THE EFFECT OF GOOD CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE IN THE MINING SECTOR REGISTERED IN INDONESIA STOCK EXCHANGE 2016-2019 PERIOD

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ABSTRACT *This study aims to determine the effect of Good Corporate Governance on Financial Performance in mining sector companies listed on the Indonesia Stock Exchange (BEI).*

This study uses an associative research strategy and the data analysis method used is linear regression analysis of panel data with Eviews 10. The population of this study is all mining sector companies listed on the Indonesia Stock Exchange in 2016-2019. The sample was determined based on the purposive sampling method, in order to obtain a sample of 20 companies. The data collection method uses documentation through the official IDX website www.idx.co.id. In this study, the classical assumption test, the best test model estimation, hypothesis testing and goodness of fit assessment through multiple linear regression analysis, determination coefficient (R2) and partial test (t test) were carried out.

The research results prove that (1) Partially the Board of Commissioners has a significant positive effect

on Financial Performance (2) Institutional Ownership has a significant positive effect on Financial Performance, (3) Managerial Ownership has no significant effect on Financial Performance.

Keywords: Financial Performance, Board of Commissioners, Institutional Ownership and Managerial Ownership.

PRELIMINARY

Objectively, the reason for conducting research on Good Corporate Governance is because the implementation of Good Corporate Governance in the mining sector is very necessary for the control system and company regulation, so that we can find out whether the financial statements presented by the company are actual facts about the company's economic condition because if the financial statements are not showing actual information about management performance can have an impact on the goals achieved by users of financial statements.

The implementation of Good Corporate Governance is the company's concern as an effort of the company's commitment to implementing better corporate governance, besides this, the implementation of good corporate governance is part of an effort to increase business success and corporate accountability and in the long term it is expected to increase corporate value.

Meanwhile, according to Santoso (2017) the corporate governance mechanism refers to a set of mechanisms that influence a decision to be taken by a leader, the decision will be taken when there is a separation of interests and control. In this study, there are 4 mechanisms used, namely: managerial ownership, institutional ownership, the size of the board of commissioners and audit committee, these four variables can be used to avoid agency conflicts that often occur in companies.

The board of commissioners itself is a source of resilience and success for a company, in a company today it is required to have at least one independent commissioner from outside the company who does not have an affiliated relationship with their company to function as

supervisory function. Furthermore, the board of directors according to UUPT (law on limited liability companies) number 40 of 2017 in article 1 number 5 states that the definition of a board of directors is a person in the company who is authorized and responsible for all company activities.

According to Iswada et al. (2017) Institutional ownership of the existence of institutional investors for companies is the most effective monitoring mechanism, for management to make decisions besides institutional ownership there is also managerial ownership, this ownership is seen from how many shares the management has in a company.

The implementation of Good Corporate Governance is expected to maintain the continuity between the rights and obligations of shareholders, managers, creditors, government, employees and other stakeholders so that no party is harmed, the negative impact is not implemented by the Good Corporate Governance mechanism. really supervise every activity in the company so that irregularities do not occur.

Review of Previous Research Results

Research conducted by Abdul Azis and Ulil Hartanto (2017). This study aims to determine the effect of the size of the board of commissioners, independent commissioners, audit committee, long-term debt equity ratio, debt to assets ratio, and debt to equity ratio on the financial performance of mining sector companies listed on the Indonesia Stock Exchange (BEI) in 2011- 2015. The population of this study were 41 companies, the sample consisted of 28 companies which were taken using purposive sampling. This research uses multiple linear regression method. The results of this study indicate that most of the variable size board, independent commissioners, audit committee, long-term equity ratios, and debt to corporate equity ratios have no effect on the company's financial appearance. The debt to asset ratio variable significantly negatively affects the company's financial performance. Simultaneously, board size, independent commissioners, audit committee, long-term equity ratio, debt to asset ratio, and debt to equity ratio affect a company's financial performance. The main recommendation given is research on the effects of the debt asset ratio, the repetition of the company's financial performance, if the company uses debt to asset ratio to external funding it will affect the company's financial performance to decline. Investors can use debt on assets and considerations in making investment decisions.

Fatimah et.al (2017). The purpose of this study was to determine how the influence of good corporate governance which is proxied by managerial ownership on firm value with financial performance as an intervening variable. This research is a type of quantitative research. The population in this study are manufacturing companies listed on the Indonesia Stock Exchange (BEI) during the 2015-1017 period. The method of analysis of this study using multiple regression analysis techniques. The sample was selected using purposive sampling. The results showed that good corporate governance has a significant positive effect on firm value. Good corporate governance has a significant positive effect on financial performance. Financial performance has a significant effect on firm value. Meanwhile, good corporate governance has a significant indirect effect on firm value by using financial performance as an intervening variable.

Citra Berliani and Akhmad Riduwan (2017). This study aims to examine the effect of Good Corporate Governance, financial performance, and company size on company value LQ45. The samples taken are LQ45 companies listed on the Indonesia Stock Exchange in the 2011-2015 period. The total sample of the study was 20 companies which were determined by purposive sampling. The method of analysis of this study uses multiple regression analysis techniques. The results showed that managerial ownership has a positive effect on firm value because managerial ownership will reduce agency conflicts within the company. Institutional ownership has a positive effect on firm value because this ownership is a monitoring mechanism that ensures an increase in the welfare of shareholders. Independent commissioners have a positive effect on firm value because many independent commissioners indicate that independent commissioners carry out good supervision and coordination in maintaining the balance of majority and minority shareholders. ROA has a positive effect on firm value because the higher the ROA, the better the company's financial performance. ROE has a positive effect on firm value because the higher ROE, the higher the company generates profits. Firm size has no effect on firm value because firm size is not an important factor to consider in investing.

Alfiah Kurniasanti and Musdholifah Musdholifah (2018). This study aims to determine the factors that influence corporate governance (board of commissioners, managerial ownership, institutional ownership, audit committee, and independent commissioners, financial ratios

(profitability, leverage, liquidity and efficiency), firm size and macroeconomics. There are 17 mining sector companies in Indonesia selected using purposive sampling. This study uses data for the period 2012-2016. The data analysis technique used is logistic regression. The results show that profitability (return) on assets) and efficiency (asset turnover) have an effect negative towards financial distress and other variables of the board of commissioners, managerial ownership, institutional ownership, audit committee, independent commissioners, leverage, liquidity, company size, inflation and interest have no effect on financial distress.Therefore, mining companies are expected to pay attention to increase in t The return value of assets and asset turnover so that the company can avoid financial distress.

Muhammad Saifi (2019). This study aims to examine the effect of corporate governance and ownership structure on corporate financial performance. Good corporate governance is proxied by the proportion of independent board of commissioners, while ownership structure is proxied by the proportion of institutional and managerial ownership. Financial performance indicators are measured by Return on Equity (ROE) and Return on Assets (ROA). The sample used was 22 companies from a population of 54 property and real estate companies that went public on the Indonesia Stock Exchange and obtained a total of 110 observations for the 2011-2015 period. The sample was determined using a purposive sampling method. This study uses multiple regression analysis and is processed using SPSS. The results showed that there was a significant negative effect between the proportion of independent commissioners and institutional ownership on financial performance as measured by ROE. However, managerial ownership was found to have no significant effect on financial performance as measured by ROE. Other results indicate that the proportion of independent commissioners, institutional ownership, and managerial ownership has a positive and significant effect on financial performance as measured by ROA.

Yugo Purwantoro (2020). The purpose of this study was to determine the effect of financial performance on firm value by using Good Corporate Governance as a moderating variable in mining companies. Financial performance is measured using ROA, CE and DER and firm value is measured using Price to Book Value (PBV). The object of this research is mining companies listed on the Indonesia Stock Exchange during 2013-2018. The sampling technique used purposive sampling. The research sample was 33 companies with 118 observations. The

data analysis technique was performed using statistical methods through multiple linear regression analysis. The results showed that ROA partially has a significant positive effect on firm value, while DER partially has a significant negative effect on firm value. CR partially has a negative and insignificant effect on firm value. The next results show that the board of commissioners is able to strengthen the relationship between ROA and firm value and independent commissioners are not able to strengthen the relationship between ROA and firm value.

Sana Iqbal et.al (2018). This study aims to analyze corporate governance and financial performance relationships for MFIs in Asia. We used a panel data set involving 173 MFIs in 18 Asian countries over the period 2007–2011. The method used is a two-way relationship between this index and each of the five different financial performance indicators. Our results confirm the endogenous nature of corporate governance and financial performance. We conclude that the profitability and sustainability of MFIs increase with good governance practices and that the more profitable and sustainable MFIs have better governance systems.

Ilhan Ciftcia et.al (2019). This study aims to determine the application of corporate governance and company performance in emerging markets. The data collection technique used both cross-sectional observations and time series that matched the panel data. The results of this study indicate that more concentrated ownership mechanisms, often in the hands of the family, lead to better company performance, concentrated ownership means that controlling the family bears more risk of poor performance. Given that the institutional environment is closely aligned with family ownership, then mechanisms that allow room for more voice and interest within and outside the family - larger councils and foreign ownership - also appear to be producing positive results. effect. Researchers also note that the increase in cross-ownership does not affect market performance, but has a negative relationship with accounting performance. In contrast, researchers found that a higher proportion of family members on the board had no visible effect on performance. These findings provide further insight into the relationship between the types of institutions faced in many emerging markets, the configuration of internal corporate governance, and firm performance.

Tajudeen J. AYOOLA et.al (2013). The aim of this study is to conduct a business case assessment for integrated reporting in the Nigerian oil and gas sector. The study focused on six major oil multinational companies operating in the petroleum sector in the industry. Data is sourced through analysis of annual report content, standalone sustainability reports, and other triple-line reporting publications. The results of the study found that efforts to address environmental, social and governance (ESG) reporting are ad hoc, short-term and not related to the company's core activities so they are not integrated into their strategy and business model. Information about LSTs is also duplicated in many media in a haphazard and distorted form. Therefore, the study concludes that the introduction of integrated reporting will streamline performance reporting in line with international best practice in the sector.

RESEARCH STRATEGY

This study uses qualitative research, the strategy used in this study is associative research, associative research is research that aims to determine the influence or relationship between 2 or more variables. This study aims to examine the effect of corporate governance mechanisms on financial performance, especially in the mining sector listed on the Indonesia Stock Exchange.

Research Data and Data Collection Methods

Research data

The data used in this study are secondary data types, meaning secondary data is the source of data obtained indirectly (through intermediary media), usually secondary data in the form of company documentation, books or libraries related to this research topic.

Data Collection Methods

The data collection method is a method that can be used by researchers to collect research data using data sources from the official website of the Indonesian stock exchange, the data source is obtained by downloading the company's annual report, then processing it so that it can become information that can support this research.

Data Analysis Methods

Hypothesis Testing Methods

Hypothesis testing model in this research is multiple linear regression testing model and panel.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Information :

Y: Financial Performance

α: Constant

β1 β2 β3: Coefficient of Regression Equations

X1: Size of the Board of Commissioners

X2: Institutional Ownership

X3: Managerial Ownership

e: error

Descriptive Statistical Data Analysis

According to Sujarweni (2015: 29) This research uses descriptive statistical analysis, descriptive statistics are data management for the purpose of describing or providing an overview of the object to be studied through sample or population data.

Classical Assumption Test Analysis

Classic assumption test, this test is done first before testing the hypothesis, the goal is to find out whether the data has met the classical assumptions and becomes data that can be applied in the regression model.

Autocoleration Test

This test is conducted to determine whether there is any correlation between disturbing variables in a certain period with the previous variable, if there is a correlation then there is an auto-cholersion problem in that variable.

Heteroscedasticity Test

This test is conducted to test the difference in residual variance from one observation to another observation period.

Multicollinearity Test

This test is needed to determine whether or not there are independent variables that have similarities between the variables in one model.

Normality test

The normality test aims to test whether in the regression model the confounding or residual variables have a normal distribution or not

Panel Data Linear Regression Model

Panel data regression analysis is a regression analysis with a panel data structure to observe the relationship between one dependent variable and one or more independent variables, there are several panel data regression models including models with constant slope and variable intercept.

Panel Data Model Approach

Common Effect Model (CEM)

According to Baltagi (2015) the model without individual influence (Common Effect) is an estimation that combines (pooled) all time series and cross section data.

Fixed Effect Model (FEM)

The estimation of panel data regression parameters with the Fixed Effect Model uses the technique of adding dummy variables so that this model is often called the Least Square Dunny Variable (LSDV).

Random Effect Model (REM)

This model will estimate panel data where the disturbance variable may be interrelated between individuals. In the Random Effect model, the difference in intercept is accommodated by the continuous error of each company.

Panel Data Model Testing

Chow test

The Chow test is a test used to select the best approach between the Common Effect Model (CEM) and the Fixed Effect Model (FEM) in estimating panel data.

Hausman Test

The Hausman test is a test used to select the best approach between the Random Effect Model (REM) approach and the Fixed Effect Model (FEM).

Lagrange Multipeller (LM) Test

The lagrange multipeller test is a test used to select the best approach between the Common Effect Model (CEM) and the Random Effect Model (REM) in estimating panel data.

Hypothesis testing

Hypothesis testing here is useful for checking or testing whether the regression coefficient obtained is significant or not.

Test the provisibility of the model estimate (goodness of fit)

The determination of the model estimate (goodness of fit) or often called the coefficient of determination (R Squared) aims to measure how far the model's ability to explain the dependent variation, the coefficient of determination is between zero and one.

F Regression Test (Simultaneous)

Hypothesis testing for each variable individually uses f regression (simultaneous). Basically, the F test is used to show whether all the independent variables included in the model have a joint influence on the dependent variable.

T test

The t test is conducted to determine whether there is an influence between the independent variable and the dependent variable.

RESULTS AND DISCUSSION

Description of Research Object

The population used in this research is the mining companies listed on the Indonesia Stock Exchange from 2016 to 2019 totaling 48 companies. The sample selection is done through purposive sampling technique by determining certain criteria that have been adjusted to the problem and research objectives. The results obtained were 20 companies that were used as samples.

Descriptive Statistical Analysis

Table 4.1. Descriptive Statistical Analysis Results

Date: 08/19/20
Time: 18:50
Sample: 2016 2019

	ROA	C	DK	INST	KMNJ
Mean	0.070550	1.000000	2.787500	0.542239	0.191639
Median	0.043149	1.000000	2.000000	0.598989	0.100000
Maximum	0.455579	1.000000	8.000000	0.970000	0.751120
Minimum	-0.201688	1.000000	1.000000	0.038462	0.000001
Std. Dev.	0.109825	0.000000	2.066574	0.233747	0.242211

Source: Eviews version 10 processing results

Based on table 4.1. there are 80 total data used in this research. Besides that, it can also be explained as follows:

1. The financial performance variable has an average value of 0.070550, a median value of 0.043149, a maximum value of 0.455579, a minimum value of -0.201688 and a standard deviation of 0.109825 during the 2016-2019 period.
2. The Board of Commissioners variable has an average value of 2.787500, a median value of 2.000000, a maximum value of 8.000000, a minimum value of 1.000000 and a standard deviation of 2.066574 during the 2016-2019 period.
3. The Institutional Ownership variable has an average value of 0.542239, a median value of 0.598989, a maximum value of 0.970000, a minimum value of 0.038462 and a standard deviation of 0.233747 during the 2016-2019 period.
4. The managerial ownership variable has an average value of 0.191639, a median value of 0.100000, a maximum value of 0.751120, a minimum value of 0.000001 and a standard deviation of 0.242211 during the 2016-2019 period.

Panel Data Selection Analysis

Likelihood Ratio Test

Table 4.2. Likelihood Ratio Test Results

Redundant Fixed Effects Tests
Equation: Untitled

Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	8.654037	(19,57)	0.0000
Cross-section Chi-square	108.563227	19	0.0000

Source: Eviews 10 processing results

Based on table 4.2. above, shows the Chi-Square Cross-section value is 108.563227 which is greater than the Chi-Square table value with α = 0.05 and df = 19 of 30.14353 (108.563227> 30.14353) and the probability value Chi-Square cross-section (0.0000) <α (0.05), so it can be concluded that H0 is rejected. This means that the model used in this study is the Fixed Effect model.

Hausman Test (Random Effect)

Table 4.3. Hausman Test Results

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	0.255534	3	0.9682

Source: Eviews 10

Based on table 4.3. above the random Cross-section value (Chi-Square Statistic) is 0.255534 which is smaller than the Chi-Square table value with α = 0.05 and df = 3 of 7.81473 (0.255534 <7.81473), and the probability value of random cross-section (0.9682)> α (0.05) so that it can be concluded that H1 is accepted. This means that the most appropriate model to use in the panel model is the Random Effect model.

Lagrange Multiplier (LM) test

Table 4.4. Lagrange Multiplier Test Results

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided
    (all others) alternatives

| | Test Hypothesis | | |
	Cross-section	Time	Both
Breusch-Pagan	51.14239	0.223462	51.36586
	(0.0000)	(0.6364)	(0.0000)

Source: Eviews 10

Based on table 4.4. above the Prob value. Breusch-Pagan (BP) of 0.0000 indicates that H0 is rejected. It means that the random effect model is selected in the Lagrange Multiplier test. Based on the Chow-test model test, it shows that the Fixed Effect model is selected. On the other hand, the results of the Hausman model test show that the Random Effect model is selected and the Lagrange Multiplier model test results indicate that the Random Effect is selected. From these results it is evident that the panel model chosen is the Random Effect model.

Classic assumption test

Normality test

Table 4.5. Normality Test Results
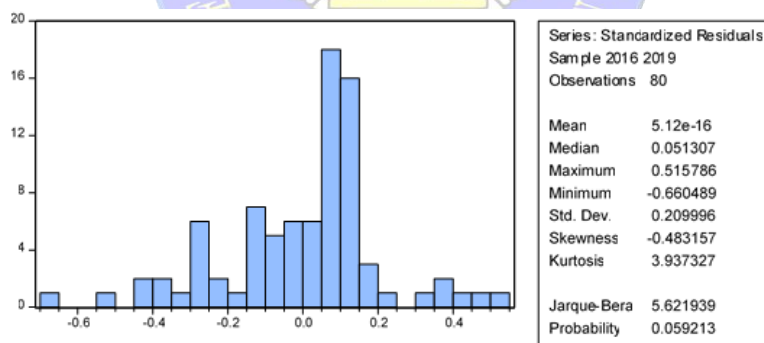
Source: Eviews 10

Based on the results of the normality test in table 4.5 above, the Skewness coefficient value is close to 0, namely -0.483157, the Kurtosis value is closer to number 3, namely with a value of 3.937327, the Jarque-Bera value is smaller, namely 5.621939 than the Chi-Square value (df) 2, namely 5.991 while the Probability value is 0.059213 which indicates the number is

greater than the value $\alpha = 0.05$. With the results above, it can be concluded that the null hypothesis (H0) cannot be rejected, which means that the data is normally distributed.

Multicollinearity Test

Table 4.6. Multicollinearity Test Results

	DK	INST	KMNJ
DK	1.000000	-0.338566	0.415283
INST	-0.338566	1.000000	-0.501346
KMNJ	0.415283	-0.501346	1.000000

Source: Eviews 10

Based on table 4.6, the results of the correlation between the 3 independent variables can be concluded as follows:

1. The board of commissioners variable has a correlation of -0.338566 with the institutional ownership variable, meaning that there is no multicollinearity between the board of commissioners variable and the institutional ownership variable. The board of commissioners variable has a correlation of 0.415283 with the managerial ownership variable, meaning that there is no multicollinearity between the board of commissioners variable and the managerial ownership variable.

2. The institutional ownership variable has a correlation of -0.338566 with the board of commissioners variable, meaning that there is no multicollinearity between the variable institutional ownership and the board of commissioners variable. The institutional ownership variable has a correlation of -0.501346 with the managerial ownership variable, meaning that there is no multicollinearity between the institutional ownership variable and the managerial ownership variable.

3. The managerial ownership variable has a correlation of 0.415283 with the board of commissioners variable, meaning that there is no multicollinearity between the managerial ownership variable and the board of commissioners variable. The managerial ownership variable has a correlation of -0.501346 with the institutional ownership variable, meaning that there is no multicollinearity between the managerial ownership variable and the institutional ownership variable.

Heteroscedasticity Test

Table 4.7. Pagan Godfrey's Breusch Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

F-statistic	0.922612	Prob. F(3,76)	0.4341
Obs*R-squared	2.811134	Prob. Chi-Square(3)	0.4217
Scaled explained SS	5.237508	Prob. Chi-Square(3)	0.1552

Source: Eviews 10

Based on table 4.7. Above, the results of the Breusch Pagan Godfrey test show that the probability value of F-statistic (F-count) is greater than α = 0.05, namely 0.4217, which means that 0.4217> 0.05, so it can be concluded that H0 is accepted, which means there is no heteroscedasticity problem in this study.

Autocorrelation Test

Table 4.8. Durbin Watson Test Results

Durbin Watson Stat	1.904026

Source: Eviews 10

Based on table 4.8, the results show that the Durbin-Watson Stat value is 1.904026. This test uses observational data of 80 samples and 3 independent variables. So it can be obtained the value of dL = 1.5337 and dU = 1.7430. So the conclusion of the Durbin Watson test can be described as follows:

Ada autokorelasi positif	Tidak dapat diputuskan	Tidak ada autokorelasi	Tidak dapat diputuskan	Ada autokorelasi negatif
0 1,5337	1.7430	2.2257	2.4663	4

1.904026

Information:

K = 3 + 1 = 4 (independent variable + dependent variable)

α = 0.05

Number of samples = 80

After viewing the DW table:

dL = 1.5337

dU = 1.7430

Based on Figure 4.8, it shows that the Durbin Watson value is between dU and 4-dU, which indicates that there is no autocorrelation.

Multiple Linear Regression Analysis

Table 4.9. Multiple Regression Equation Results

Dependent Variable: ROA
Method: Panel EGLS (Cross-section random effects)
Date: 08/19/20   Time: 18:53
Sample: 2016 2019
Periods included: 4
Cross-sections included: 20
Total panel (balanced) observations: 80
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.057321	0.049945	1.147666	0.2547
DK	0.005198	0.006361	2.817173	0.0164
INST	0.005987	0.060945	2.098232	0.0220
KMNJ	-0.023511	0.094172	-0.249656	0.8035

Effects Specification

Source: Eviews 10

Based on the results above, the results of the multiple linear regression equation are as follows:

ROA = 0.057321+ 0.005198 (X1) + 0.005987 (X2) - 0.023511 (X3) + e

Information:

Y: Financial Performance (ROA)

X1: Board of Commissioners (DK)

X2: Institutional Ownership (INST)

X3: Managerial Ownership (KMNJ)

α: Constants

e: Error, error rate

Based on the multiple linear regression equation above, it can be analyzed the effect of each independent variable on the dependent variable as follows:

1. A constant α of 0.057321 states that if the value of the Board of Commissioners (X1), Institutional Ownership (X2), and Managerial Ownership (X3) is constant, the financial performance will be 0.057321.
2. The regression coefficient X1 has a positive relationship of 0.005198 for the board of commissioners, meaning that every 1 change in the value of the board of commissioners, the amount of financial performance will increase by 0.005198 units, other factors are considered constant.
3. The regression coefficient X2 has a positive relationship of 0.005987 for institutional ownership, meaning that every 1 change in the value of institutional ownership, the amount of financial performance will increase by 0.005987 units, other factors are considered constant.
4. The regression coefficient value X3 has a negative relationship of 0.023511 for managerial ownership, meaning that every 1 change in the value of managerial ownership, the amount of financial performance will decrease by 0.023511 units, other factors are considered constant.

Hypothesis testing

Partial Testing (t test)

1) First Hypothesis (H1)

The t test can be seen from the partial significance test results. The results can be seen from table 4.9 that the tcount value is 1.99167 with a probability value (significance level) of 0.0164. So that 2.817173> 1.99167 then tcount> ttable with a probability value (significance level) of 0.0164 is smaller than 0.05 (0.0164 <0.05). Then these results state that H1 is accepted, meaning that the Board of Commissioners (X1) partially has a significant positive effect on financial performance (Y). Then the hypothesis H1 is proven.

2) Second Hypothesis (H2)

The t test can be seen from the partial significance test results. The results can be seen from table 4.9 that the t-count value is 1.99167 with a probability value (significance level) of 0.0220. So that 2.098232> 1.99167 then tcount> t table with a probability value (significance level) of 0.0220 is smaller than 0.05 (0.0220 <0.05). Then these results state that H2 is accepted, meaning that Institutional Ownership (X2) partially has a significant positive effect on financial performance (Y). Then the H2 hypothesis is proven.

3) Third Hypothesis (H3)

The t test can be seen from the partial significance test results. The results can be seen from table 4.9 that the t-count value is 1.99167 with a probability value (significance level) of 0.8035. So that -0.249656 <1.99167, then tcount <ttable with a probability value (significance level) of 0.8035 is greater than 0.05 (0.8035> 0.05). Then these results state that H3 is rejected, meaning Managerial Ownership (X3) partially does not have a significant effect on financial performance (Y). So the hypothesis H3 is not proven.

Coefficient of Determination (R2)

Table 4.10. Determination Coefficient Test Results

Adjusted R-squared	0,729907

Source: Eviews 10

Based on table 4.10 it states that the Adjusted R-squared value is 0.729907, meaning that the coefficient of determination of this study is 0.729907, this states that the independent variable is able to explain the dependent variable only at 72.9907% and the remaining 27.0093% is influenced by other independent variables not examined in this study.

Interpretation of Research Results

The Effect of the Board of Commissioners on Financial Performance

The results of the analysis state that the t-statistic significance value of the Board of Commissioners (X1) is 0.0164 <0.05. Then these results state that the board of commissioners (X1) partially has a significant effect on financial performance. The board of commissioners is in

charge of supervising and providing input to the company's board of directors. The main function of the board of commissioners is to oversee the completeness and quality of report information on the performance of the board of directors. With the increasing number of members of the board of commissioners, the supervision of the board of directors is much better, the input or options that will be obtained by the directors will be far more. For this reason, research is still needed that can prove the effect of board size on company performance. This research is in line with research conducted by Muhammad Syaifi (2019) which states that the board of commissioners has a significant positive effect on financial performance.

The Influence of Institutional Ownership on Financial Performance

The analysis result states that the significance value of Institutional Ownership (X2) is 0.0220 <0.05. Then these results indicate that institutional ownership has a significant effect on financial performance. Institutional ownership can minimize conflicts of interest between the principal and the agent. With institutional supervision, it can optimize supervision of management performance to avoid misconduct by management. So that the existence of institutional involvement with the company can have an effect on improving better company performance. This research is in line with that conducted by Muhammad Syaifi (2019) which states that institutional ownership has a significant positive effect on financial performance.

The Effect of Managerial Ownership on Financial Performance

The results of the analysis state that the significance value of Managerial Ownership (X3) is 0.8035> 0.05. Then these results state that managerial ownership has no significant effect on financial performance. This indicates that the higher the managerial ownership, the lower the company's financial performance. This is because in Indonesia, in particular, there are not many management parties who own significant company shares. This insignificant result indicates that the market does not use information about management ownership in making investment appraisals. The low shares owned by all the benefits can be enjoyed by the management which causes the management to be less motivated and the performance of management is low so that it does not affect the company's financial performance. This research is in line with research conducted by Resi Zarvina et al (2017) which states that managerial ownership has no significant effect on financial performance.

Conclusion

This study aims to determine the effect of good corporate governance on financial performance in mining companies listed on the Indonesia Stock Exchange for the period 2016-2019. Based on the results and discussion above, the following results can be concluded:

1. The board of commissioners has a significant positive effect on the financial performance of mining companies listed on the Indonesia Stock Exchange for the period 2016-2019.
2. Institutional ownership has a significant positive effect on financial performance of mining companies listed on the Indonesia Stock Exchange for the period 2016-2019.
3. Managerial ownership has no significant effect on the financial performance of mining companies listed on the Indonesia Stock Exchange for the period 2016-2019.

Suggestion

Realizing that there are still many shortcomings and limitations in this study, the authors try to provide suggestions that are expected to be useful and constructive input for the parties concerned, namely as follows:

1. For the Company
   The company must be able to determine a policy regarding the proportion of share ownership by management in the company so that it can be used to minimize agency costs.
2. For Investors
   Investors who invest in a company must pay attention to the efficiency of the company's agency costs before investing in the company.

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