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Does corporate governance affect bank profitability? Evidence from Indonesia

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Abstract

This study aims to empirically assess the effect of corporate governance on profitability in the banking industry listed on the Indonesia Stock Exchange. This research is quantitative. Withdrawal of research hypotheses using agency theory supported by previous studies with the same variables. The research object is the Banking Industry listed on the Indonesia Stock Exchange. Research variables include Board of Commissioners Size, Managerial Ownership, Audit Committee, Company Size and Profitability. The type of data used is secondary data in the form of annual financial reports of banking companies listed on the Indonesia Stock Exchange during the period 2018-2020 published by the Indonesian Capital Market Directory (ICMD) and IDX Statistics through the IDX Investment Gallery, Faculty of Economics, Muslim University of Indonesia, and the website. Official Indonesian Stock Exchange. The data analysis method used is descriptive statistical analysis, classical assumption test consisting of (normality test, heteroscedasticity test, multicollinearity test, autocorrelation test) and testing all hypotheses through the partial test, simultaneous test and coefficient of determination test. The results showed that the size of the board of commissioners and managerial ownership partially had a positive and insignificant effect on profitability. The Audit Committee has a negative and insignificant effect on profitability. In comparison, the company's size positively and significantly affects profitability.

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Introduction

Every company aims to provide information to its users. The information package in financial statements contains the company's performance. Among them are corporate governance and company profitability in one accounting period. According to Putra (2016) Information on the implementation of corporate governance is needed to maintain consistency and public trust in a company. Meanwhile, according to Mahardika (2018), Profitability information is needed to see the company's ability to generate profits.

According to agency theory, company profitability tends to lead to high agency costs, but good corporate governance can reduce agency costs. In other words, the position of corporate governance plays a role in controlling agency costs that arise as managers work costs to increase company profitability. Thus it can be said that agency theory suggests that the better corporate governance will affect the higher company's profitability, on the contrary, the worse corporate governance will affect the lower the company's profitability (Satriadi et al., 2018) .

Several phenomena from the observations of researchers found that corporate governance tends to decline. This can see from the proxy of managerial ownership. In a banking company, managerial ownership is very low, indicating high agency costs. In addition, by proxying the size of the board of commissioners, it can be seen that the size of the board of commissioners does not contribute significantly to increasing the profitability of banking companies (Frumentius & Christiawan, 2020) .

This phenomenon is in line with the results of research from (Mahardika & Riyadi, 2018) , which found that corporate governance as proxied by the size of the board of commissioners hurts company profitability. However, the results of research from (Satriadi et al., 2018) show that corporate governance has a positive and significant effect on company profitability.

Based on the results of the previous research review, it was found that there was a research gap in the form of inconsistencies (inconsistencies) in research results. In other words, company profitability is not always influenced by corporate governance. Thus, the researchers were motivated to re-examine the effect of the influence of governance on profitability in the banking industry listed on the Indonesia Stock Exchange.

The banking sector is an important sector of the country's economy, this is due to the intermediation function of banking companies. Distribution of funds from people who have excess and to people who are lacking and in need of funding. The banking sector is also a different sector from many sectors on the Indonesia Stock Exchange because, in the banking sector, there is a central bank that issues strict regulations and criteria as a condition for a banking company. These criteria and regulations trigger managers to perform earnings management for the benefit of profitability in the company's efforts to meet the criteria required by Bank Indonesia (A. Putra & Nuzula, 2017) .

Theoretical Framework and Hypotheses

Agency theory is a relationship between an agency or an organization, where the principal (stakeholder) gives work to the agent (manager) in a contractual bond to perform services or the principal's name in making decisions for the principal's activities (Bukhori & Raharja, 2012) . Problems in agency theory arise when there is a conflict between the principal and the agent caused by differences in goals or desires and taking attitudes in overcoming the risks. In this problem, the principal often cannot judge whether the agent acts in decision making. Agents usually always act in decision-making to fulfill their personal and psychological interests. However, from the top side, they want the results of the actions made by managers to generate large corporate profits at the end of the annual book so that it will benefit the principal in the distribution of dividends (Mahmood & Kureshi, 2016).) .

Profitability is the company's ability to create profits within a certain period and see the effectiveness of the company's overall management (Nurkhin et al., 2017) . Meanwhile, according to (Larasati, 2011), profitability is a ratio that measures the efficiency of using company assets (a group of company assets) associated with successful sales. Moreover, some say that profitability is the company's ability to generate profits with all the capital (Adestian, 2015; Agbeja et al., 2015) .

The company's profitability indicators include Profit Margin, Return on Assets, Return On Equity, Return On Investment, and Earning Per Share. This study establishes Return On Investment (ROI) as an indicator of profitability based on consideration because ROI can measure the effectiveness of the company in generating net income by utilizing assets owned to generate these profits so that it can be an indicator of the company's success. 2016) that Return On Investment shows the company's ability to generate profits from assets used or invested in an accounting period.

Corporate Governance arises because it is in the company's interest to ensure to the funders (principals/investors) that the funds invested are used appropriately and efficiently. In addition, with corporate governance, the company provides certainty that the management (agent) acts in the company's best interests (Sukmayanti & Triaryati, 2019) . The Forum for Corporate Governance in Indonesia defines corporate governance as a set of regulations that regulate the relationship between shareholders, management (managers) of the company, creditors, government, employees and other internal and external stakeholders relating to their rights and obligations, so that create added value for all interested parties (stakeholders). The added value in question is that corporate governance effectively protects investors in getting their investments back somewhat and with high value (Al Hakim, 2018; Puspitowati & Mulya, 2017) .

The implementation of corporate governance provides four benefits of FCGI (Anisah, 2018) , namely: (1) improving company performance through the creation of a better decision-making process, increasing company efficiency, and further improving services to stakeholders, (2) making it easier to obtain more financing funds. Cheap and uncomplicated (because of the trust factor), which will ultimately increase corporate value, (3) restore investor confidence to invest in Indonesia, and (4) shareholders will be satisfied with the company's performance because it will at the same time increase shareholders' values and dividends.

Three essential elements will affect the effectiveness of the board of commissioners:

independence, competence, and commitment (Susilowati & Tiningrum, 2019) . Independence is expected to arise with the presence of independent commissioners. Competence is created by the existence of committees formed by the board of commissioners, especially the audit committee. The existence of independent commissioners is intended to create a more objective and independent climate, and also to maintain "fairness" and be able to provide a balance between the interests of the majority shareholders and the protection of the interests of minority shareholders, even the interests of other stakeholders (Kusumandari, 2017) .

Every company must ensure that corporate governance principles are applied to every aspect of the business and at all levels of the company. Corporate governance principles are needed to achieve sustainable performance while still paying attention to stakeholders (KNKG, 2010). These principles include (Frumentius & Christiawan, 2020) : 1. Transparency. To maintain objectivity in conducting business, the company must provide material and relevant information in a way that is easily accessible and understood by stakeholders. 2. Accountability (Accountability). Companies must be able to account for their performance transparently and fairly. For this reason, the company must be appropriately managed measurably and follow the interests of the company while taking into account the interests of shareholders and other stakeholders. Accountability is a necessary prerequisite to achieving sustainable performance. 3. Responsibility (Responsibility). Companies must comply with laws and regulations and carry out their responsibilities to the community and the environment to maintain long-term business continuity and be recognized as good corporate governance. 4. Independence (Independence). Expedite the implementation of GCG principles, companies must be managed independently so that each company organ does not dominate the other and cannot be intervened by other parties. 5. Equality and Fairness. In carrying out its activities, the company must always pay attention to the interests of shareholders and other stakeholders based on the principles of equality and fairness.

FCGI explains that the goal of corporate governance is "to create added value for all stakeholders." In more detail, the term corporate governance can be used to explain the roles and behaviors of the board of directors, board of commissioners, management (managers) of the company, and shareholders (A. Putra & Nuzula, 2017) . The National Committee for Corporate Governance Policy (KNKCG) stated that corporate governance is needed in order (www.GCG KNKCG.com): a. Encouraging the achievement of corporate sustainability through management based on the principles of transparency, accountability, responsibility, independence as well as equality and fairness. b. Encouraging the empowerment of the functions and independence of each company organ, namely the Board of Commissioners, the Board of Directors and the General Meeting of Shareholders. c. Encouraging shareholders, members of the Board of Commissioners and the Board of Directors to make decisions and carry out their actions based on high moral values and compliance with laws and regulations. d. Encouraging the emergence of awareness and corporate social responsibility towards the community and environmental sustainability, especially around the company. e. Optimize the company's value for shareholders while still paying attention to other stakeholders. f. Improving the competitiveness of companies nationally and internationally, thereby increasing market confidence that can encourage investment flows and sustainable national economic growth (Al Hakim, 2018) .

Based on the theoretical basis that has been explained, the hypotheses raised in this study are as follows.

H1: The size of the Company's Board of Commissioners has a positive and significant impact on the profitability of banking companies listed on the IDX

H2: Managerial Ownership has a positive and significant impact on the profitability of banking companies listed on the IDX

H3: The Audit Committee has a positive and significant impact on the profitability of banking companies listed on the IDX

H4: Company size has a positive and significant effect on the profitability of banking companies listed on the IDX

H5: The size of the Board of Commissioners, Managerial Ownership, Audit Committee and Company Size simultaneously positively and significantly impact the profitability of banking companies listed on the IDX.

Research Method

This research is a type of quantitative research. The population in this study are banking companies listed on the Indonesia Stock Exchange for the 2018-2020 period as many as 43 companies. The sampling technique in this research is purposive sampling or sampling technique with specific considerations. The criteria used to select the sample in this study are a. Banking companies listed on the IDX according to the 2018 – 2020 observation year: b. The company publishes annual reports periodically according to the 2018 – 2020 observation period: and c. Have complete data. Based on the characteristics of the determination of the research data, the research data obtained were 13 banks. The companies that become the research data include:

Table 1. Research Sample

No	Code	Company
1	AGRO	PT. Bank Rakyat Indonesia Agroniaga, Tbk
2	BBCA	PT. Bank Central Asia, Tbk
3	BBKP	PT. Bank Bukopin, Tbk
4	BBNI	PT. Bank Negara Indonesia (Persero), Tbk
5	BBRI	PT. Bank Rakyat Indonesia (Persero), Tbk
6	BBTN	PT. State Savings Bank (Persero), Tbk
7	BMAS	PT. Maspion Bank Indonesia, Tbk
8	BNBA	PT. Bank Bumi Arta, Tbk
9	BANGA	PT. Bank CIMB Niaga, Tbk
10	BSIM	PT. Bank Sinarmas, Tbk
11	BTPN	PT. National Pension Savings Bank, Tbk
12	INPC	PT. Bank Artha Graha Internasional, Tbk
13.	MAYA	PT. Mayapda International Bank, Tbk

Source: processed data

Sources of data used in this research are secondary data obtained through the official website of the IDX, namely www.idx.co.id and other bound webs and studying literature related to research problems in both print and electronic media. The data collection method in this study used archival techniques. The archiving technique is by collecting data that is already available or has been documented, in the form of annual financial reports of banking companies listed on the Indonesia Stock Exchange during the 2018-2020 period published by the Indonesian Capital Market Directory (ICMD) and IDX Statistics through the IDX Investment Gallery. Faculty of Economics, Muslim University of Indonesia, and the official website of the Indonesia Stock Exchange.

The data that has been collected will be analyzed through several stages of testing. The first stage is to do a descriptive analysis. The second stage is the classical assumption test (normality, multicollinearity, autocorrelation, and heteroscedasticity). The third stage is to test all hypotheses proposed in this study and will be proven through partial, simultaneous, and coefficient of determination tests.

Table 2. Variable Operationalization

Variable	Indicator	Reference
Size of the Board of Commissioners (X1)	$DKOM = \frac{\text{Independent Commissioner}}{\text{Company Commissioner}}$	(Satriadi et al., 2018; Zahra et al., 2016)
Managerial ownership (X2)	$KM = \frac{\text{Managerial Share Ownership}}{\text{Base Stock}} \text{ x } 100\%$	(Adestian, 2015; Larasati, 2011)
Audit Committee (X3)	KA = (Auditor who is in the Company)	(Puspitowati & Mulya, 2017)
Company Size (X4)	UP = (Ln total assets)	(Sukmayanti & Triaryati, 2019)
Profitability (Y)	$ROI = \frac{\text{Laba Bersih Setelah Pajak}}{\text{Total Aktiva}} \times 100\%$	(Karamina & Soekotjo, 2018)

Data Analysis and Discussion

Data Analysis

The first stage in analyzing the research data is descriptive statistical analysis. The results of this study can be summarized in the descriptive statistics of banking companies listed on the Indonesia Stock Exchange based on observations of the values of the Board of Commissioner's Size, Managerial Ownership, Audit Committee, Company Size and Profitability, which are presented in table 3.

Table 3. Descriptive statistics

		DEKOM	KM	KA	UP	Profitability
N	Valid	39	39	39	39	39
	Missing	0	0	0	0	0
Minimum		.40	.00	2.00	15.49	.13
Maximum		.67	.01	9.00	20.84	3.79
mean		.54 21	.0011	4.17 09	18.16 46	1.37 17
Std. Deviation		.091 31	.002 32	1,570 12	1,695 32	.861 92

Source: Processed by SPSS. 25.0

Based on the description of the Descriptive Statistics of Banking Companies in table 3, the variable Size of the Board of Commissioners shows the maximum value of 0.40, the maximum value of the Size of the Board of Commissioners is 0.67, and the average value of the Size of the Board of Commissioners is 0.54. These results mean that the average banking company has a board of commissioner’s size of 50% in the company. The managerial ownership variable shows a minimum value of 0.00, the maximum value of managerial ownership is 0.01, and the average value of managerial ownership is 0.001. This result means that managerial ownership of banking company shares is very low, only in the range of 1% and below of the company's total shares. The Audit Committee variable shows a minimum value of 2.00, the maximum value of the Audit Committee is 9.00, and the average value of the Audit Committee is 4.1. This result means that the banking companies listed on the Indonesia Stock Exchange have an average of 4 audit committees. However, some companies have a relatively large number of audit committees, namely, 9 people. The Firm Size variable shows the minimum value of 15.49, the maximum value of Company Size 20.48, and the average value of Company Size 18.16. This result means that the banking companies listed on the Indonesia Stock Exchange are quite large, in the average range of 18.16. With the highest company size value of 20.48.

The second stage is to do a classic assumption test consisting of a normality test aiming to see whether the dependent variable and the independent variable have a normal distribution in the regression model. Based on the standard probability plot graph, it can be seen that the points spread around the diagonal line and the distribution follow the diagonal line, so it can be said that the distribution pattern is typical. Looking at the two graphs above, it can be concluded that the regression model in this study can be used because it meets the assumption of normality.

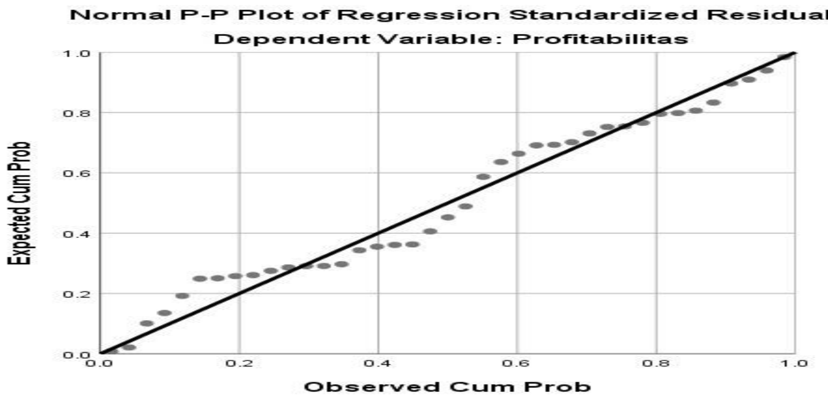

Figure 1. Normal Probability Plot

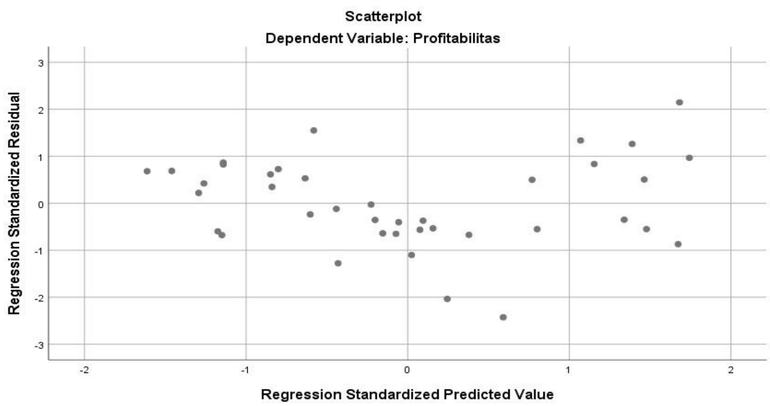

Figure 2. Scatterplot Diagram

The heteroscedasticity test aims to see whether there is an inequality of variance in the residuals from one observation to another. Based on the scatterplot diagram, it can be seen that the data is randomly distributed and does not form a specific pattern, this indicates that there is no heteroscedasticity. Thus, it can be concluded that there is a difference in the variance of the residuals from one observation to another.

Furthermore, the multicollinearity test aims to see whether there is a high correlation between the independent variables in a multiple linear regression model. Multicollinearity test, the tolerance value and the VIF (Variance Inflation Factor) value can be seen. If the VIF value is not more than 10 and the tolerance value is not less than 0.1, then the model can be said to be free from multicollinearity. The results of the multicollinearity test can be seen in table 4.

Table 4. Multicollinearity Test Results

Variable	VIF	Information
Size of the Board of Commissioners (DEKOM	1.1 32	Not Multicollinearity
Managerial Ownership (KM)	1.04 7	Not Multicollinearity
Audit Committee (KA)	1.2 90	Not Multicollinearity
Company Size (UP)	1.1 12	Not Multicollinearity

Based on table 4, it can be concluded that the regression model for the independent variables proposed by the researcher to be studied is free from multicollinearity. This can be proven by looking at table 4, which shows the VIF value of each independent variable <10, and can be used to determine its effect on profitability.

The autocorrelation test aims to test whether in a linear regression model, there is a correlation between the confounding error in period t and the confounding error in period t-1 (previous). A regression equation is said to have fulfilled the assumption that there is no autocorrelation in the equation if the value of the Durbin-Watson test is between -2 < DW < +2. The results of the autocorrelation test are presented in table 5.

Table 5. Autocorrelation Test
Runs Test

	Unstandardized Residual
Test Value [a]	-.078 55
Cases < Test Value	19
Cases >= Test Value	20
Total Cases	39
Number of Runs	16
Z	-1.2 76
asymp. Sig. (2-tailed)	.195

a. median
Source: SPSS 25.0 . Output

Table 5 shows that there is no autocorrelation symptom in the regression model, which is indicated by a Sig value of 0.195 greater than 0.05.

After the results of the classical assumption, tests are carried out and the overall results show that the regression model meets the classical assumptions, the third step is to evaluate and interpret the multiple regression model. Linear regression analysis was conducted to determine the functional relationship between several independent variables and the dependent variable (Y). The data processing results in this study can be seen in table 6.

Table 6. Multiple Linear Regression Test Results
coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-6.532	1.523		-4,289	0.000
	DEKOM	2,581	1.263	0.274	2,044	0.052
	KM	7.088	5.928	0.021	1.196	0.873
	KA	-0.092	0.064	-0.147	-1.438	0.299
	UP	0.362	0.061	0.738	5,934	0.000

a. Dependent Variable: Profitability
Source: SPSS 25.0 . Output

Based on table 6, the regression equation formed in this regression test is:

P = -6.5 32 + 2.5 81 DEKOM + 7.0 88 KM - 0.0 91 KA + 0.3 62 UP

The model can be interpreted with a constant value of 6.5 32 , which means that if the variables of the Board of Commissioners, Managerial Ownership, Audit Committee, and Company Size are not constant, then the Company's Profitability is 6.5 32 %. The value of 2.5 81 is the coefficient of the variable Size of the Board of Commissioners, which means that if the Board of Commissioners increases by 1 person, it is estimated that Profitability will increase by 2.5 81 % assuming other variables remain. The value of 7.0 88 is the coefficient of the Managerial Ownership variable, which means that if the Managerial Ownership increases by 1%, it is estimated that Profitability will increase by 7.0 88 % with the assumption that other variables remain. The value of 0.0 9 1 is the coefficient of the Audit Committee variable, which means that if the Audit Committee increases by 1 person, it is estimated that profitability will decrease by 0.0 9 1%. The value of 0.3 62 is the coefficient of the Firm Size variable, which means that if the Company Size increases by 1%, it is estimated that Profitability will increase by 0.3 62 % with the assumption that other variables remain.

Furthermore, the t test (partial test) was used to see the effect of each independent variable on the dependent variable. The test is done by comparing t-count with t-table. If t-count > r-table, then the proposed hypothesis is supported, and vice versa.

Table 7. Partial Testing (t-test)

Variable	t-count	t-table	Sig. <	Note:
DEKOM	2,044	2.032	0.052 > 0.05	Not significant
KM	1.196	2.032	0.873 > 0.05	Not significant
KA	-1.438	2.032	0.299 > 0.05	Not significant
UP	5,934	2.032	0.000 < 0.05	Significant

Source: SPSS 25.0 . Output

Based on the results of the partial test, it is known that the Firm Size variable partially has a significant effect on Profitability, it can be seen from the fulfillment of the requirements for the value of t-count> t-table, namely 5.934 > 2,032. This means that the company's size is a determining factor that significantly contributes to profitability. In addition, it is known that the variable size of the Board of Commissioners, Managerial Ownership, and the Audit Committee partially has no significant effect on profitability, as can be seen from the non-fulfillment of the requirements for the value of t-count>t-table. This means that the size of the board of commissioners, managerial ownership and the audit committee has not become a determining factor that significantly contributes to profitability. Thus it can be said that hypotheses 1, 2 and 3 are not supported. While Hypothesis Four is supported.

A simultaneous test is used to test whether the independent variables have an overall effect on the dependent variable by comparing the F-count with the F-table. If F-count > F-table, the proposed hypothesis is supported, and vice versa.

Table 8. Simultaneous Test Results (Test F)
ANOVA [a]

Model		F-table	F- count	Sig.
1	Regression	2,641	7.7 44	.000 [b]

Based on the simultaneous test results in table 8, the calculated F value obtained is 7,721. These results show that F-count > F-table (7.7 44 > 2.641). Thus it can be said that simultaneously the independent variables significantly affect profitability. In other words, it can be said that hypothesis 5 is supported.

Furthermore, the coefficient of determination test (R2) aims to determine the percentage of the independent variables' influence on the independent variables. The results of the determination test of this study are described in table 9 as follows.

Table 9. Results of the Coefficient of Determination (R2)
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.6 32 [a]	0.532 _	0.4 65	0.659 81	1.4 98

Source: SPSS 25.0 . Output

Based on the coefficient of determination in table 9, the value of R Square obtained is 0.532 which shows that profitability is influenced by independent variables by 53.2 % and the remaining 4-6.8 % is influenced by other variables that have not been studied in this study.

Discussion

The results of testing the first hypothesis (H1) indicate that the size of the Board of Commissioners has a positive but insignificant effect on profitability. This means that the size of the Board of Commissioners is not a determining factor for high and low company profitability. The insignificant effect of the size of the board of commissioners on the profitability of banking companies is due to the less-than-optimal performance of the board of commissioners in supervision within the company. In addition, the size of the board of commissioners only adds to the burden of the company's operational costs. The size of the Board of Commissioners is an essential part of the company which is tasked with carrying out general and specific supervision following the articles of association and providing advice to the board of directors. In theory, the research results are supported by signal theory and agency theory. Based on the meaning of signal theory, the insignificant influence is explained by two actors, namely the signaling actor (company) and the signal receiving actor (stakeholder). The size of the board of commissioners is part of the company (signalers) while profitability is part of (the signal recipients). If the signaling actor cannot work to increase profitability, the received signal (profitability) cannot reflect the contribution of the signaling actor. Thus, based on the meaning of signal theory, the size of the board of commissioners is not appreciated significantly due to the low performance of the board of commissioners in increasing the company's profitability. Based on the meaning of agency theory, the insignificant effect is explained through the division of authority between agents (managers) and participants (company owners). Not significant means that the size of the board of commissioners has not been able to become part of the company (agent) that is responsible for increasing profitability. In other words, the size of the board of commissioners has not been able to work optimally in increasing profitability so that participants (company owners) will enjoy profitability which is not reflected in the performance of the size of the board of commissioners. Thus, based on the meaning of agency theory, the size of the board of commissioners is not appreciated significantly due to the not yet maximal performance of the board of commissioners in increasing profitability. The results of this study align with the findings proposed by (Zahra et al., 2016) that the size of the board of commissioners has no significant effect on profitability. Meanwhile (Bukhori & Raharja, 2012) states that the more members of the board of commissioners, the worse the company's performance will be. The more members of the board of commissioners, the more difficult it will be for them to carry out their duties, including difficulties in communication and coordination between members of the board of commissioners.

The results of testing the second hypothesis (H2) indicate that managerial ownership has a positive regression coefficient on profitability, which means that high managerial ownership affects increasing the value of profitability. This means that the higher the managerial ownership of the company's shares, it will encourage managers to increase the value of the company's profitability. Meanwhile, based on the partial test, it is known that managerial ownership does not significantly affect profitability. This means that managerial ownership is not a determining factor between high and low company profitability. The insignificant effect of managerial ownership on the profitability of banking companies is due to the low value of managerial ownership. As stated in the descriptive statistics table above, managerial share ownership in banking companies only ranges from average share ownership of 0.001. The low share ownership means that managerial ownership cannot reduce the company's agency costs, so the resulting profitability is not a reflection of managerial success through ownership of the shares owned. Managerial Ownership can be understood as the number of share ownership in the company owned by the manager. Stock ownership in agency theory is one solution to control agency costs arising from managerial performance. In theory, the research results are supported by signal theory and agency theory. Based on the meaning of signal theory, the insignificant influence is explained by two actors, namely the signaling actor (company) and the signal receiving actor (stakeholder). Managerial ownership is part of the company (signalers) while profitability is part of (signal recipients). If the signaling actor cannot work to increase profitability, the received signal (profitability) cannot reflect the contribution of the signaling actor. Thus, based on the meaning of the signal theory, managerial ownership is not appreciated significantly due to the low contribution of managerial ownership to increasing the company's profitability. Based on the meaning of agency theory, the insignificant effect is explained by agency costs. Managerial ownership is one way for participants (company owners) to control agency costs due to asymmetric information and moral hazard owned by agents. Low managerial ownership is not able to contribute significantly in reducing agency costs. As a result, the profitability obtained by the company does not reflect the contribution of managerial ownership; on the contrary, agency costs will reduce the value of the company's profitability. The study results align with the research findings (Larasati, 2011; Nurkhin et al., 2017) that managerial ownership has no significant effect on profitability, as reflected in the company's performance.

The results of testing the third hypothesis (H3) show that the audit committee has a negative regression coefficient on profitability, which means that a low audit committee lowers the profitability value. This means that the lower the quality and number of the company's committees, the lower the effect of the audit on the company so that it can have an impact on the low profitability of the company. Meanwhile, based on the partial test, it is known that the audit committee has no significant effect on profitability. This means that the audit committee is not a determining factor between high and low company profitability. The insignificant effect of the audit committee on the profitability of banking companies is due to the less-than-optimal performance of the audit committee in company supervision. In addition, the study found that the low number of audit committees assigned to the supervisory system reduces the quality of supervision to be the cause of the insignificant effect of the audit committee on profitability. The Audit Committee is an important part of the company tasked with conducting general and specific inspections to ensure that the company works effectively, economically, and efficiently. In theory, the research results are supported by signal theory and agency theory. Based on the meaning of signal theory, the insignificant influence is explained by two actors, namely the signaling actor (company) and the signal receiving actor (stakeholder). The audit committee is part of the company (signalers) while profitability is part of (the signal recipients). If the audit committee cannot work under supervision, which affects the low profitability, the signal received (profitability) cannot reflect the contribution of the audit committee. Thus, based on the meaning of the signal theory, the audit committee is not appreciated significantly due to the low performance of the audit committee in increasing the company's profitability. Based on the meaning of agency theory, the insignificant effect is explained through the division of authority between agents (managers) and participants (company owners). The audit committee is part of the participant's company (agent) assigned to ensure effective, economic, and efficient management work. The insignificance of the audit committee means that the size of the audit committee cannot work optimally in supervising managerial performance. So, what is reflected in the company's profitability has not been able to reflect the audit committee's performance. This study's results align with the research findings proposed by (Adestian, 2015; Rimardhani et al., 2016) that the audit committee has no significant effect on profitability.

The results of testing the fourth hypothesis (H4) indicate that the size of the company has a positive regression coefficient on profitability, which means that large company size affects increasing the value of profitability. This means that the larger the size of the company, the higher the company's profitability will be. Meanwhile, based on the partial test, it is known that company size has a significant effect on profitability. This means that the company's size is a determining factor of high and low company profitability. The significance of the influence of company size on the profitability of banking companies is due to the large average size of banking companies. These results are evidenced by the research findings described in the descriptive statistical table, that the average size of banking companies is high. This argument is in line with what Niresh and Velnampy (2014) put forward, that larger companies will be relatively stable and able to generate profits. Vice versa, if the size of a company is said to be small, then the company has a low level of efficiency with a higher level of financial leverage. Company size can be interpreted simply as a net estimate of all assets owned in generating profits. Based on the meaning of agency theory, the significance of this influence is explained through the division of authority between agents (managers) and participants (company owners). Effective means that the size of the company can be part of the company (agent) responsible for increasing profitability. In other words, company size can work optimally in increasing profitability so that participants (company owners) will enjoy profitability as reflected in company size. Based on the meaning of agency theory, the size of the company is appreciated significantly due to the size of the company. The size of the company will produce relatively stable profitability. The results of this study align with the findings presented by (Niresh & Thirunavukkarasu, 2014; Sukmayanti & Triaryati, 2019) that the size of the company has a positive and significant effect on the profitability of the company.

The results of testing the fifth hypothesis (H5) indicate that the size of the board of commissioners, managerial ownership, audit committee, and firm size simultaneously significantly affect profitability. This means that the size of the board of commissioners, managerial ownership, the audit committee, and the company's size can be determining factors for high and low company profitability. The significance of this influence on banking companies' profitability is that each variable has the function of complementing other variables in supporting the company's performance. Based on the meaning of agency theory, the significance of this influence is explained through the division of authority between agents (managers) and participants (company owners). Effective means that the size of the board of commissioners, managerial ownership, audit committee, and company size can simultaneously be part of the company (agent) responsible for increasing profitability. In other words, the size of the board of commissioners, managerial ownership, audit committee, and the size of the company can simultaneously work optimally in increasing profitability so that participants (company owners) will enjoy profitability as reflected in the size of the company. Thus, based on the meaning of agency theory, although partially the size of the board of commissioners, managerial ownership, and audit committee, has not been able to be appreciated significantly, the size of the board of commissioners, managerial ownership, audit committee, and firm size are simultaneously able to be significantly appreciated resulting in relatively stable profitability. The results of this study align with the findings put forward by (Puspitowati & Mulya, 2017; Satriadi et al., 2018) that Good Corporate Governance as proxied by the size of the board of commissioners, managerial ownership, audit committee, and firm size affect profitability.

Conclusions

Based on the results of the research and discussion that have been described, it can be concluded that: 1. The size of the Board of Commissioners has a positive and insignificant effect on profitability in the banking industry listed on the Indonesia Stock Exchange. These results mean that the size of the board of commissioners affects increasing profitability. However, the size of the board of commissioners is not a determining factor for the high and low profitability of banking companies because the performance of the board of commissioners is less than optimal in the supervision of the company.

2. Managerial Ownership has a positive and insignificant effect on profitability in the Banking Industry listed on the Indonesia Stock Exchange. This result means that high managerial ownership affects the value of profitability because the higher managerial ownership of company shares will encourage managers to work better, even though managerial ownership is not a determining factor for high and low profitability because of the low value of managerial ownership. 3. The Audit Committee has a negative and insignificant effect on profitability in the banking industry listed on the Indonesia Stock Exchange. This result means that the lower the quality and number of the company's audit committee, the lower the effect of the audit on the company so that it can have an impact on the low profitability of the company, even though the audit committee is not a determining factor for the high and low profitability of the company because of the less optimal performance of the audit committee in supervision. Companies and the low number of audit committees assigned to the oversight system reduce the quality of supervision. 4. Company size positively and significantly affects profitability in the banking industry listed on the Indonesia Stock Exchange. This result means that the larger the size of the company, the higher the company's profitability will be. Moreover, the size of the company is one of the determining factors for the value of the company because of the average company size. 5. The size of the Board of Commissioners, Managerial Ownership, Audit Committee and Company Size simultaneously have a positive and significant effect on profitability in the Banking Industry listed on the Indonesia Stock Exchange because they can jointly be a determining factor for the high and low profitability of the company because each variable has a function complements other variables in supporting the company's performance.

Based on the conclusions that have been put forward, the suggestions that can be put forward are 1. It is recommended that banking companies pay attention to company size, because it can positively and significantly influence profitability. This follows the research findings that firm size positively and significantly affects profitability. 2. It is recommended that banking companies pay attention to the size of the board of commissioners, managerial ownership and audit committee to influence profitability. This follows the research findings that the size of the board of commissioners, managerial ownership and audit committee has a positive and significant effect on profitability. 3. It is recommended that banking companies continue to increase the value of profitability, one way offered by this research is to increase the value of profitability. This is important to ensure the survival of the company. 4. For further research, it is hoped that researchers will add other variables to explain the remaining 4 6 , 8 % of the determination test of this study, that it is better to add method formulations, variables and increase the number of research samples to ensure the level of accuracy and consistency of research results.

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