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Analysis of *Good Corporate Governance* and *Intellectual Capital* on Profitability Ratio

Rian Renaldi Muhamad Fitrio[1*], Nor Norisanti[2], Sopyan Saori[3]
[1]Universitas Muhammadiyah Sukabumi, Indonesia, rianren007@gmail.com
[2]Universitas Muhammadiyah Sukabumi, Indonesia, nornorisanti@ummi.ac.id
[3]Universitas Muhammadiyah Sukabumi, Indonesia, sopyansaori@ummi.ac.id

[*]Corresponding Author: rianren007@gmail.com

Abstract: Increased competition in business at this time is experiencing rapid development. This causes every company to have a strategy in competing so as not to experience bankruptcy and improve the company's financial performance. This study aims to determine the effect of Good Corporate Governance on Financial Performance and to determine the effect of Intellektual Capital on Financial Performance at Commercial and Conventional Banks listed on the Indonesia Stock Exchange (IDX) for the period 2020-2022. The research method that researchers use in solving problems is descriptive and associative research methods with a quantitative approach. The population in this study were conventional bank companies listed on the Indonesia Stock Exchange in 2020-2022. The samples used in this study were 10 commercial bank issuers listed on the IDX in the 2020-2022 period. The data collection techniques used in this research are literature study and documentation. The data analysis technique in this study is the multiple linear regression statistical method using SPSS software version 25. The results showed that there was a negative and insignificant effect of Good Corporate Governance on the Profitability Ratio and there was a positive and insignificant effect between Intellectual Capital on the Profitability Ratio.

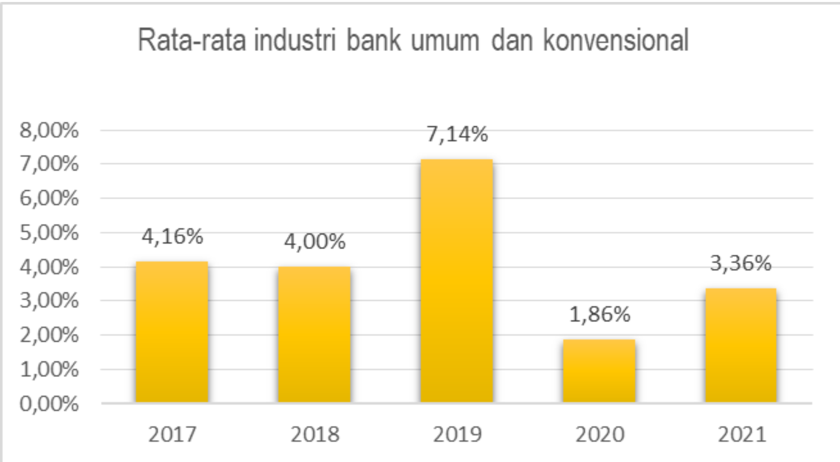
Keywords: Good Corporate Governance, Intellectual Capital, Profitability Ratio

INTRODUCTION

Increased competition in business at this time is experiencing rapid development. This causes every company to have a strategy in competing so as not to experience bankruptcy and improve the company's financial performance. Competition in the banking world in Indonesia is increasing, the influencing factor is because there are many banks operating so that people are more selective in choosing a bank. If high competition will increase the risks faced by banks can maintain their performance. Therefore, company performance is important to measure and know its development.

The Indonesian Banking Development Institute (LPPI) in 2017 noted a number of problems that occurred in Indonesian banking, especially in terms of efficiency, profitability, capital, and non-performing loans. In terms of efficiency, LPPI noted that there were 25 banks that had a ratio of operating costs to operating income (BOPO) above 95%. This reflects the low level of banking efficiency. In terms of profitability, 24 banks have low profitability as their ROA and ROE ratios are below the industry average. In terms of capital, almost 50% of commercial banks in Indonesia still operate with capital below the industry average (Yudistira, 2017). Cases in the banking world also occurred at Bank Mandiri in 2018 where it was suspected that there was misuse and misappropriation of credit and engineering of financial statements given to PT Sunprima Nusantara Pembiayaan (SNP Finance), one of the subsidiaries of the Columbia group (Rossiana, 2018). Some of these events are very interesting for researchers to examine the financial performance of banking companies.

2014 was the beginning of a political and economic transition for Indonesia which caused economic conditions to not improve in line with world economic conditions (Astri Rosiana, 2020). This has caused the Indonesian banking industry to face various challenges due to the economic slowdown in Indonesia, which is reflected in the performance of Indonesian banks as seen from the banking profitability ratio which has decreased and is expected to still be depressed by the cost of reserves. In 2020, it experienced a very drastic decline, due to the COVID-19 pandemic which had a huge impact on the Indonesian economy, especially on company performance. The following is data on financial performance at commercial and conventional banks in the 2019-2021 period



Source: Processed by the author, 2022

Figure 1. Industry Average of Commercial and Conventional Banks

From the picture above, it can be seen that commercial banks and conventional banks experience movements that tend to be unstable which can change from 2018 to 2021. In 2019 to 2020, these commercial and conventional bank companies showed a fairly high decline of 5.28%. The decline in commercial and conventional bank companies is thought to be due to a decrease in pre-tax profit performance.

In this study, researchers calculated profit before tax. By using the formula, namely revenue minus other costs or expenses without including taxes. The results of total production and selling price can be said to be the total money generated on sales then reduced by the expenses or costs involved.

Research Purwani, et al. (2017), states that Good Coporate Governance as measured by the proportion of independent commissioners has a positive and significant effect on financial performance, Good Coporate Governance as measured by the proportion of the board of directors has a negative and insignificant effect on financial performance.

The results of Khairunnisa's research (2016) state that the proportion of independent commissioners has a significant positive effect on ROA. Then, Untara and Mildawati's research (2014) states that human capital has a negative effect on company performance.

Meanwhile, structural capital and capital employed (Physical capital) have a positive effect on company performance. Furthermore, research conducted by Andriana (2014) said that human capital has a negative and insignificant effect on the company's financial performance. Capital employed and structural capital, although showing a positive coefficient direction, have no significant effect on the company's financial performance.

The purpose of this study is to determine the effect of Good Corporate Governance on Financial Performance at Commercial and Conventional Banks listed on the Indonesia Stock Exchange (IDX) for the 2020-2022 period and to determine the effect of Intellektual Capital on Financial Performance at Commercial and Conventional Banks listed on the Indonesia Stock Exchange (IDX) for the 2020-2022 period.

METHOD

The research method that researchers use in solving problems is descriptive and associative research methods with a quantitative approach. The population in this study are conventional bank companies listed on the Indonesia Stock Exchange in 2020-2022. The samples used in this study were 10 commercial bank issuers listed on the IDX in the 2020-2022 period. The data collection techniques used in this research are literature study and documentation. The data analysis technique in this study is the multiple linear regression statistical method using SPSS version 25 software.

RESULTS AND DISCUSSION

Results

Table 1. SPSS Testing Results

No.	Testing	Results	Criteria	Description
		CLASSICAL ASSUMPTION TEST		
1.	Normality	0,101	>0,05	Normal
2.	Multicollinearity	Tolerance 0.993 VIF 1,007	>0,1 <10	No multicollinearity
3.	Heteroscedasticity	X1= 0,182 X2= 0,068	>0,005 >0,005	No heteroscedasticity No heteroscedasticity
		HYPOTHESIS TEST		
1.	Coefficient of Determination	0,161	100%-2,59%= 97,4%	Very weak
2.	Simultaneously Significant (F-test)	= Fcount 3.476 Sig= 0.000	Ftable= 3.22 Sig = <0.05	Able to influence simultaneously
3.	Multiple Linear Regression	Y = 1.456 - 0.011 X1 + 0.010 X2		
4.	Partially Significant (t-test)	X1 Thitung=0.905 Sig=0.371 X2 Thitung=2,468 Sig=0.642	Ttabel= 2.2 Sig= < 0.005 Ttabel= 2.2 Sig=>0.005	0 1 H is accepted and H is rejected 1 0 H is accepted and H is rejected

Source: Data processed by researchers, 2024

1. **Normality Test**
   Based on the One-Sample Kolmogorov-Smirnov Test table, it can be seen that the Asymp. Sig value is 0.101. So it can be seen that the items are normally distributed because they have a significant level of 0.101> 0.05.
2. **Multicollinearity Test**
   Judging from the table above, it can be seen that the calculation of the tolerance value on the GCG variable is 0.993> 0.10, the tolerance value on the Intellectual Capital (IC) variable is 0.9931> 0.10, which means that there is no correlation between the independent

variables. The results of the calculation of the variance inflation factor (VIF) on the NPL variable show a VIF value of 1,007 < 10 and the calculation of the variance inflation factor (VIF) on the ROA variable shows a VIF value of 1,007 < 10. So it can be seen that there are no symptoms of multicolonierity between the independent variables in the regression model of this study.

3. **Heteroscedasticity Test**
   Based on the table above, it can be said that the results of the Glejser heteroscedasticity test in this study show the numbers 0.182 (X1) and 0.068 (X2) are more than the significance value of 0.05 which means that the independent variable does not occur symptoms of heteroscedasticity. So it is concluded that multiple linear regression of independent variables on the dependent is free from the classical assumption of heteroedasticity and is suitable for use in this study because the significance value exceeds the 5% confidence level so that there is no indication of inequality of variance from one residual to another observation.
4. **Determination Coefficient Test**
   Based on the table above, it can be seen that the coefficient of determination (Kd) value of 0.161 is the same as the results using the formula Kd = R 2 x 100% = (0.161^2 x 100%) = 2.59%, it can be seen that *Good Corporate Governance* and *Intellectual Capital* are 2.59% of the Probability Ratio / ROA, and the remaining 97.4% is influenced by other factors not examined in this study by researchers. Based on these results, a value close to 0 is obtained, indicating that the effect of *Good Corporate Governance* and *Intellectual Capital* on ROA is very weak.
5. **Test f**
   The table above shows a significance value of 0.000 and an Fcount value of 3.476 with a numerator df of 2 and a denominator df (45-2-1) of 42 and the Ftable value of 3.22 can be found. From these results, it shows that the Fcount value is 3.476> Ftable 3.22 with a significance value of 0.000 <0.05, then Ha is accepted and Ho is rejected. It can be interpreted that Good Corporate Governance and Intellectual Capital have a significant effect on the Profitability Ratio.
6. **Multiple Linear Regression Analysis**
   Based on the table above, it can be seen that the multiple linear regression equation is as follows: Y = 1.456 - 0.011 X1 + 0.010 X2 Description:
   Y = Probability Ratio (Return on Asset)
   X1 = Good Corporate Governance
   X2 = Return On Asset
   So it can be explained as follows:
   1. The regression coefficient value of 1.456 indicates that if other variables are constant, then ROA will decrease by 1.456 percent.
   2. The regression result of the Good Corporate Governance variable is -0.011, so that if the GCG variable increases by one unit, it will cause a decrease in ROA by -0.011 percent, assuming other variables are constant.
   3. The regression result of the Intellectual Capital variable is 0.010, so that each increase in Intellectual Capital of one unit will be followed by an increase in Earnings of 0.010 percent with the assumption that other variables are constant.
7. **Test t**
   Based on the table data above shows that GCG has a t value of 0.905 < t table of 2.02 with a significance value of 0.371> 0.05, it means that Ho is accepted and H1 is rejected, it can be concluded that GCG has no influence and is not significant on the Profitability Ratio. Then based on the test table above shows that Intellectual Capital has a t value of 2.468> t table of 2.02 and a significance value of 0.642, which means Ho is rejected and H1 is

accepted, it can be concluded that Intellectual Capital has a positive and insignificant effect on the Profitability Ratio.

Discussion

Good Corporate Governance on Profitability Ratio 2020-2022

The t test results show that the tcount of the Good Corporate Governance (X1) variable is 0.905 < t table of 2.02 with a significance value of 0.371> 0.05. So Ho is accepted and H1 is rejected, it can be concluded that GCG has no influence and is not significant to the Profitability Ratio. So it can be seen that Good Corporate Governance has no effect on the Profitability Ratio of Commercial Bank Companies listed on the Indonesia Stock Exchange from 2020 to 2022. The results of the study are in line with research conducted by Purwani et al (2017) that Good Corporate Governance as measured by the proportion of the board of directors in ownership has a negative and insignificant effect on ROA.

Based on this, it can be concluded that partially Good Corporate Governance does not have the ability to influence Return On Asset. This can be based on the inability of the good corporate governance variable to meet the good ROA standard value.

Intellectual Capital to Profitability Ratio 2020-2022

The t test results show the t count of the Intellectual Capital variable (X2) of 2.468> t table of 2.02 with a significance value of 0.642. This means that Ho is rejected and H1 is accepted, it can be concluded that Intellectual Capital has an insignificant effect on the Profitability Ratio of Commercial Bank Companies listed on the Indonesia Stock Exchange in 2020 to 2022. The results of the study are in line with research conducted by Untara and Mildawati (2014) which states that Intellectual Capital affects the Company's Financial Performance.

Based on this, it can be concluded that partially Intellectual Capital has the ability to influence Return On Asset. This can be seen from the overall value of intellectual capital which exceeds the standard value of a good ROA. Then the company can be said to be stable or healthy with a high IC value.

CONCLUSION

Based on the results and discussion that the researchers have done, the conclusion of this study is that there is a negative and insignificant influence of Good Corporate Governance on the Profitability Ratio, this can be seen from the t test results showing that t count is smaller than t table and there is a positive and significant influence between Intellectual Capital on the Profitability Ratio, this can be seen from the t test results showing that t count is greater than t table.

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