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Multiple Linear Regression Analysis on Corporate Governance Mechanisms for Banking Financial Performance

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A B S T R A C T

Banking every year has progressed quite rapidly to compete in the financial field, by offering lower interest rates and some tips that attract the attention of banking consumers are enough to attract people to use the bank's financial services. However, it should also be noted that every bank, be it or general, has various strategies to attract the attention of customers who will use the bank's services, to make customers more comfortable and interested in using the services of a bank, there are several mechanisms that are applied, and in this study researchers used the variable of the corporate governance mechanism as an independent variable and the financial performance variable as a dependent variable. By using the method of quantitative descriptive approach by taking data from several banks. So the researchers got the results that were thrown on a Likert scale. From the results of research processed using the help of several SPSS V.21 applications, it shows that directors and institutional ownership have a good impact on the organizational performance of a bank. However, the ownership of management, independent boards, and audit committees does not have a good impact on the financial performance of banks.

Keywords: Corporate Governance Mechanism, Financial Performance, Industrial ecpnomic, Multiple linier regression analysis.

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1. Introduction

With the existence of Agency Theory where agency theory is a development from the perspective of Corporate Governance as ownership of a company or banking to an agent. With the separation between ownership and management, there will be several leadership differences between agents and principles that trigger problems between each other's needs. Studies on Corporate Governance are increasing quite quickly in several countries along with large financial scandals, especially for banks, one of which is an important element in Corporate Governance. is the key to improving relationships and efficiency economically. This includes the relationship between the board of commissioners, stakeholders and asset holders. Corporate Governance also provides a structural order that provides facilities to determine the objectives of a bank, and as a purpose to determine the financial performance of a bank [1].

Considering that the financial report is one of the basic benchmarks for the study of the performance of a bank. by measuring the level of sensitivity of the one report to banking operations for a certain period whether it has met the target or not and looking at the income statement. In addition, banking performance also has an impact on the welfare of employees who work, with the improvement of financial performance in the bank, the more positive things will be received by employees who work either directly or indirectly. Judging from the two things above, to improve the financial performance of a bank, the owners of the company's assets and management must at least play a role in improving quality that is able to motivate both workers and prospective customers. Performance is the result of the hard work of a company or bank from a period that raises the health status of a bank with variables of liquidity, capital adequacy, and profitability. it is stated that financial performance is the result of observations of the work that has been completed, the results of this customs are compared with the criteria that can be determined together. The purpose of financial performance is to be able to determine the quality of solvency, liquidity, profitability and stability of an organization or bank. [2].

Financial comparative analysis describes one of the models to measure the performance of a bank in the future and present. Research that affects the impact of the mechanisms of corporate governance and also industrial performance has been tried a lot. There are several researchers who report that there is a good bond between the dimensions of the board of directors [3].

With industry performance. shows that managerial ownership affects the financial performance of the industry. creating that institutional ownership affects the performance of the industry. Find if there is the ability of audit agencies to improve financial performance. And during that time there was another study that stated with unequal results, namely if the corporate governance mechanism did not have a meaningful and significant impact on good performance [4] [5]. Similar matters were expressed by

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Puspitasari and who assured that corporate governance occurs because (managerial ownership, dimensions of commissioner institutions, independent commissioner institutions, and ownership concentration) do not affect performance [6].

The researcher's consideration for taking the Corporate Governance variable as an independent variable is because; Institutional ownership variables can improve supervision quite well in a bank. Management ownership variables are used because they can be used as tools that can reduce agency problems that act as management and ownership of banks. Independent commissioners are used because of the independence factor in monitoring banks. The board is used because it remembers its strategic financial performance decisions. And the audit board is used because it can prevent deviations from managing the banking industry by monitoring the activities of the banking itself. The absence of the board of commissioners in this study is because the duties of the board of commissioners are almost the same as those of the independent board of commissioners so that the researcher takes independent commissioners due to the independence factor.

In this study, researchers used ROE as a performance, researchers chose ROE because the number taken by ROE describes the amount of taking obtained by inventors when investing. The large amount of ROE value will further attract asset owners to plant their assets, considering that banking organizations are one of the businesses whose main thing is to channel business capital to the public.

Based on the explanation research above, the researcher is interested in taking this research by looking at several studies that have been done before which describe that corporate governance has an influence on company performance so here the researcher also wants to compare the hypothesis outlined implicitly by people who think that corporate governance has a good impact on the financial movement of a bank. In addition, researchers also want to prove that corporate governance has a good impact and has a positive effect on the performance of a bank, and researchers also want to know how much influence corporate governance has on the financial performance of banks listed on the Indonesian stock exchange.

2. Literature Review

Argues that the financial performance of the organization is an estimate of how the company's financial condition is analyzed with financial measuring instruments, so that it is able to obtain what will happen to a company's condition in good condition or not which is reflected in a certain period of time. As stated by KKNG, 2004 that banks are intermediation institutions where in carrying out their business are so dependent on funds from the community and require good trust relations from within and outside the country. Risk Profile, Good Corporate Governance, Earnings and Capital, is a regulation on how to determine the health of a company issued by Bank Indonesia PBI 13/1/PBI/2011 issued on January 5, 2011

If with the agency theory it is divided into three groups, namely; 1) self-interest 2) bounded rationality 3) Risk averse. According to Jesen and Meckling (1976) Agency Cost Is the tendency of agents to seek a profit from themselves that requires a company to issue supervisory costs. Bonding costs are costs experienced by representatives to decide with regulatory standards that can bear if the agent will act according to the needs of the principal. Furthermore, residual loss is a tangible dedication with a lack of comfort from the principal resulting in a difference in decision between the agent and the principal [7].

The implementation of Corporate Governance is very important, especially in banking companies. Because the bank organization is a business sector engaged in services and is not visible. Then there is a high probability of problems with the agency. The company's performance can be improved by implementing Corporate Governance so as to reduce problems about agency which will later improve the performance of the company. This mechanism is divided into two groups, namely the group of insiders who control the company through structural organizations within a company and the external group controls the company as a whole and in a market mechanism.

Institutional ownership describes an aspect that is able to have an impact on the financial performance of an organization. With the size of institutional asset growers in managing assets, it will require an increase in the acceleration of supervision to be more efficient in management performance because it is basically the organizational part of a certain part of the investment so as to give rise to a better observation effort. Thus, it will be able to reduce the behavior of a manager in order to harmonize the interests between ownership and management in order to have a good impact on company performance [8].

Managerial ownership is the main asset owner for the processing department, namely the director and commissar who are directly involved in the citation of a decision. argues that the higher the level of management ownership in an organization, if the management will work even harder in attaching importance to asset officials who are none other than themselves. So that it can be said that asset ownership in management is able to improve the quality of work and motivate itself in growing the performance of the organization [9].

The relationship between independent commissioners and financial performance in the banking industry is supported by several perspectives that state that with the existence of independent commissioners, the company hopes to provide a safeguard about the company by ensuring clean and healthy stock processing in accordance with the company's operations, so as to support the company's financial performance. Meanwhile, the research conducted by showed that a board of commissioners has an impact on the company's performance [10].

In accordance with the existing legislation-shrimp. Where the management board is overall responsible for a company's organizational management and also represents an organization either inside or within a court (KKNG Bank, 2004). A director has two important functions in making a decision, namely management that designing a company's strategy in planning something in the short term in the form of inventory and capital procedures, and directing the provisions entirely on managerial compensation, capital control [11].

The Board is expected to contribute either directly or indirectly to the company's performance through evaluation and strategic decision-making and also improve efficiency and reduce the effects of moderately poor performance [12]. With the higher capacity of the board of directors, it is hoped that it will produce good results and make the system between operations and the advanced fields of a banking organization able to become better and more effective, so as to be able to grow better financial performance from the company.

The audit committee is a commission formed with the approval of the commissioner's body and its task is to be fully accountable to the commissioner institution with an obligation and account for being able to determine whether the principles of good corporate governance, especially regarding disclosure and transparency that have been determined and applied continuously and sufficiently for excursive (Tiager et al, 2003). In the 2004 KKNG, it was stated that to help create an efficient governance for a bank that has been stored on the stock exchange, it is necessary and obligatory to have an audit commission, the same thing is somewhat refuted by a law made by Bapepam LK No. IX. 1.5 in which it is stated to appoint that the minimum number of audit committees of the organization is at least 3 groups.

3. Methods

The type of information used in this study is seconder data obtained in time series from several banks in Indonesia, the source of the data itself is obtained from an Indonesia Stock exchange. The population for this study is a banking organization listed on the Indonesia Stock Exchange with a vulnerable period of 2017-2020. for the sample citation method used is the sampling of banking companies which is taken randomly but regularly and measurably.

The analytical model used to analyze hypotheses is a multiple linear regression model. For the regression model, it is formulated as follows:

$$Y_a = \alpha + \beta 1 Kep\_INST + \beta 2\ Kep\_ManJ + \beta 3 K\_ind + \beta 4\ Uk\_DRKS + \beta 5\ KADT + e \quad (1)$$

Where
- Kep_MANJ = Management Ownership
- KIND = Independent Commissioner
- DRKS = Board of Directions
- KADT = Audit Agency

Test of Classical Assumptions.

- Normality Test

The normality test is used to be able to understand whether a data or variables owned in a study have been distributed normally or not,

- Autocorrelation Test

The Autocorrelation Test is a statistical procedure carried out with the aim of being able to find out whether there is a correlation of variables in the regression model with time innovation. Therefore, if an autocorrelation assumption is formed from the predicted model bond,

- Multicollinearity test

The multicollinearity test aims to be able to find out what is the large correlation relationship of a free variable for a model of a linear regression. To find out whether there is multicholinearity in a regression model.

- Heterochdasticity test

The heterochemedasity test aims to find out what is the inequality of the variance value of a residual based on one observation to another. There are a number of processes that can be carried out to indicate the occurrence and absence of symptoms of heteroskesdasticity

- Coefficient of Determination Test.

The R2 coefficient test is used to show the extent of the model's ability to describe the modification of free variables with coefficient pointsR2.

4. Result and Discussions

4.1. Normality Test

The normality test had significant results with a Kolmogorov-Smirnov value of 0.082, higher than 0.05. In this case, the information we have can be categorized as having a normal distribution. for more clarity can be seen in the table below:

Table 1. Normality test result

Normality Test		**Column A (*t*)**
N		96
Normal Parameters[a,b]Means		0E-7
	Std. Deviations	26516219
	Absolute	129
	Positive	129
Most Likely	Negative	-0.75
Difference		1.264
Kolmogorov-Smimov Z		.082
Asymp Sig. (2-tailed)		

4.2. Multicollinearity Test

Multicollinearity is a measuring tool for situations that demonstrates the presence of a strong correlation or bond between two or more free variables in a multiple regression model. Based on the results of statistical testing, it is known that all free variables (X) have a tolerance value magnitude "between 0.895 to 0.995 or based on the Variance Inflation Factor (VIF) if it is "higher" than 0.10 then it becomes a symptom of multicollinearity in the data owned. And according to the results of statistical tests that have been made and completed, it is obtained that the results of independent variables (X) have a VIF value of 1,005 to reach 1,035 or "slightly low"" out of 10. so that it can be concluded "that the data possessed does not occur multicollinearity between each variable. For "more details can be seen "there is a table" below.

Table 1. Multicollinearity Test

Model	Unstandardized Coefficient		Standardized Coefficient	Co-linearity Statistics	
	B	Std. Error	Subhead	Tolerance	VIF
(constant)	16.977	2.923			
INST	-.338	2.923	-.419	.995	1.005
MANJ	.006	.101	.008	.965	1.036
KIND	.084	.095	.116	.970	1.031
DRKS	.064	.092	.075	.895	1.032
KADT	.045	.076	.086	.972	1.035

4.3. Heterochdasticity Test

Heterosedasity testing can be seen from the figure below, if the small circle in the table is spread and irregular then there are no symptoms of heteroskedasticity but if the small circle forms a pattern and is regular then there are symptoms of heteroskedasticity. Based on the figure below, it means that the data owned does not have heteroskedasticity problems in the regression model

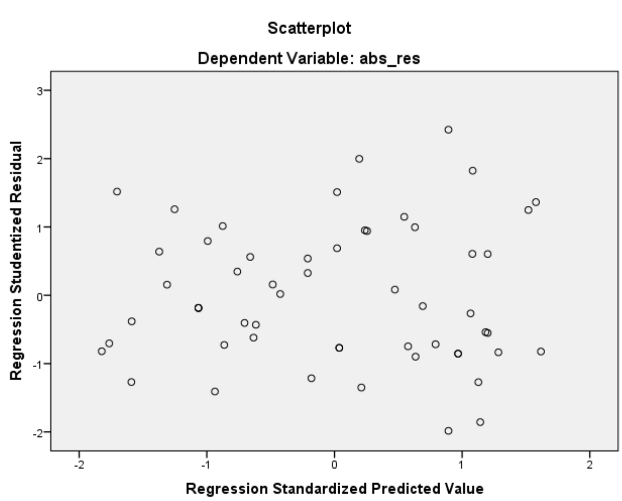

Figure 1. Scatterplot

4.4. Autocoleration Test

The autocorrelation test was carried out by comparing the test result from durbin Watson table values with a significant percentage of 5% or 0.05. So that the number of data in this study amounted to 84 and with a large number of independent variables of 5 (k = 5). So that the du value from the Analysis was 1.7732. And Durbin Watson's value of 1.985 obtained from the table, "higher" than the upper limit of the d_u which is 1.773 and less than (4-d_u) 4-1.7732=2.2268, so that the researcher can take a conclusion that it has no autocorrelation to the data owned. For more details, it can be seen in this table below.

Table 2. Autocorrelation test

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
24.0[a]	.87	.65	45480	1.7732

4.5. Hypothesis Testing

Hypothesis testing is carried out using multiple linear regression techniques. The results of the test are presented in the table as below

Table 3. Hypothesis Test

Model	Unstandardized Coefficient		Standardized Coefficient	t	Sig
	B	Std. Error	Beta		
(constant)	16.977	2.923		8.808	.000
INST	-.338	2.923	-.419	3.349	.002
MANJ	.006	.101	.564	2.754	.009
KIND	.084	.095	.116	.913	.365
DRKS	.064	.092	.098	.815	.453
KADT	.045	.076	.085	.982	.571

Coefficient of Determination Testing

Table 2. An example of a table.

Model	R	R Square	Std. Error of the Estimate
More table copy	.305	.282	1.484

From the statistical analysis in the table above, the results of adjusted R2 (coefficient of determination) with a value of 0.282 were obtained. So it can be interpreted that the variation in the transfer of pricind impact on the company's financial performance can be explained by the variation of the five independent variables, which have an impact of 28.2%.

Institutional ownership and performance of banking companies. Based on statistical analysis that has been carried out by researchers, it is known that the institutional ownership variable "is '"0.002 more"' slightly than "at 0.05 with a coefficient value or calculated t of 3.349. Therefore, from these results, the researchers concluded that institutional ownership has a good impact on banking financial performance based on the ROE value. So in this variable H1 is accepted and means that there is a good impact between institutional ownership on "'the financial performance of the company.

The results of this study are in accordance with research conducted by Yan Christi (2020) which shows that KI has critical favorable results on monetary execution. This suggests that ownership of institutional offers is more prominent than ownership of administrative offers, allowing institutional meetings, in particular meetings or business elements that start from outside the organization to become regulators or direct supervisory activities so that the directors do not act at their own benefit, so that between the administration and the foundation can work together to work on the monetary exhibition of the organization.

Ownership of the management and performance of the banking company. Based on statistical analysis that has been carried out by researchers, it is known that the management ownership variable is 0.009 less than 0.05 with a coefficient value or calculation of 2.754. So based on these results, the author took an agreement that said management ownership has a good impact on banking performance based on the ROE value. So in this variable H2 is accepted which means that there is a positive impact between management ownership and organizational performance.

The results of this study are in accordance with research conducted by Yan Christi (2020) which shows that GCG estimated by administrative ownership has no impact on monetary execution. This suggests that administrative ownership is low in financial organizations so that the regulation of the interests of investors and specialists cannot be determined. Administrative ownership at a low level makes the board of directors not ideal in resolving its obligations to enlarge the wealth of investors, in particular expanding the implementation of the organization with the ROA, and seeking to direct the assets of the organization for their own benefit.

Independent commissioners and performance of banking companies Based on statistical analysis that has been carried out by researchers, it is known that the independent commissioner variable is 0.365 higher than 0.05 with a coefficient value or calculated t as high as 0.913. Therefore, from these results, the researchers concluded that the independent commissioner is not Based on the analysis that has been carried out by the researcher, it is known that the independent commissioner variable is 0.365 higher than 0.05 with a coefficient or t calculated value as high as 0.913. Therefore, from these results, the researchers concluded that independent commissioners have no impact on the performance of banking organizations based on roe values. So in this variable H3 is rejected which means there is no impact between independent commissioners on the performance of the organization.

This is inconsistent with the statement said by hasibuan (2018) who said that the high and low of the Independent Board of Commissioners has no impact on the financial presentation of the organization. The arrangement of the Independent Board of Commissioners is carried out specifically for administrative consistency, so that the administrative capacity that should be the individual obligation of the management becomes inadequate. The presence of an Independent Commissioner cannot establish the continuity of the examination conducted by the Commissioner. This may be due to working wages, low upfront borrowing costs that will provide benefits to the organization, and others

Institutions of directors and performance of banking companies Based on the statistical analysis that has been carried out by researchers, it is known that the crane board variable is 0.453 higher than 0.05 with a coefficient value or calculated t as high as 0.815. Therefore, the researchers concluded that the board had no impact on the financial performance of banking organizations regarding the value of ROE. So in this variable H4 was rejected which means that there is no impact between the boards on the financial performance of the banking organization.

This is in agreement with a study conducted by sahardja (2014) which said that the results of the investigation found that the size of the top managerial staff affects the financial performance of the organization. This suggests that a larger number of individuals of the top managerial staff will allow expansion in the monetary exhibitions of the organization.

Audit and performance institutions of banking companies Based on statistical analysis that has been carried out by researchers, it is known that the audit committee variable is as high as 0.571 higher than 0.05 with a coefficient value or calculated t as high as 0.982. Therefore, from these results, the researchers concluded that the audit committee has no impact on the performance of banking organizations based on the ROE value. then in this variable H5 is rejected which means that it has no impact between the audit committees on the financial performance of the banking organization.

This disagrees with the research that has been carried out by hasibuan (2018) who said that There is no impact of the Audit Committee on the exhibition of the public financial framework on the grounds that the normal score of the Audit Committee in the class is large. In fact, only one Audit Committee has the ability in the field of Accounting and Finance. The large size of the organization will have a large business complexity as well, the Audit Committee will be plagued with difficulties in completing its obligations, so that what is made by the Audit Committee will be less feasible.

5. Conclusions

The results of this analysis reveal that the capacity of the board of directors has a good impact on the performance of a banking organization while institutional ownership has a positive impact on the financial performance of banks. This research also found that the ownership variables of management, independent commissioner institutions and audit institutions did not have an impact on the performance of a banking organization.

And partially or in variables, each of them is able to influence the dependent variable and there are those who are unable to influence this due to several factors ranging from the level of compliance of a banking organization to report its financial results regularly.

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