Analysis of The Implementation of Good Corporate Governance in Financial Performance: Case Study of State-Owned Commercial Banks 2013–2020

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Abstract
This study aims to determine the effect of Good Corporate Governance on Financial Performance in state-owned commercial bank companies for the 2013–2020 period. GCG Disclosures are based on the Board of Directors, Independent Commissioners and the Audit Committee. Financial performance is proxied by profitability using ROA. The type of data used in this study is secondary data in the form of annual reports and continuous reports. This study uses a purposive sampling technique to obtain 4 company samples. The data analysis technique used panel data regression which was processed using EViews 10 software. The results of this study indicate that the Board of Directors, Independent Commissioners, and the Audit Committee simultaneously has no positive effect on Financial Performance, the Board of Directors, and the Audit Committee partially have no effect on financial performance. The Independent Commissioners partially have effect on financial performance

Key words: board of directors, independent commissioners, audit committee, good corporate governance, ROA

Introduction
State-Owned Enterprise Banks have a very large influence on banking in Indonesia. There are four banks that control state-owned banking including Bank Rakyat Indonesia (Persero) Tbk, Bank Mandiri (Persero) Tbk, Bank Negara Indonesia (Persero) Tbk, State Savings Bank (Persero) Tbk.

Financial performance is the basis for assessing success and failure according to the goals and objectives that have been set in order to realize the vision and mission of the organization Sedarmayati (2014:163). According to (Hery, 2015:25) financial performance is a formal effort to evaluate the efficiency and effectiveness of the company in generating profits and certain cash positions by measuring financial performance, it can be seen the prospects for the growth and development of the company’s finances. The company is said to be successful if the company has achieved a certain predetermined performance.

There are many benefits of implementing good corporate governance for the company’s performance, including the improvement of the company’s performance through the creation of a better decision-making process, increasing the company’s operational efficiency, and improving services to stakeholders. The influence of good corporate governance will also increase the transparency of financial statements that will show the company’s
Literature Review

Agency Theory

Agency theory has been used by various fields of science, such as sociology, organizational behavior, politics, marketing, finance, economics and accounting. However, this theory was first developed in economics such as Robert Wilson in 1968 in "On the theory of syndicates" and Kenneth Arrow in 1971 in Rahardjo's "Essays in the theory of risk bearing" (2018, p. 73). In addition, Hamdani (2016, p. 30) suggests that agency theory was also popularized by Jensen and Meckling in 1976. It explains that agency theory is related to human nature, including: First, prioritizing self-interest. Second, limited rationalization or minimal mindset about a perception in the future (bounded-rationality). Third, stay away from risk (risk-averse).

Good Corporate Governance

Khomsiyah in (Hamdani, 2016) defines good corporate governance according to The Indonesian Institute for Corporate Governance (IICG) as a structure and process that is implemented in implementing and managing the company in order to increase shareholder value in the long term while taking into account the interests of other bettors. According to the Turnbull Report in Tsuguoki Fujinama's quote in Effendi (2016), corporate governance is a company’s internal control mechanism that aims to manage risks that are quite influential on the company’s sustainability in order to meet its business goals by increasing the investment value of investors in the long term and securing assets owned by the company.

Board of Directors

According to the Financial Services Authority Regulation Number 33/PJOK.03/2014 concerning the Board of Directors and Board of Commissioners of Issuers or Public Companies Article 1, the board of directors is the organ of the issuer or public company that is authorized and fully responsible for the management of the issuer or public company for the benefit of the issuer or company. public, in accordance with the aims and objectives and representing the issuer or public company, both inside and outside the court in accordance with the provisions of the articles of association.

\[
\sum \text{Board of Directors}
\]

Independent Commissioner

Independent commissioner according to Bapepam Regulation No. Kep 29/PM/2004 is: "Members of commissioners who come from outside the issuer or public company, do not own shares, either directly or indirectly through issuers or public companies, have no affiliation with issuers or public companies, Commissioners, Directors or shareholders main issuer or public company and has no business relationship, either directly or indirectly related to the business activities of the issuer or public company."

\[
KI = \frac{\text{Number of Independent Commissioners}}{\text{Total Board of Commissioners}} \times 100\%
\]

Audit Committee

According to the Financial Services Authority Regulation Number 55/PJOK.04/2015 concerning the Establishment and Work Implementation Guidelines of the Audit Committee Article 1, the audit committee is a committee formed by and responsible to the board of commissioners to assist in carrying out the duties and functions of the board of commissioners. The number of audit committee members must be adjusted to the complexity of the company while taking into account effectiveness in decision making.

\[
\sum \text{Audit Committee}
\]
Banking Financial Performance

Banking financial performance can be measured by analyzing the bank’s financial ratios. According to (Hery, 2015:163), ratio analysis is an analysis that is carried out by connecting various estimates in financial statements in the form of financial ratios and can reveal important relationships between financial statement estimates and can be used to evaluate the financial condition and performance of the company.

\[
ROA = \frac{Profitbefore\text{tax}}{Average\text{TotalAssets}} \times 100
\]

Method

This research is a descriptive and causal research. The secondary data used are annual reports and sustainability reports. In this study, the object of this research is a state-owned commercial bank. There are 4 samples of companies that meet the criteria in an 8-year period starting from 2013-2020 so that 32 sample data are collected. This research uses panel data regression analysis method, and the equation is as follows.

\[
Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e
\]

description

- \(Y\) = Financial performance
- \(a\) = Constant
- \(X_1\) = Board of Directions
- \(X_2\) = Independent Commissioner
- \(X_3\) = Audit Committee
- \(b\) = Slope Coefficient
- \(e\) = Residual error (error)

Results and Discussion

Simultaneous Test (F Test) is used to determine whether all independent or independent variables included in the model have a joint effect on the dependent/bound variable.

<table>
<thead>
<tr>
<th>Table 1. F Test</th>
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</thead>
<tbody>
<tr>
<td>Effects Specification</td>
</tr>
<tr>
<td>R-Squared</td>
</tr>
<tr>
<td>Adjusted R-Squared</td>
</tr>
<tr>
<td>SE of Regression</td>
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<tr>
<td>Sum squared resid</td>
</tr>
<tr>
<td>Likelihood logs</td>
</tr>
<tr>
<td>F-statistics</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
</tr>
</tbody>
</table>

Based on the table above, the probability value simultaneously is 0.000002. because the prob value (F-statistic) is greater than 0.05 then H1 is accepted. so it is concluded that the board of directors, independent commissioners, audit committee simultaneously have a significant effect on financial performance.

<table>
<thead>
<tr>
<th>Table 2. T Test</th>
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</thead>
<tbody>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>C</td>
</tr>
<tr>
<td>X1 Dewan Direksi</td>
</tr>
<tr>
<td>X2 Komisaris Independen</td>
</tr>
<tr>
<td>X3 Komite Audit</td>
</tr>
</tbody>
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Based on the results of partial hypothesis testing shown in the table above, it can be concluded that:
a. The Board of Directors (X1) has a probability value of 0.0618 which is greater than the significance level of = 0.05, so H0 is accepted. This shows that the Board of Directors partially has no significant effect on Financial Performance.

b. Independent Commissioner (X2) has a probability value of 0.0072 which is greater than the significance level of = 0.05, so H0 is accepted. This shows that the Independent Commissioner partially has a significant effect on Financial Performance.

c. The Audit Committee (X3) has a probability value of 0.8793 which is greater than the significance level of = 0.05, so H0 is accepted. This shows that the Audit Committee partially has no significant effect on Financial Performance.

**Conclusion**

Based on the results of the study, it can be concluded that,

a. Simultaneous disclosure of Good Corporate Governance does not have a positive effect on Financial Performance at State-owned Commercial Banks for the 2013-2020 period.

b. The partial disclosure of Good Corporate Governance by independent commissioners has a positive effect on the Financial Performance of BUMN Commercial Banks for the 2013-2020 period.

**References**


