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RELATIONSHIPBETWEEN GOOD CORPORATE GOVERNANCE, LEVERAGE, COMPANY SIZE, AND FINANCIAL PERFORMANCE REGISTERED ON INDONESIA STOCK EXCHANGE

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Abstract : *The aim of this research is to determine the relationship between Good Corporate Governance, Leverage, and Company Size with the financial performance of banks listed on the Indonesia Stock Exchange. The variables used to measure Good Corporate Governance are institutional ownership, leverage is measured by debt to equity ratio (DER), and company size is seen from total assets. The variable used to measure the company's financial performance is return on assets (ROA). The population is as many as 20 banking companies listed on the Indonesia Stock Exchange for the period 2016-2018. The analysis technique used is multiple linear regression analysis, hypothesis testing, and classic assumption tests which include normality test, multicollinearity test, heteroscedasticity test and autocorrelation test, with a significance level of $\alpha = 5\%$. The results showed that simultaneously Good Corporate Governance, Leverage, Company Size had a significant effect on financial performance. As evidenced by the results of the F test, it was found that the significance of F 0.000 $< \alpha = 0.05$. Partially, GCG and company size each have an effect on financial performance, while leverage has no effect on financial performance. The results of testing three variables, namely Good Corporate Governance, Leverage, Company Size, and their effect simultaneously on financial performance were 67%, while 33% were influenced by other variables.*

Keywords: ***Good Corporate Governance, Leverage, Company Size, Financial Performance***

1. Introduction

Banking is a financial institution whose main activity is to collect funds from the Public (Iin and Anik, 2020) and distribute these funds back to the public in the form of providing credit and providing other bank services. (Cashmere, 2016: 3)

Evaluating company performance done by management, shareholders, government and other interested parties are very important and it is related to the distribution of welfare among them, including banking. The company's performance describes the company's financial condition. Financial analysis tools used are liquidity ratios, solvency and profitability so that it can be seen whether the company's financial condition is good or bad that reflects work performance in a certain period. Return On Assets (ROA), a financial ratio used to measure the company's profitability. The higher the ROA value, the better the company's performance.

The agency theory developed by Michael Johnson is the basis for understanding the concept of Good Corporate Governance. This theory views that company management (agents) acts with full awareness of their own interests, not as a wise and fair party to shareholders. This means that in the activities of running a business, a company does not only pursue profit but must pay attention to good corporate governance.

Leverage ratio is very important for the performance of a company for developing the company, a source of funding is needed. The source of funding is obtained by banks from customer funds, which are well managed with the aim of obtaining profit.

Research by Melawati et al. (2016) states that the size of the board of directors has no effect on company performance. The board of commissioners as the highest internal control mechanism that is collectively responsible for supervising and providing input to the board of directors in managing company resources has not been able to enforce Good Corporate Governance in the company. Corporate Social Responsibility has no effect on company performance. The company's social responsibility (CSR) disclosed in the company's annual report does not get a response from potential investors because there are regulations that guarantee every company to carry out and disclose CSR. Companies that do not implement CSR will be subject to administrative penalty in the form of written warnings, restrictions on business activities, freezing of business activities and / or investment facilities or revocation of business activities and / or investment facilities. Sawitri, et al (2017) stated that company size describes the size of a company. The bigger the assets owned by a company, the bigger the company size will be. Company size can be seen from all assets owned by the company that can be used for company operations. (Kristiyanti, L 2019). Understanding of bank efficiency performance is absolutely necessary in a situation of increasingly tight competition in the banking industry as required in the Indonesian Banking Architecture (API). It is hoped that with the assessment of banking performance, the public will return to trust in the banking system in Indonesia as a whole, which has been deteriorating so far, can rise again.

The relationship between Good Corporate Governance (GCG), Leverage, Company Size, and financial performance in banks listed on the Indonesia Stock Exchange was studied, with the aim of investigating the simultaneous and partial effect of GCG, Leverage, and Company Size on financial performance of banking companies that are listed on the Indonesia Stock Exchange, 2016 - 2018 period.

Good Corporate Governance (GCG)

Good Corporate Governance is a series of mechanisms consisting of structures, systems and processes that are used by the organs of the company to control the company's operations in order to run as expected. External control GCG structure consists of interested parties from outside the company such as the capital market, money market, regulators and other professions. Indonesian banking regulation No.8 / 14 / PBI / 2006, every bank is required to implement GCG in order to improve bank performance, protect the interests of stakeholders and increase compliance with laws. GCG principles: transparency, accountability, responsibility, independency and fairness (LMS Kristiyanti, 2021).

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Leverage

Leverage ratio is the use of assets and sources of funds (which come from loans) by companies that have fixed expenses in the form of interest, with the intention of increasing the potential profit of shareholders (Utami, 2021). The leverage ratio also shows the risk faced by the company. The greater the risk faced by the company, the greater the uncertainty to generate profits in the future. Operating leverage, as the potential use of operating costs to increase the effect of changes in sales on earnings before interest and corporate taxes. Financial leverage can occur if a company uses debt other than its own capital in its financial structure. Ratios used to measure leverage: Debt Ratio (DR), Debt to Equity Ratio (DER), Long Term Debt to Equity Ratio (LDER), Short Term Debt to Equity Ratio (CDER)

Company Size

Company size is basically a scale where the size of the company can be classified according to various ways, including total assets, long size of sales, and stock market value. (Nurminda 2017)

Measurement and Assessment of Financial Performance

Financial performance is a periodic determination of the operational effectiveness of an organization, its parts of the organization and its employees based on predetermined goals, standards and criteria. Company performance is an analysis carried out to see the extent to which a company has implemented proper and correct financial implementation rules. Company performance is a description of the financial condition of a company which is analyzed by means of financial analysis, so that it can be seen about the good and bad financial condition of a company that reflects the work performance in a certain period (Budiyono and Putri, 2021).

Framework

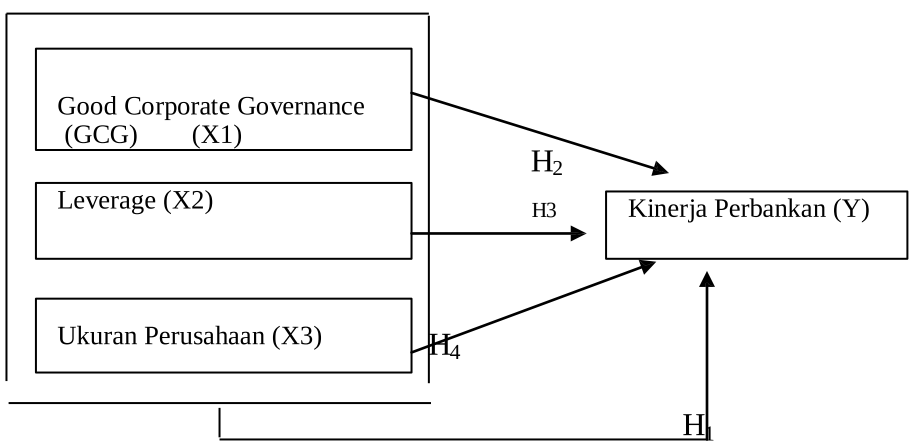

Figure 1
Framework

2. Research Methods

Population and Sample

Banking research population listed on the Indonesia Stock Exchange. The sampling method used was purposive sampling. The number of samples of 20 banking companies listed on the Indonesia Stock Exchange, with the formula:
N = 20 X N = Number of Banking Companies, X = 3 years (2016, 2017, 2018)
N = 60 Banking Companies listed on the Indonesia Stock Exchange

Types, Data Sources, and Data Techniques

The type of data is secondary data, sourced from IDX publications through the website http://www.idx.co.id/ , in the form of financial reports of banking companies listed on the Indonesia Stock Exchange. The technique of researching data with documentation.

3. Results and Discussion

3.1. Research result
Hypothesis Testing Results

a. Multiple Linear Regression Test

Table 1
Multiple Linear Regression Test Results

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	6,011	4,181		1,438	0,156
GC	0,372	0,170	0,283	2,183	0,003
G	-0,809	0,454	0,243	1,780	0,81
DER	0,237	0,189	0,175	2,571	0,004

Multiple regression equation:
ROA = 6,011 + 0,372 GCG - 0,809 DER + 0,237 Ln Total Asset + e
From table 1 multiple linear regression test:

1) Constant (a) of 6.011 indicates that if the variable Good Corporate Governance (GCG), DER, Ln Total Assets is zero, the amount of financial performance (ROA) is 6.011 with a standard error of 4.181.
2) The GCG variable regression coefficient of 0.372 shows that GCG has a positive regression coefficient, which means that every 1% increase in GCG will increase ROA 0.372 or 37.2% with a standard error of 0.170.

3) The regression coefficient for the variable Debt to Equity Ratio (DER) -0.809 shows that the debt to equity ratio has a negative regression coefficient, meaning that every 1% increase in DER will reduce ROA 0.809 or 80.9% with a standard error of 0.454
4) The regression coefficient of the firm size variable is 0.237 shows that the size of the company has a positive regression coefficient, meaning that every 1% increase in company size will increase ROA 0.237% or 23.7% with a standard error of 0.189

b. T test (partial)

The t test is used to determine Good Corporate Governance (GCG), Debt to Equity Ratio (DER), and Ln Total Assets partially have a significant effect on financial performance (ROA). Table 1 shows:
The significance value of the t variable GCG is 0.003, DER is 0.081 and Company Size is 0.004.

The basis for decision making in the t test by comparing with the t table:
1) H0 is accepted and Ha is rejected if the calculated value is <t table
2) H0 is rejected and Ha is accepted if the calculated value> t table
t table = (α / 2: n-k-1) = (0.05 / 2: 60 - 3 -1) = (0.025: 56)
Based on table t, there is a number of 2.00324. The results of the t test are presented in table 2:

Table 2
Partial t test results
Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	6,011	4,181		1,438	0,156
GCG	0,372	0,170	0,283	2,183	0,003
DER	-0,809	0,454	0,243	1,780	0,81
LnTotal	0,237	0,189	0,175	2,571	0,004

Source: Secondary data processed, 2020

Based on table 2, the results of hypothesis testing partially from each independent variable on the dependent variable:
1) Hypothesis 2: Good Corporate Governance (GCG) has a significant effect on financial performance. The calculation results in table 2, GCG significance value 0.003 <0.05 and t value (2.183)> t table (2.00324), then H0 is rejected and H2 is accepted, meaning that GCG has a significant effect on financial performance.
2) Hypothesis 3: Leverage (DER) has a significant effect on financial performance. The results of the calculations in table 2, the leverage significance value is 0.81> 0.05 and

the t value is 1.780 <t table (2.00324), then H0 is accepted and H3 is rejected, meaning that leverage has no significant effect on financial performance.

3) Hypothesis 4: Company size has a significant effect on financial performance. The results of calculations in table 2, company size significance value 0.004> 0.05 and t value 2.571> t table (2.0034), then H0 is rejected and H4 is accepted, meaning that company size has a significant effect on financial performance.

c. F Test (Simultaneous)

F test to find out all the independent variables (X) together have an effect on the dependent variable (Y). The degree of confidence used is 0.05 and the basis for the F test decision making:

1) Based on the calculated F value and F table
If F count> F table, the independent variable simultaneously affects the dependent variable. If F count <F table, the independent variable simultaneously has no effect on the dependent variable.

2) Based on the significance value
If the significance value <0.05, the independent variables together have a significant effect on the dependent variable. If the significance value is> 0.05, the independent variables together do not have a significant effect on certain variables.

F table = (df1 = k-1: df2 = n-k) = (4-1: 60-4) = (3: 56)
F table = 3: 56 then look for the distribution of the F table value α = 5% and get the F table value of 2.77. The results of the F test are in table 3:

Table 3
F Test Results (Simultaneous)
ANOVA[a]

Model		Sumof Squares	Df	Mean Square	F	Sig.
1	Regression	554,682	3	184,894	2,850	0,000[b]
	Residual	4405,792	56	78,675		
	Total	4960,474	59			

Source: Secondary data processed, 2020

The results of the F test (Simultaneous) in table 3, F count 2.850> F table 2.77 with a significance value of 0.000 < 0.05. Then H0 is rejected and Ha is accepted. So that simultaneously the variables of Good Corporate Governance (GCG), Leverage (DER), Company Size have an influence on the financial performance of banking companies listed on the Indonesia Stock Exchange (IDX) in 2016-2018.

d. R^2 test

Table 4
Determination Coefficient Test (R^2)
Model Summary b

Model	R	R Square	Adjusted R Square	Std. Errorof the Estimate
1	0,334[a]	0,112	0,67	8,86988

Source: Secondary data processed, 2020

Adjusted R Squares 0.67. This means that the effect of the independent variable (Good Corporate Governance, Leverage, Company Size) on the dependent variable (Financial Performance) is 67%. The remaining 33% is influenced or explained by other variables not included in this research.

3.2. Discussion

The results of this research contain the results of data analysis that have previously been classified and concluded, so it can be stated that:

a. Effect of Good Corporate Governance (GCG) on financial performance (ROA)

Research on Good Corporate Governance can provide empirical evidence that the GCG variable is an important factor in determining the value of a company and its influence on the financial performance of companies such as banking companies. GCG provides a structure that facilitates the determination of the vision, mission and is a means of selecting performance mentoring techniques. GCG also guarantees that the benefits and security of the invested funds will not be embezzled by company managers. The results of hypothesis testing that have been carried out between GCG (X1) on financial performance (ROA) (Y), obtained a significance value of t for the GCG variable of 0.003 $<\alpha = 0.05$. This supports the research of Muhammad Amien (2011) on institutional ownership, the regression coefficient value is 0.001 and the probability is 0.003. Probability <0.05 significance value, then the hypothesis is accepted, meaning that partial institutional ownership has a significant effect on financial performance.

The size of t table (2.00324) < t count (2.183) then H0 is rejected and H2 is accepted, meaning that GCG has a significant effect on the Financial Performance of Banks listed on the Indonesia Stock Exchange for the period 2016-2018. The conclusion is that high institutional ownership can be used to reduce agency problems. Institutional ownership is the percentage of shares owned by institutional investors. The greater the institutional ownership in the company, the lower the tendency for managers to carry out earnings management activities due to a better supervisory function from investors.

b. Effect of Leverage (DER) on financial performance (ROA)

The Leverge ratio can show the proportion of use to finance investment so that leverage plays a role in efforts to improve financial performance because companies obtaining sources of funds through debt can determine the extent of the influence of loans taken by companies on improving the performance of banking companies. The leverage ratio can also be an alternative in increasing profits. The use of debt in investment as an addition to funding company assets is expected to increase the profits obtained by banking companies, because company assets are used to generate profits. The results of hypothesis testing between Leverage on financial performance (ROA), obtained a significance value of t for the Leverage variable of 0.81> α 0.05. This supports the research of Andrani Dwi Putri, Aminar Sutra Dewi (2017), in her research the results of calculations on the Leverage coefficient value of 0.2483> 0.05. The size of t table (2.00324) > t count (1.780) then H0 is accepted and H3 is rejected, meaning that Leverage (DER) has no significant effect on the Financial Performance of Banks listed on the Indonesia Stock Exchange for the period 2016-2018. This means that the greater leverage it will show a big risk, and vice versa. It is better for the company to seek internal funding sources first rather than external funding sources. High leverage can lead to a decline in company value.

c. Effect of Company Size on financial performance (ROA)

The types of proxies that are usually used to represent company size are: employees, total assets, total sales, and market capacity. Banking companies represent assets that are large enough for their operational activities to usually get more attention from the public. This will affect the increase in the financial performance of the banking company. A good company size will encourage investors to invest in the company because large and well-established companies will find it easy to get to the capital market. Thus, the ease of dealing with the capital market means greater flexibility and a greater level of investor confidence because it has greater operational performance. The results of hypothesis testing that have been carried out by the influence of company size on financial performance (ROA), obtained a significance value of t for the firm size variable of 0.004 < α 0.05. This supports the research of Ganes Kristinawati (2018), with the results of calculating Company Size the coefficient value is 0.005 <0.05. The size of t table (2.00324) <t count (2.571) then H0 is rejected and H4 is accepted, meaning that the size of the company has a significant effect on the financial performance of banks listed on the Indonesia Stock Exchange for the period 2016-2018. This means that the greater the size of the company will increase financial performance. A large and well-established company will find it easy to get to the capital market. Ease of dealing with the capital market means greater flexibility and a greater level of investor confidence because it has greater operational performance.

d. Simultaneous influence of Good Corporate Governance, Leverage, Company Size on financial performance (ROA)

Company performance is a description of the financial condition of a company which is analyzed by means of financial analysis, so that it can be seen about the good and bad financial condition of a company that reflects work performance in a certain period. Good Corporate Governance, Leverage, Company Size is very influential in the assessment of a company's performance in improving the financial performance of banking companies listed on the Indonesian Stock Exchange for the period 2016 - 2018.Simultaneously, the variables of Good Corporate Governance, Leverage, Company Size have an effect on financial performance or (ROA).). The results of the F test (Simultaneous) show the value of F count 2.850 > F table 2.77 with a significance value of 0.000 <0.05. This supports the research of Ganes Kristinawati (2018), the results are that simultaneously liquidity, leverage, company size have a significant effect on financial performance (ROA), the F value is calculated as 7.655> F table 2.73 with a significance value of 0.000 <0.05.

The coefficient value of 67% indicates that financial performance can be explained by the variables of Good Corporate Governance, Leverage, Company Size, while the remaining 33% is explained by other factors not included in this research. Simultaneously Good Corporate Governance, Leverage, Company Size have a significant effect on financial performance. This is because GCG, Leverage, Company Size are factors that affect financial performance in terms of financial reports, but the leverage variable partially does not have a significant effect on financial performance. This is because if the leverage is bigger, it will show a big risk too.

4. Conclusion

The conclusions of this research are:

a. Simultaneously, the variables of Good Corporate Governance, Leverage (DER), and Company Size (Ln Total Asset) have a significant effect on banking financial performance (ROA), amounting to 67%.
b. Partially Good Corporate Governance (GCG) affects financial performance (ROA).
c. Partially Leverage (DER) has no effect on financial performance (ROA).
d. Partially firm size has an effect on financial performance (ROA).

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