internal organ of the company that is collectively responsible for conducting and providing advice to the Board of Directors and ensuring that the company implements GCG properly. Whereas the minimum value of the board of commissioners is owned by 15 companies during the 2015-2018 period with a total of 2 commissioners, which means that a large number of commissioners for several companies will hamper communication and coordination, because the more the number of commissioners the more difficult it will be. in supervising and controlling management actions as well as difficulties in decision making. The size of the board of commissioners variable has a mean value of 4.18, which means that the average number of members of the board of commissioners in each company is 4.18, and the standard deviation value is 1.785845.

The independent commissioner variable is the ratio of the number of independent commissioners to the total number of company commissioners. The table above shows that independent commissioners have an average value of 0.40. This means that the number of independent commissioners in the sample companies is 0.40 or 40% are members of the board of commissioners. This condition proves that on average the sample companies in this study have met the minimum requirements for members of the independent board of commissioners, namely 30% in accordance with the Decree of the Directors of PT. Indonesia Stock Exchange I-A Number Kep-00001 / BEI / 01-2014. Independent commissioners have a maximum value of 1 owned by PT. Bentoel Internasional Investam during 2017 and 2018, which means that during those two years all

members of the board of commissioners served as independent commissioners. Meanwhile, the minimum value for independent commissioners is 0.20 or 20% owned by PT. Semen Baturaja (Persero) Tbk. in 2017, out of 5 commissioners, only 1 served as an independent commissioner, and the standard deviation value showed a result of 0.107187.

The board of directors variable shows the maximum value of 15 which is owned by PT. Mandom Indonesia Tbk. during 2015 and 2016, which means that during those 2 years PT. Mandom Indonesia Tbk. has a total of 15 directors. Meanwhile, the minimum value of the board of directors of 2 people was owned by 13 companies during 2015-2018, this could happen if the size of the board of directors was large but could not coordinate, communicate and make good decisions with the board of commissioners. The mean value is 5.18, and the standard deviation value shows the result 2.411334.

The institutional ownership variable has a maximum value of 98.96 owned by PT. Bentoel Internasional Investam in 2015, which means that 98.96% of shares in PT Bentoel Internasional Investam are owned by non-bank financial institutions, where these institutions manage funds on behalf of others, such as mutual fund companies, pension fund companies, insurance companies, or investment companies. . The minimum value of 0 is owned by PT. Saranacentral Bajatama Tbk. 2015-2018 and PT. Sidoarjo Herbs and Pharmacy Industry 2015-2016, which means that shares are only owned by managers, directors, and commissioners. The mean value is 63.08 and the standard deviation is 25.28919.

Managerial ownership variable has a maximum value of 89.44 which is owned by PT. Betonjaya Manunggal Tbk. in 2016-2018, which means that the total shares in the three years were 89.44% owned by managers, the board of commissioners or the board of directors, while the minimum value of managerial ownership is 0 owned by 52 manufacturing companies, which means that in 52 companies the managers, directors, and the commissioners do not own shares. The managerial ownership variable has an average value of 6.84 and a standard deviation of 16.63626.

The audit committee variable has a maximum value of 5 which is owned by PT. Charoen Pokphand Indonesia Tbk in 2015-2016 and PT. Malindo Feedmill Tbk. in 2015-2018, which means that in that year the two companies had a total of 5 audit committees, in which the audit committee functions to oversee management performance to maintain the independence of internal auditors and regarding improvements to the management control system and its implementation. Meanwhile, the minimum value of 0 is owned by PT. Tiga Pilar Sejahtera Food Tbk. in 2018 where in that year there was a change in the composition of the board of commissioners, and the company has not yet established an audit committee membership. The audit committee has a mean value of 3.06 and a standard deviation of 0.378144.

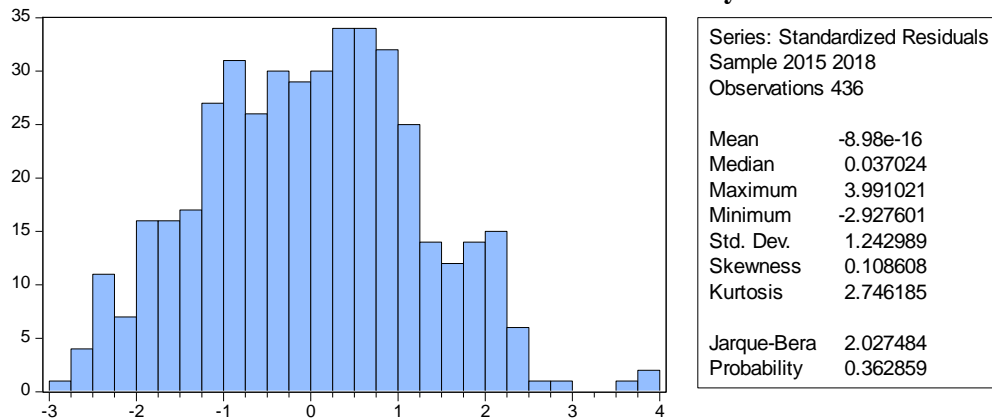
The firm size variable is measured using the natural logarithmic value (ln) of the company's total assets. The firm size variable has a maximum value of 35.97 which is owned by PT. Supreme Cable Manufacturing in 2018, while the minimum value of 19.26 is owned by PT. Asia Pacific Fibers Tbk from 2015 to 2017. The company size variable has a mean value of 27.53 and a standard deviation of 2.992520.

The variable financial leverage as measured by using the Debt to Equity Ratio (DER) has a maximum value of 2.97 which is owned by PT. Grand Kartech Tbk. in 2018, which means that this is quite dangerous and must be considered because the company has to pay the debt within a certain period of time. The higher the debt to equity ratio, the higher the amount of debt or the company's obligation to pay off debts that must be paid both in the short and long term. The minimum value for the DER variable is -1.40 which is owned by PT. Bentoel Internasional Investam in 2015, which means that companies with a small debt to equity ratio will find it easier to get funding from investors, because these companies have small debt obligations as well. The variable Debt to Equity Ratio has a mean value of 1.09 and a standard deviation of 1.043066.

4.2 Test Classical Assumptions

4.2. Normality Test

Picture 4.1 Data Normality Test



(Source: The result of data processing with Eviews version 10,0)

From the histogram graph and the jarque fallow statistical test (JB-Test) based on graph 4.1 of the normality test above, it can be seen that the probability value is 0.362859. Data is said to be normal if the probability > 0.05. So it can be concluded that the data is normally distributed, namely $0.362859 > 0.05$.

4.2.2 Multicollinearity Test

Table 4.2 Multicollinearity Test Results

Variance Inflation Factors			
Date: 10/16/20 Time: 00:23			
Sample: 2015 – 2018			
Included observations: 436			
Variable	Coefficient Variance	Uncentered VIF	Centered VIF
DEWAN_KOMISARIS	0.076844	11.27493	1.737565
KOM_INDEPENDEN	13.70459	17.08568	1.114361
DEWAN_DIREKSI	0.040663	9.416726	1.675931
KEP_INSTI	0.000368	12.05078	1.665126
KEP_MANAJERIAL	0.000841	1.929365	1.649101
KOMITE_AUDIT	1.091210	73.75749	1.106233
UK_PERUSAHAAN	0.017740	96.41283	1.125142
DER	0.138913	2.261330	1.071196
C	22.58641	160.1402	NA

(Source: The result of data processing with Eviews version 10,0)

Based on table 4.2 it can be concluded that the independent variables consisting of the board of commissioners, independent commissioners, board of directors, institutional ownership, managerial ownership, audit committee, company size, and leverage (DER) have a centered VIF value of less than 10, which means that all variables independent in this study free from multicollinearity problems.

4.2.3 Heteroscedasticity Test

Table 4.3 Uji Heteroskedastisitas

Heteroskedasticity Test: Glejser			
F-statistic	0.775799	Prob. F(8,427)	0.6243
Obs*R-squared	6.246417	Prob. Chi-Square(8)	0.6197
Scaled explained SS	5.617484	Prob. Chi-Square(8)	0.6900

(Source: The result of data processing with Eviews version 10,0)

Based on table 4.3, it can be seen from the probability value that chi square has a value of 0.6197, namely the p-value ≥ 0.05 , it can be concluded that there is no heteroscedasticity in the research data.

4.2.4 Autocorrelation Test

Table 4.4 Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	35.20675	Prob. F(2,425)	0.0000
Obs*R-squared	61.96902	Prob. Chi-Square(2)	0.2311

(Source: The result of data processing with Eviews version 10,0)

Based on table 4.4 using the Breusch-Godfrey test, the Prob value can be seen. Chi Square shows that it is greater than 0.05, which is 0.2311, so it can be concluded that in this regression model there is no autocorrelation.

4.3 Panel Data Regression Model Selection

4.3.1 Lagrange Multiplier Test

Table 4.5 Lagrange Multiplier Test

Lagrange Multiplier Tests for Random Effects			
Null hypotheses: No effects			
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	356.4973 (0.0000)	1.139613 (0.2857)	357.6369 (0.0000)

(Source: The result of data processing with Eviews version 10,0)

Based on table 4.5 on the results of the lagrange multiplier test, random effects model vs. In the common effect model above, it is obtained that the Breusch-pagan cross section ≤ 0.05 , which is 0.0000, then the hypothesis H0 is rejected and H1 is accepted, so the appropriate model to use is the Random Effect Model (REM).

4.3.2 Chow Test

Table 4.6 Chow Test

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	14.517952	(108,319)	0.0000
Cross-section Chi-square	774.998722	108	0.0000

(Source: The result of data processing with Eviews version 10.0)

Based on table 4.6 the results of the chow test, common effect model vs. fixed effect model above, obtained a probability value (P-value) of cross section F of $0.0000 \leq 0.05$, then the hypothesis H0 is rejected and H1 is accepted, which means the Fixed Effect Model (FEM) model is more appropriate.

4.3.3 Hausman Test

Table 4.7 Hausman Test

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	25.864989	8	0.0011

(Source: The result of data processing with Eviews version 10.0)

Based on table 4.7 on the results of the Hausman test, the random effect model vs. fixed effect model obtained a probability value (P-value) of random cross section of $0.0011 \leq 0.05$, so the hypothesis H0 is rejected and H1 is accepted, which means that the Fixed Effect Model (FEM) model is more appropriate to use.

4.4 Conclusion: Model Selection and Panel Data Regression Estimation Methods

4.4.1 Conclusion of Model Selection

Table 4.8 Test Conclusion Results

No.	Method	Testing	Result
1	<i>Lagrange Multiplier Test</i>	<i>Common Effect vs. Random Effect</i>	<i>Random Effect</i>
2	<i>Chow Test</i>	<i>Common Effect vs Fixed Effect</i>	<i>Fixed Effect</i>
3	<i>Hausman Test</i>	<i>Random Effect vs Fixed Effect</i>	<i>Fixed Effect</i>

The results of the panel data regression model selection test for the three panel data models above have the aim to strengthen the conclusions of the panel data regression estimation method used. And based on the table above, it can be concluded that the model used is the Fixed Effect Model (FEM) which will be used to analyze further data in this study.

4.4.2 Fixed Effect Model (FEM)

Table 4.9 Fixed Effect Model Panel Data Regression Results

Dependent Variable: ROA				
Method: Panel Least Squares				
Date: 08/03/20 Time: 18:24				
Sample: 2015 2018				
Periods included: 4				
Cross-sections included: 109				
Total panel (balanced) observations: 436				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
DEWAN_KOMISARIS	0.552911	0.470587	1.174940	0.2409
KOMISARIS_INDEPENDEN	1.929088	3.858980	0.499896	0.6175
DEWAN_DIREKSI	0.573768	0.388482	3.476950	0.0031
KEP_INST	0.079204	0.025114	3.153843	0.0018
KEP_MANAJERIAL	0.048384	0.031074	1.557065	0.1204
KOMITE_AUDIT	1.393171	0.844459	3.649780	0.0210
UKURAN_PERUSAHAAN	0.482253	0.380412	1.267711	0.2058
DER	-0.001156	0.003852	-2.300224	0.0462
C	21.82268	10.75645	2.028799	0.0433
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.857339	Mean dependent var	5.030390	
Adjusted R-squared	0.805462	S.D. dependent var	8.478807	
S.E. of regression	3.739703	Sum squared resid	4461.335	
F-statistic	16.52643	Durbin-Watson stat	2.375090	
Prob(F-statistic)	0.000000			

(Source: The result of data processing with Eviews version 10.0)

Based on the regression results with the Fixed Effect Model (FEM) for Return on Assets (ROA), it shows that there is a constant value of 21.82268 with a probability of 0.0433. The regression equation on the adjusted R-squared of 0.805462 explains that the variants of the board of commissioners, independent commissioners, board of directors, institutional ownership, managerial ownership, audit committee, company size and financial leverage (DER) are 80.54% and the remaining 19.46% is influenced by other factors. which were not examined in the study.

4.4.3 Panel Data Regression Analysis

Panel data regression analysis aims to test the extent of the influence of the independent variables on the dependent variable where there are several companies in several time periods. The independent variables in this study are the board of commissioners, independent commissioners, board of directors, institutional ownership, managerial ownership, and audit committee, while the dependent variable in this study is financial performance (ROA).

Based on the table of panel data regression analysis results 4.9 above, the panel data regression equation can be formulated as follows:

$$\text{ROA} = 21.82268 + 0.552911 \text{ Board of Commissioners} + 1.929088 \text{ Independent Commissioner} + 0.573768 \text{ Board of Directors} + 0.079204 \text{ Institutional Ownership} + 0.048384 \text{ Managerial Ownership} + 1.393171 \text{ Audit Committee} + 0.482253 \text{ Company Size} - 0.001156 \text{ DER}$$

Based on the panel data regression equation above, it can be analyzed as follows:

- 1) 1) The constant is 21.82268, this means that in the absence of the influence of the board of commissioners, independent commissioners, board of directors, institutional ownership, managerial ownership, audit committee, company size and leverage, the financial performance (ROA) will be 21.82268 or in other words if the variable independent is considered constant (value = 0) then financial performance (ROA) has a value of 21.82268.
- 2) 2) The variable of the board of commissioners has a coefficient value of 0.552911 with a positive coefficient, so the results explain that every increase in the board of commissioners with the assumption that other independent variables are fixed (value = 0) will increase the Return on Assets by 0.552911.
- 3) 3) The independent commissioner variable has a coefficient value of 1.929088 with a positive coefficient, so the results explain that each increase in independent commissioners with the assumption that other independent variables are fixed (value = 0) will increase Return on Assets by 1.929088.
- 4) The variable of the board of directors has a coefficient value of 0.573768 with a positive coefficient, so the results explain that each increase in the board of directors with the assumption that other independent variables remain (value = 0) will increase Return on Assets by 0.573768.
- 5) The institutional ownership variable has a coefficient value of 0.079204 with a positive coefficient, so the results explain that any increase in institutional ownership with the assumption that other independent variables remain (value = 0) will increase Return on Assets by 0.079204.
- 6) The managerial ownership variable has a coefficient value of 0.048384 with a positive coefficient, so the results explain that any increase in managerial ownership with the assumption that other independent variables are fixed (value = 0) will increase Return on Assets by 0.048384.
- 7) The audit committee variable has a coefficient value of 1.393171 with a positive coefficient, so the results explain that any increase in the audit committee with the assumption that other independent variables remain (value = 0) will increase Return on Assets by 1.393171.

4.5 Hypothesis test

4.5.1 Partial Test (T test)

To determine whether the hypothesis is accepted or rejected, it can be done by comparing $t_{count} > t_{table}$, so the independent variable is considered to have an influence on the dependent variable, whereas if $t_{count} < t_{table}$, then the independent variable is considered to have no influence on the dependent variable.

In this study, the number of observations (n) was 436, the number of independent variables (k) was 8, the degree of freedom (df) = $n-k-1$, namely $436-8-1 = 427$, where the significant level was $\alpha = 0.05$. So that the table can be determined using the following formula:

$$t_{table} = \text{TINV}(\text{probability}; \text{deg_freedom})$$

$$t_{table} = \text{TINV}(0,05;427)$$

$$t_{table} = 1.965535$$

The first hypothesis (H1) in this study is that the board of commissioners has a positive effect on financial performance (ROA). The results of the t statistical test in table 4.9 show that the t-count value is smaller than the t-table value ($t_{count} < t_{table}$), namely $1.174940 < 1.965535$ with a probability of $0.1726 > 0.05$, which means that the board of commissioners has no effect on Return on Assets (ROA). Thus the hypothesis which states that the board of commissioners has a positive effect on financial performance (ROA) cannot be accepted (rejected).

The second hypothesis (H2) in this study is that independent commissioners have a positive effect on financial performance (ROA). The results of the t statistical test in table 4.9 show that the t-count value is smaller than the t-table value ($t_{count} < t_{table}$), namely $0.499896 < 1.965535$ with a probability of $0.6175 > 0.05$, which means that independent commissioners have no effect on financial performance (ROA). Thus the hypothesis which states that independent commissioners have a positive effect on financial performance (ROA) cannot be accepted (rejected).

The third hypothesis (H3) in this study is that the board of directors has a positive effect on financial performance (ROA). The results of the t statistical test in table 4.9 show that the t-count value is greater than the t-table value ($t_{count} > t_{table}$), namely $3.476950 > 1.965535$ with a probability of $0.0031 < 0.05$, which means that the board of directors has an effect on financial performance (ROA). Thus the hypothesis which states that the board of directors has a positive effect on financial performance (ROA) can be accepted.

The fourth hypothesis (H4) in this study is that institutional ownership has a positive effect on financial performance (ROA). The results of the t statistical test in table 4.9 show that the t-count value is greater than the t-table value ($t_{count} > t_{table}$), namely $3.153843 > 1.965535$ with a probability of $0.0018 < 0.05$, which means that institutional ownership has an effect on financial performance (ROA). Thus the hypothesis which states that institutional ownership has a positive effect on financial performance (ROA) can be accepted.

The fifth hypothesis (H5) in this study is that managerial ownership has a positive effect on financial performance (ROA). The results of the t statistical test in table 4.9 show that the t-count value is smaller than the t-table value ($t_{count} < t_{table}$), namely $1.557065 < 1.965535$ with a probability of $0.1204 > 0.05$, which means that managerial ownership has no effect on Return on Assets (ROA). Thus the hypothesis that managerial ownership has a positive effect on financial performance (ROA) cannot be accepted (rejected).

The sixth hypothesis (H6) in this study is that the audit committee has a positive effect on financial performance (ROA). The results of the t statistical test in table 4.9 show that the t-count value is greater than the t-table value ($t_{count} > t_{table}$), namely $3.649780 > 1.965535$ with a probability of $0.0210 < 0.05$, which means that the audit committee has an effect on financial performance

(ROA). Thus the hypothesis which states that audit committees have a positive effect on financial performance (ROA) can be accepted.

4.5.2 Simultaneous Test (Test F)

Table 4.10 F Test Results

R-squared	0.857339	Mean dependent var	5.030390
Adjusted R-squared	0.805462	S.D. dependent var	8.478807
S.E. of regression	3.739703	Sum squared resid	4461.335
F-statistic	16.52643	Durbin-Watson stat	2.375090
Prob(F-statistic)	0.000000		

(Source: The result of data processing with Eviews version 10.0)

Based on table 4.10, the results of the panel data regression model fixed effect obtained Fcount of 16.52643 with a p-value of F-statistic of 0.000000. Based on the Ftable, the value is 1.960089 with $df_1 = (k-1) = (9-1) = 8$ and $df_2 = (n-k) = (436-9) = 427$ with degrees of freedom $\alpha = 0.05$ ($\alpha = 5\%$). This means that $F_{count} > F_{table}$ or $16.52643 > 1.960089$ with a p-value F-statistic < 0.05 or equal to $0.000000 < 0.05$, which means that the independent variables are board of commissioners, independent commissioners, board of directors, institutional ownership, managerial ownership, audit committee, company size, and DER simultaneously influence the dependent variable, namely financial performance (ROA).

4.5.3 Coefficient of Determination (R²)

Based on table 4.9, the results of the adjusted R-squared coefficient of determination are 0.805462 or 80.54%, which means that 80.54% of the variation in Return on Assets (ROA) can be explained by the variable of the board of commissioners, independent commissioners, board of directors, institutional ownership, managerial ownership, audit committee, company size, and financial leverage (DER). While the remaining 19.46% (100% - 80.54%) is explained by other factors that are not included in this research model.

4.5.4 Interpretation of Research Result

1) The Effect of the Board of Commissioners on Financial Performance (ROA)

The results of the analysis of the first hypothesis in this study indicate that the board of commissioners has no effect on Return on Assets (ROA). This is supported by the results of testing using Eviews version 10.0 which can be seen in table 4.9. From these results indicate that the value of t count is smaller than the value of t table ($t_{count} < t_{table}$), namely $1.174940 < 1.965535$. while the probability value is greater than the significance level ($Prob > 0.05$), with a probability of $0.2409 > 0.05$, which means that the board of commissioners has no effect on Return on Assets (ROA). This means that the greater the number of members of the board of commissioners will have a tendency to obtain lower financial performance, because there will be disagreements between the board of commissioners, so that the board of commissioners will have more difficulty in carrying out its role. This research is in line with research conducted by Fitriani and Zamzami (2018) and Anggraini et al. (2019) which shows that the size of the board of commissioners has no effect on financial performance (ROA). And the results of this study contradict research conducted by Kirana and Wahyudi (2015) and Novian and Septiani (2013) which state that board of commissioners size has a positive effect on company performance.

2) The Effect of Independent Commissioners on Financial Performance (ROA)

The results of the analysis of the second hypothesis in this study indicate that independent commissioners have no effect on Return on Assets (ROA). This is supported by the results of testing using Eviews version 10.0 which can be seen in table 4.9. From these results, it shows that the t-count value is smaller than the t-table value ($t_{count} < t_{table}$), namely $0.499896 < 1.965535$ with a probability of $0.6175 > 0.05$, which means that independent commissioners have no effect on financial performance (ROA). This means that the size of the proportion of the independent board of commissioners does not guarantee whether or not the functions of supervision, management, and accurate decision making in a company are good. The results of this study are in line with research conducted by Mulyasari et al. (2017) and Aziz and Hartono (2017) which state that the independent board of commissioners has no effect on financial performance (ROA). And the results of this study are different from research conducted by Kirana and Wahyudi (2016) and Susilo and Fuad (2018) which state that the independent board of commissioners has a significant and positive effect on financial performance (ROA).

3) The Effect of the Board of Directors on Financial Performance (ROA)

The results of the analysis of the third hypothesis in this study indicate that the board of directors has a positive effect on Return on Assets (ROA). This is supported by the results of testing using Eviews version 10.0 which can be seen in table 4.9. From these results indicate that the value of t is greater than the value of t table ($t_{count} > t_{table}$), namely $3.476950 > 1.965535$ with a probability of $0.0031 < 0.05$, which means that the board of directors has an effect on financial performance (ROA). This means that the good and bad financial performance of the company depends on the ability of the board of directors as a better company resource. The large number of directors is generally realized in the placement of each director in certain areas that are controlled so that each director has focused responsibilities, duties and authorities so that the vision, mission and company goals can be implemented and achieved as planned. The results of this study are in line with research conducted by Fitriani and Zamzami (2018) and Juliana et al. (2018) which states that the size of the board of directors has a significant effect on financial performance. The results of this study are not in line with research conducted by Anggraini et al. (2019) and Fahmi and Rahayu (2017) which state that there is no positive and significant influence between board size and company performance.

4) The Effect of Institutional Ownership on Financial Performance (ROA)

The results of the analysis of the fourth hypothesis in this study indicate that institutional ownership has a positive effect on Return on Assets (ROA). This is supported by the results of testing using Eviews version 10.0 which can be seen in table 4.9. From these results, it shows that the value of t is greater than the value of t table ($t_{count} > t_{table}$), namely $3.153843 > 1.965535$ with a probability of $0.0018 < 0.05$, which means that institutional ownership has an effect on financial performance (ROA). This proves that the existence of institutional ownership can improve company performance. Institutional ownership has an important meaning in monitoring the company, the existence of institutional ownership is considered to be an effective monitoring mechanism in every decision making and can guarantee prosperity to shareholders and prevent managers from taking opportunistic actions. The results of this study are in line with research conducted by Mulyasari et al. (2017), Lestari and Yulianawati (2015), and Berliani et al. (2017) which states that institutional ownership has a positive effect on financial performance. While the results of this study are not in line with research conducted by Erawati and Wahyuni (2019) and Juliana et al. (2018) which states that institutional ownership does not have a significant effect on financial performance.

5) The Effect of Managerial Ownership on Financial Performance (ROA)

The results of the analysis of the fifth hypothesis in this study indicate that managerial ownership has no effect on Return on Assets (ROA). This is supported by the results of testing using Eviews version 10.0 which can be seen in table 4.9. From these results, it shows that the t-count value is smaller than the t-table value ($t_{count} < t_{table}$), namely $1.557065 < 1.965535$ with a probability of $0.1204 > 0.05$, which means that managerial ownership has no effect on Return on Assets (ROA). Managerial ownership that is too high can have a negative impact on the company, because they will have a strong position to control the company and external shareholders will find it difficult to control the manager's actions. This means that a large number of managerial ownership is not able to equalize the interests of shareholders with management, so that the company's goals in achieving high financial performance cannot be achieved. The results of this study are in line with research conducted by Erawati and Wahyuni (2019) and Mulyasari et al. (2017) which shows that managerial ownership has no significant effect on the company's financial performance. The results of this study are different from research conducted by Candradewi and Sedana (2016) and Hermiyetti and Katlanis (2017) which concluded that managerial ownership has a positive and significant effect on Return on Assets (ROA).

6) The Effect of the Audit Committee on Financial Performance (ROA)

The results of the analysis of the sixth hypothesis in this study indicate that the audit committee has a positive effect on Return on Assets (ROA). This is supported by the results of testing using Eviews version 10.0 which can be seen in table 4.9. From these results, it shows that the t-count value is greater than the t-table value ($t_{count} > t_{table}$), which is $3.649780 > 1.965535$ with a probability of $0.0210 < 0.05$, which means that the audit committee has an effect on financial performance (ROE). This proves that the existence of an audit committee within the company has a role in changing management behavior patterns. Companies that have an audit committee have a positive image in the eyes of investors, and are expected to reduce agency conflicts so that the financial reports submitted to related parties can be trusted and can improve the company's financial performance. The results of this study are in accordance with research conducted by Kirana and Wahyudi (2016) and Anggraini et al. (2019) which shows that the number and existence of audit committees has a positive effect on financial performance. The results of this study are not in line with research conducted by Lestari and Yulianawati (2015) and Juliana et al. (2018) which states that the number of audit committees has no effect on the company's financial performance.

5. CONCLUSIONS AND SUGGESTIONS

5.1 Conclusion

Based on the results of statistical tests that have been carried out, the following results can be concluded:

1. The board of commissioners has no effect on financial performance. Due to the increasing number of members of the board of commissioners, the problem of differences of opinion between the board of commissioners will arise, so that the board of commissioners will have more difficulty in carrying out its role as a control function, it is difficult to supervise and control management actions, and it is difficult to make decisions that are useful to the company because it cannot perform better communication and coordination to improve company performance. Fitriani and Zamzami (2015) also state that the appointment of the board of commissioners is likely to be done to comply with regulations from regulators only. In theory, the role of the board of commissioners in a company is more emphasized on the monitoring function of the implementation of board of directors' policies.
2. Independent commissioner has no effect on financial performance. The independent board of commissioners does not make a positive contribution to the company's financial performance. This means that the size of the proportion of independent commissioners cannot guarantee whether or not the functions of supervision, management, and accurate decision making in a company are good or bad. Mulyasari et al. (2017) and Aziz and Hartono (2017) state that the independent board of commissioners does not provide a major contribution and impact on the company's financial performance. It is possible that the existence of an independent company commissioner is only to comply with regulations so that it does not enforce good corporate governance.
3. The board of directors has a positive effect on financial performance. The OECD principle explains that directors have considerable responsibility in company activities, where directors must be able to manage company assets, be able to make policies based on complete data, and ensure the integrity of corporate accounting. Fitriani and Zamzami (2018) and Juliana et al. (2018) state that it is the directors who make decisions regarding the company's operational activities. With the presence of many members of the board of directors, decision making does not only focus on one party.
4. Institutional ownership has a positive effect on financial performance. This shows that the greater the institutional ownership, the greater the supervision effort, thereby reducing the opportunistic behavior of managers and the company will be more focused on achieving performance. By increasing institutional ownership, it means that management performance is optimally supervised by shareholders. As stated by Mulyasari et al. (2017), Lestari and Yulianawati (2015), and Berliani et al. (2017), increasing institutional ownership means that the company's performance is optimally supervised by shareholders.
5. Managerial ownership has no effect on financial performance. Managerial ownership is too high can have a negative impact on the company, because they will have a strong position to control the company and external shareholders will find it difficult to control the actions of managers. Erawati and Wahyuni (2019) explain that a large number of managerial ownership is not able to equalize the interests of shareholders with management, so that the company's goals in achieving high financial performance cannot be achieved.
6. The audit committee has a positive effect on financial performance. The existence of an audit committee is expected to minimize management's efforts to manipulate data related to finance and accounting procedures, so as to maximize the performance which is the responsibility of the board of directors and their staff. In addition, the existence of the audit committee also provides a positive response for investors and analysts because they consider that the quality of the company's financial reporting can be more credible and trusted. The number of company

audit committees is the main factor determining the effectiveness of supervision over financial reports (Angraini et al., 2019).

5.2 Suggestion

Based on the results of testing the sample and the conclusions above, the suggestions that can be given to be input for companies, investors, and further researchers to improve the research are as follows:

1. For companies:

The results of this study prove that the board of commissioners and independent commissioners has no effect on financial performance. Therefore, companies are advised to consider the proportion of the presence of the independence of the board of commissioners more when its members do not understand the ins and outs of the company and the supervision is ineffective to help improve the company's financial performance. And the results of this study can be used as a reference for companies in improving the application of the principles of Good Corporate Governance in order to improve financial performance.

2. For investors:

Investors should pay more attention to the ROA value before deciding to invest in a company, because the ROA value can illustrate the amount of return and risk that investors will face from their investment.

3. For Regulators:

This research is expected to be an illustration and also input for regulators to regulate the implementation of Good Corporate Governance in companies in Indonesia, especially regulations regarding the provisions of the board of commissioners and independent commissioners as stipulated in the Financial Services Authority Regulation number 33 / PJOK.04 / 2014.

5.3 Research and Development Limitation of Further Research

This study has limitations, including the following:

1. This study uses leverage and firm size as control variables. For further researchers, it is hoped that they can add other variables such as intervening variables or moderating variables.
2. This study uses the Return on Asset (ROA) component as an analysis tool for measuring financial performance, further researchers can use other measurement models such as Return on Equity (ROE), Return on Investment (ROI), Earnings per Share (EPS), and others. .

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