The effect of good corporate governance on the financial performance of property and real estate sub-sector companies listed on the Indonesia Stock Exchange

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Abstract
Good Corporate Government (GCG) is a process and a structure applied in operating a company, intending to improve the company management following the principles of GCG, namely transparency, accountability, responsibility, independence, fairness, and equality. GCG affects the improvement of the company's financial performance. This study aims to find the effect of independent commissioners, managerial ownership, institutional ownership on the financial performance of the property and real estate sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2014-2018 period. This study uses an associative research method with a quantitative approach. The sampling technique used is purposive sampling with several criteria. It has a sample of 40 companies obtained from an initial population of 48 companies and analyzed using multiple linear regression with SPSS. The results of this study indicate that partially, the independent board of directors, managerial ownership, and institutional ownership have no significant effect on financial performance. Simultaneously based on F-test, the variables consisting of the independent board of commissioners, managerial ownership, and institutional ownership have a significant effect on profitability.

Introduction
The company's financial performance is the result of many individual decisions made continuously by management. Financial performance is an illustration of the company's success in the future from the various activities that have been carried out. Since the first, the company's financial performance has been one of the benchmarks or assessments of the success of company management in managing the company's activities (Yanti & Dwirandra, 2019).

A company's performance appraisal is conceptualized as an assessment to gain achievements. Performance describes the achievement of an activity implementation in actualizing the company goals. It is vital to assess the company's performance by management, shareholders, government, and other interested parties related to the welfare of all (Wi & Anggraeni, 2020). In measuring a company's financial performance, there are two sides as the considerations, namely the internal and external side of the company. The company value is calculated through the company's financial performance (Senata, 2016). The indicators used to assess a company's financial performance are financial ratios, one of which is the profitability ratio.

The profitability ratio indicates a company's ability to generate profits. It can help find out a company's survival to be going concerned. Profitability ratios are employed to assess a company's ability to earn profits (Manukaji, 2018). This ratio also reflects the level of effectiveness of a company's management. It is shown both from the profit gained by sales and investment revenues. Therefore, the researchers uses this ratio to measure a company's financial performance (Riyadi & Santoso, 2018).

One system affecting a better company's financial performance is Good Corporate Governance (GCG). It is explained in this study that the better Good Corporate Governance is
applied, the better a company’s financial performance be. If properly implemented, a Good Corporate Governance system will effectively protect shareholders and creditors, thereby instilling the confidence of these parties in their investment in the company (Ismawati, 2016).

Good Corporate Governance can also be a concept of a process and structure used by corporate organs to improve business and corporate accountability. It helps to realize shareholder value in the long term while still concentrating on the interests of the other stakeholders based on statutory regulations and ethical values (Hunjra et al., 2020).

From the observations, it is found that the financial performance reports of the property and real estate sub-sector companies for the last 5 (five) years from 2014-2018 seen from the side of total assets and total profits that the financial performance of the property and real estate sub-sectors has not been too good (Arifiansyah et al., 2021). This requires companies to implement a Good Corporate Governance system to improve the performance of management in controlling fraudulent practices within the corporation as well as to determine the direction and control of company performance. Good Corporate Governance is basically concerned with the way all stakeholders try to ensure that managers and other internal employees always take appropriate steps or adopt mechanisms that protect stakeholder interests (Anggraeni et al., 2020).

In this study, to measure Good Corporate Governance (GCG) it will use the proxies of independent commissioners, managerial ownership and institutional ownership. This is based on several previous studies such as research conducted by Hendrati et al. (2018), Handayani (2018), Setiawan and Setiadi (2020) and Ermawati et al. (2017). As for financial performance using profitability ratios whose measurements consist of ROA, ROE and NPM which aims to see the company's financial performance. This profitability ratio means a ratio that looks at the company's ability to generate profits and to see a benchmark for company performance.

Literature Review and Hypotheses Development

Agency Theory

Agency theory is one of the theories that emerged in the development of accounting research which is a modification of the development of financial accounting models by adding aspects of human behavior in the economic model. Agency theory is the relationship between the agent (management) and the principal (owner). In a relationship of agency, there is a contract between the principal and the agent to perform a service. It is on behalf of the principal and authorizes the agent to make the best decision for the principal (Jensen & Meckling, 1976).

The occurrence of agency problems in the company is based on the concept of solving between the owner and company management (Sukmajati & Sudrajad, 2018). The occurrence of conflicts between company owners and company management is known as Agency Theory, where this theory is considered as an analysis and priority effort to find solutions in solving company problems, namely between company owners and management agents (Hamdani, 2016:33).

Good Corporate Governance (GCG)

Good Corporate Governance (GCG) is a principle that directs and controls the company in order to achieve a balance between the strength and authority of the company in providing accountability to shareholders in particular, and stakeholders in general. Of course, this is intended to regulate the authority of directors, managers, shareholders and other parties related to the development of the company in a certain environment. Corporate governance is part of a series of structured and useful for managing, directing, and leading the corporate business which aims to increase company value and business sustainability (Sukmajati & Sudrajad, 2018).

Independent Board of Commissioners

Independent Commissioners are members of the board of commissioners who are not affiliated with the board of directors, other members of the board of commissioners and shareholders, and are free from business relationships or other relationships that may affect their ability to act independently or act solely for the benefit of the company (Setyawan, 2019).
Managerial Ownership

Managerial ownership is the shareholder of the management who actively participates in decision-making within the company, for example directors and commissioners (Pracihara, 2016). According to Saddam and Sarwani (2021) managerial ownership is the owner/shareholder by the company management who actively plays a role in company decision making.

Institutional Ownership

Institutional ownership is a structure that plays an important role in encouraging company performance and can encourage the level of company supervision (Embang, 2016). This is because the ownership of a share can be a source of power to support the performance of the company's management.

Financial Performance

The condition of a company that is effective and consistent in implementing the concept of Good Corporate Governance (GCG) will be reflected in its financial performance. Financial performance is one of the benchmarks used by users of financial statements to measure or determine the extent to which the quality of a company is. According to Ismawati (2016) financial performance is an analysis carried out to determine the extent to which the company has implemented the rules that have been set regarding the proper and correct use of finance.

Influence of Independent Board of Commissioners (X1) on Profitability (Y)

The Independent Board of Commissioners (IBC) has a significant role. It monitors and supervises conflicts of interest between management (agent) and shareholders (principal) as prevention. By doing so, agency conflicts do not occur. The independent board of commissioners can improve the company's financial performance for profitability increase (Lestari & Yulianawati, 2016). The existence of an independent commissioner from the audit committee is expected to create a trustworthy transparency of corporate management accountability, so that it will increase the confidence of capital market participants so that the existence of an audit committee will encourage an increase in company value (Amelinda & Anwar, 2021).

H1: Independent board of commissioners affects profitability consisting of ROE, ROA and NPM

Influence of Managerial Ownership (X2) on Profitability (Y)

Managerial Ownership is responsible to the General Meeting of Shareholders (GMS). It aims at implementing supervision over the management of the company run by the board of commissioners. This condition leads to no strong position of managers in determining every strategic decision and policy taken by the company. It is also exacerbated by the proportion of managerial ownership in each company with a very small value, making it increasingly difficult for managers to influence company performance (Alamsyah et al., 2021). According to Saddam and Sarwani (2021) concluded that the shares owned by the managerial side will affect the company's performance. When managers have a share contribution to the company, they will work hard to achieve maximum results. In this study, the hypothesis of managerial ownership (X2) on profitability (Y) is guided by the results of research conducted by Alamsyah et al. (2021).

H2: Managerial Ownership (MO) affects profitability consisting of ROE, ROA and NPM

Influence of Institutional Ownership (X3) on Profitability (Y)

Institutional Ownership (IO) cannot reduce conflicts of interest between principals and agents with institutional supervision. It can optimize management performance supervision to avoid management misappropriation. Institutional involvement with companies can affect the company's financial performance for better improvement (Anggraeni et al., 2020). According to Senata (2016), concluding that higher institutional ownership will encourage more optimal supervision of company performance in achieving company goals, namely optimizing company value. A high level
The effect of good corporate governance on the financial performance of institutional ownership will lead to greater supervisory efforts by institutional parties so that it can hinder the opportunistic behavior of managers.

H3: Institutional Ownership (IO) affects profitability consisting of ROE, ROA and NPM

Research Methods

The object of research in this study covers the property and real estate sub-sector companies listed on the Indonesia Stock Exchange from 2014 to 2018. The total population of property and real estate sub-sector companies listed on the 2014-2018 IDX are 48 companies. From the total of 48 companies, only 40 companies that meet the requirements following the sample criteria.

To find out the data needed in this study, firstly it is necessary to operationalize the variables inventoried from the study background and framework to determine the indicators of the variables concerned. The variable indicators in this study are described in the operational table below.

Table 1. Operationalization of the Variables Used

<table>
<thead>
<tr>
<th>Variables</th>
<th>Sub Variables</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good Corporate Governance</td>
<td>Independent Board of Commissioners (X1)</td>
<td>Independent Board of Commissioners = Number of Independent Party Commissioners / Number of Company Commissioners</td>
</tr>
<tr>
<td></td>
<td>Managerial Ownership (X2)</td>
<td>Managerial Ownership = Total Shares of Management / Total Shares Outstanding</td>
</tr>
<tr>
<td></td>
<td>Institutional Ownership (X3)</td>
<td>Institutional Ownership = Number of Institutional Shares / Total Outstanding Shares</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>Return On Asset (Y1)</td>
<td>ROA = Earing After Tax / Total Assets</td>
</tr>
<tr>
<td></td>
<td>Return On Equity (Y2)</td>
<td>ROE = Earning After Tax / Total Equity</td>
</tr>
<tr>
<td></td>
<td>Net Profit Margin (Y3)</td>
<td>NPM = Earning After Tax / Net Sales</td>
</tr>
</tbody>
</table>

Sources: El-Chaarani, 2014; Sholekah and Venusita, 2014; Mamduh, 2016: 42; Abubakar et al., 2018

The statistical analysis technique in this study employs multiple linear regression (multiple linear regression). Multiple regression analysis can explain the correlation of the dependent variable with some independent variables. In applying multiple regression analysis, several steps and analytical tools are required. Before analyzing by using multiple linear regression, some classical assumption tests consisting of a normality test, an autocorrelation test, a multicollinearity test, and a heteroscedasticity test is first performed.

The general equations of multiple linear regression in this study are as follows:

\[ Y = a + b_1x_1 + b_2x_2 + b_3x_3 + e \]

Descriptions:
\( Y \) = Company's financial performance
\( a \) = Constant value
\( X1 \) = Independent Board of Commissioners
\( X2 \) = Managerial Ownership
\( X3 \) = Institutional Ownership
\( b_1 \) = Regression coefficient of \( X1 \)
\( b_2 \) = Regression coefficient of \( X2 \)
\( b_3 \) = Regression coefficient of \( X3 \)
\( e \) = Error

Results and Discussion

Normality Test

The normality test aims to test whether or not the residual value standardized in the regression model is normally distributed. Decision-making is taken based on a significant value greater than
0.05. The data are normally distributed. If a significance value is less than 0.05, the data are not normally distributed (Ghozali, 2018:161). The normality test results can be seen in the following table. Based on the SPSS output table 2, the significance value is 0.200 > 0.05. It follows the basis for decision-making in Kormogol Smirnov's normality test. It can be concluded that the regression model meets the assumption of normality.

**Table 2. Normality Result**

<table>
<thead>
<tr>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>Normal Parameters</td>
</tr>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>Std. Deviation</td>
</tr>
<tr>
<td>Most Extreme Differences</td>
</tr>
<tr>
<td>Absolute</td>
</tr>
<tr>
<td>Positive</td>
</tr>
<tr>
<td>Negative</td>
</tr>
<tr>
<td>Test Statistic</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
</tr>
</tbody>
</table>

Source: data processed, 2022

**Multicollinearity Test**

The multicollinearity examines the data studied so that it is free of multicollinearity. Perfect multicollinearity will cause the regression coefficient unable to be determined and the standard deviation will be infinity. If there is imperfect multicollinearity, the regression coefficient will have a larger standard deviation, which means the coefficient cannot be estimated easily. The multicollinearity test demands the VIF value has < 10 or the Tolerance value has > 0.01. It illustrates no Multicollinearity (Ghozali, 2018: 107). The results of the multicollinearity test can be seen in the following table 3. Based on the table of multicollinearity test, Independent Board of Commissioners (IBC), Managerial Ownership (MO), and Institutional Ownership (IO) variables have the VIF value of < 10. The tolerance value indicates that all variables have tolerance values > 0.01 so that there is no multicollinearity in the data used.

**Table 3. Multicollinearity Result**

<table>
<thead>
<tr>
<th>Model I</th>
<th>Collinearity Tolerance</th>
<th>Statistics VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent board of commissioners</td>
<td>.916</td>
<td>1.092</td>
</tr>
<tr>
<td>Managerial ownership</td>
<td>.856</td>
<td>1.168</td>
</tr>
<tr>
<td>Institutional ownership</td>
<td>.924</td>
<td>1.083</td>
</tr>
</tbody>
</table>

Source: data processed, 2022

**Autocorrelation Test**

The autocorrelation test examines whether or not there is a deviation from the classic assumption of autocorrelation. It is the correlation between the residuals in one observation and other observations in the regression model. The requirement met explains that there is no autocorrelation in the regression model. The autocorrelation test can be used with the Durbin Watson test (Basuki & Prawoto, 2016:60). The requirements for the autocorrelation test are (4DW) > DU < DW, which means no autocorrelation (Ghozali, 2018:111). Based on the autocorrelation test, the DW value is 1.815 and greater than the upper limit (DU) at 1.7176 (1.815 > 1.7176) and (4-DW) > DU (2.185 > 1.7176). In other words, it can be written as 2.185 > 1.7176 < 1.815, so it can be concluded that there is no autocorrelation.

**Table 4. Autocorrelation Result**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.326*</td>
<td>.106</td>
<td>1.815</td>
</tr>
</tbody>
</table>

Source: data processed, 2022
Heteroscedasticity Test

The heteroscedasticity test examines the deviations of classical assumptions in the regression model. The regression model must meet the heteroscedasticity requirements. The heteroscedasticity test is carried out using the Glejser test (Basuki & Prawoto, 2016:63). The regression of the independent variables and the absolute residual value is done through the Glejser test. If the significant value of the independent variable and the absolute residual is more than 0.05, there is no heteroscedasticity problem (Ghozali, 2018).

The terms of the heteroscedasticity test with the Glejser test, according to Ghozali (2018), are: (1) If the significance value (sig) is greater than 0.05, there are no heteroscedasticity problems, and (2) On the other hand, if the significance value is less than 0.05, heteroscedasticity occurs. Based on the heteroscedasticity table tested using the Glejser test, the basis for decision making using the Glejser test with a significant value > 0.05 results in no heteroscedasticity occurring (Ghozali, 2018: 134). From table 5, it can be said that there is no heteroscedasticity seen from the significant value of the variables of Independent Board of Commissioners (IBC), Managerial Ownership (MO), and Institutional Ownership (IO) is higher than 0.05.

Table 5. Heteroscedasticity Result

<table>
<thead>
<tr>
<th>Model I</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.001</td>
</tr>
<tr>
<td>Independent board of commissioners</td>
<td>.896</td>
</tr>
<tr>
<td>Managerial ownership</td>
<td>.059</td>
</tr>
<tr>
<td>Institutional ownership</td>
<td>.443</td>
</tr>
</tbody>
</table>

Source: data processed, 2022

Hypothesis Testing

Multiple regression analysis

This section analyzes the data regarding the influence of the Independent Board of Commissioners (IBC), Managerial Ownership (MO), and Institutional Ownership (IO). Based on the research data, the complete results of the multiple linear regression analysis carried out can be seen in the table below:

Table 6. Multiple Regression Result

<table>
<thead>
<tr>
<th>Model I</th>
<th>Unstandardized B</th>
<th>Coefficients Std. Error</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>2.260</td>
<td>.557</td>
<td>4.056</td>
<td>.000</td>
</tr>
<tr>
<td>Independent board of commissioners (IBC)</td>
<td>.320</td>
<td>.486</td>
<td>.658</td>
<td>.513</td>
</tr>
<tr>
<td>Managerial ownership</td>
<td>-.051</td>
<td>.029</td>
<td>-1.577</td>
<td>.079</td>
</tr>
<tr>
<td>Institutional ownership</td>
<td>-.154</td>
<td>.100</td>
<td>-1.530</td>
<td>.130</td>
</tr>
</tbody>
</table>

Dependent var: Profitability

***p < .000, **p < .01, *p < .05

Source: data processed, 2022

Based on the results of the regression analysis above, it can be formulated a multiple linear regression equation as follows:

\[ Y = a + b_1x_1 + b_2x_2 + b_3x_3 + e \]

\[ Y = 2.260 + 0.321X_1 - 0.051X_2 - 0.154X_3 + 0.894e \]

In accord to the multiple linear regression equation above, it explains that "a" is a constant value which means the value of the dependent variable of Y remains when all Xi variables are zero or do not change. In this study, the constant value is 2.260, which means that the average profitability value consisting of the ROA, ROE, and NPM ratios is 2.260 when there is no increase or decrease in the value of the IBC, MO, and IO variables.
The b1 coefficient value of 0.321 is the Independent Board of Commissioners' (X1) contribution affecting profitability covering ROA, ROE, and NPM. The regression coefficient of b1 is 0.321 with a positive sign. If the Independent Board of Commissioners (X1) variable value increases or decreases by one unit, the profitability variable value consisting of ROA, ROE, and NPM ratios will increase or decrease by 0.321.

The b2 coefficient value of 0.051 is the Managerial Ownership's (X2) contribution affecting profitability consisting of the ratio of ROA, ROE, and NPM. The regression coefficient b2 is 0.051 with a negative sign. If the Managerial Ownership variable (X2) increases or decreases by one unit, the profitability variable consisting of the ROA, ROE, and NPM ratios will increase or decrease by 0.051.

The coefficient b3 of 0.154 is the Institutional Ownership's (X3) contribution affecting profitability involving the ratio of ROA, ROE, and NPM. The regression coefficient b3 is 0.154 with a negative sign. If the Institutional Ownership (X3) variable value increases or decreases by one unit, the profitability variable consisting of the ratio of ROA, ROE, and NPM will increase or decrease by 0.154.

The value of "e" is the residual value or the error possibility in the regression equation model. It is because of the other variables' possibility that can affect the Y variable but is not included in the equation model. Based on the results, the residual value gained is 0.894 or 89.4%.

The t-test in table 6 is used to measure the significance of the influence of decision making based on the comparison of the t value of each regression coefficient with the t table (critical value) in accordance with the significance level used with the condition that if the value of Sig. < 0.05 or t count > t table means the independent variable has an influence on the dependent variable (Ghozali, 2018:98). From the results of analysis, it shows that the t-count value of IBC is 0.658 < t-table value of 1.66320, MO's t-count value of 1.577 < t-table value of 1.66320 and IO t-count value of 1.530 < t-table value of 1.66320. So it can be concluded that the three independent variables, namely the Independent Board of Commissioners (IBC), Managerial Ownership (MO) and Institutional Ownership (IO) variables have no significant effect on profitability which consists of ROA, ROE and NPM.

Results of the Coefficient of Determination (R Square)

The coefficient of determination analyzes to what extent the effect of the independent variables on the dependent variable. The value of the coefficient of determination is by Adjusted R Square. The following table is the coefficient of determination test:

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>.326</td>
<td>.106</td>
<td>.072</td>
<td>1.13874</td>
</tr>
</tbody>
</table>

Model I

aPredictors: (Constant), IBC, MO, IO
Source: data processed, 2022

Based on the model summary output table, the coefficient of determination (R Square) obtained is 0.106. It means that profitability which consists of ROA, ROE, and NPM ratios as the dependent variable on the property and real estate sub-sectors listed on the Indonesia Stock Exchange (IDX) can be affected by some variables at 10.6%. The variables are the Independent Board of Commissioners (IBC), Managerial Ownership (MO), and Institutional Ownership (IO). The remaining 89.4% is influenced by other variables not examined, such as capital structure, company size, liquidity, and working capital (Armereo, 2015).

F-Test Analysis Results

The F-Test aims at examining whether the independent variable can explain the dependent variable well or to test whether the model used is fit or not. The requirement for assessing the results of
The effect of good corporate governance on the financial performance…

The F-test hypothesis is the Sig. value of < 0.05, which means that there is an effect of the independent variable on the dependent variable. If the Sig. value is > 0.05, there is no effect of the independent variable on the dependent variable. Likewise, if the calculated F value > F table, there is a simultaneous effect and vice versa (Ghozali, 2018:92).

The ANOVA of the table 8 describes that the significance value (Sig.) in the F-test has 0.033. The values of Df1 = 3 and Df2 = 82 are obtained for the calculated F of 3.057 > F table of 2.72. Because the calculated F value is greater than the F table with a Sig. of 0.033 is smaller than 0.05. Based on the F-test, it states that overall the Independent Board of Commissioners (IBC), Managerial Ownership (MO), and Institutional Ownership (IO) affect the profitability variable consisting of the ROA, ROE, and NPM ratios.

Table 8. F-Test Result

<table>
<thead>
<tr>
<th>Model</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3.057</td>
<td>.033*</td>
</tr>
<tr>
<td>Residual</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent var: IBC, MO, IO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dependent var: Profitability</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

***p < .000, **p < .01, *p < .05
Source: data processed, 2022

Effect of Independent Board of Commissioners (IBC) (X1) on Profitability (Y)

The Independent Board of Commissioners does not affect financial performance. The Independent Board of Commissioners is still considered unprofessional in carrying out its supervisory function following its duties and authorities. In addition to this, its existence has the regulation through the Director's Decree of PT. Indonesia Stock Exchange I-A No: Kep-00001/BEI/01-2014 saying that the number of Independent Board of Commissioners is at least 30% of all commissioners. The provision is not high enough to cause independent commissioners to dominate the policies taken by the board of commissioners (IDX.co.id). It indicates that the size of the number of Independent Board of Commissioners does not guarantee that fraud in a company does not occur in the financial reporting. Monitoring carried out by the Independent Board of Commissioners has not been able to reduce the behavior of managers in bringing up their interests. It leads to the quality of the supervisory function within the company is complex to improve and will not result in good financial performance (Kirana & Wahyudi 2016).

Arifiansyah et al. (2021) states that the existence of an Independent Board of Commissioners will increase the existing supervision because the independent board of commissioners comes from outside the company. The increase of supervision intends to have the companies carry out healthy business activities and reduce management behavior. The appointment of an Independent Board of Commissioners tends to be merely a formality to comply with existing regulations. The lack of awareness of the Independent Board of Commissioners in carrying out supervision causes the Independent Board of Commissioners not to affect improving performance. The lack of independence of the independent board of commissioners also causes the supervisory function to do is reduced. Because of the weak supervision carried out by the Independent Board of Commissioners, the purpose of establishing an Independent Board of Commissioners does not work, and there is no improvement in performance. The existence of an Independent Board of Commissioners does not increase the effectiveness of supervision and also does not improve the company's financial performance.

The results of this study support the research conducted by Suhartini and Megasyara (2019), stating that the Independent Board of Commissioners has no significant effect on financial performance. The results of this study also agree with the research conducted by Riyadi and Santoso (2018), saying no significant effect of the Independent Board of Commissioners on financial performance. Research by Johl, Kaur, and Cooper (2015) also states that the Independent Board of Commissioners is not proven to affect the company's financial performance. Melia (2015) state that the Independent Board of Commissioners negatively affects a company's financial performance.
Effect of Managerial Ownership (MO) (X2) on Profitability (Y)

Managerial ownership does not affect financial performance. In this study, the average share owned by the management party is still very small. Some companies with managerial ownership do not have shares in the company, so managers do not work optimally. In addition, with a small proportion of shares, management cannot affect the decisions taken at the GMS. It makes managers unable to unite the interests of managers and shareholders. In that case, they cannot improve a company's financial performance (annualreport.co.id).

Managerial ownership does not fully benefit from the profits, but they also bear the costs incurred to increase company profits. It is due to the Indonesian context, in which not many managements own company shares with a significant amount. The insignificant results indicate that the market does not use information regarding management's ownership in conducting investment appraisals. It is presumably due to conditions in Indonesia. The proportion of managerial ownership in companies is still very low. It brings about the ineffective operation of managerial ownership implementation to help unite interests between managers and owners in motivating managers to act and improve company performance (Fharaswati, Hardiyanto, & Lestari, 2021).

The low shares owned by the company management result in not having a feeling of possessing the company due to not all benefits can be gained by the management. The management tends to have less motivation and performance. Therefore, it does not affect the company's financial performance. The results of this study support the research conducted by Holly and Lukman (2021) which states that managerial ownership has no effect on financial performance, as well as research conducted by Supradnya and Ulupui (2016) which states that managerial ownership has no effect on financial performance. This study is different from that of Nigeria in which the managerial ownership results do not affect financial performance (Saidu & Gidado, 2018).

Effect of Institutional Ownership (IO) (X3) on Profitability (Y)

Institutional ownership is a condition of an institution having a large stake in a company in the property and real estate sub-sectors. Institutional ownership has a very high number of shareholdings. The institutions will tend to act in their interests at the expense of the interests of minority shareholders. It will create an imbalance in determining the direction of company policy which will benefit the majority shareholders, namely the institution.

Based on financial history, Institutional ownership generally acts as a party to monitor the companies with greater institutional ownership (more than 5%), indicating their ability to monitor management. The greater the institutional ownership, the more efficient the utilization of company assets, thus the proportion of institutional ownership acts as a prevention against waste by management. Institutional ownership has a high risk. The participation of the majority owner of the institution in controlling the company creates a gap to act in accord with their interests even though they have to sacrifice the interests of the minority owner ultimately only benefiting the majority shareholders (Fharaswati, Hardiyanto, & Lestari, 2021). The high risk arises as a result of placing a large number of funds in the company concerned. The greater the value of institutional ownership, the stronger the control over the company.

The results of this study support the research conducted by Sari and Setiyowati (2017), Suhartini and Megasyara (2019), stating that institutional ownership has no significant effect on financial performance. Likewise, research conducted by Prasetya and Santosa (2020) explains that institutional ownership does not significantly affect financial performance. Another study done by Wi and Angragraeni (2020) states that institutional ownership does not affect a company's financial performance.

Simultaneously Influence of IBC, MO, and IO on Profitability

Based on the result of the F-test, it explains that the significance value (Sig.) in the F-test is 0.033. The values of Df1 = 3 and Df2 = 82 result in a calculated F of 3.057 which is greater than the F table of 2.72. It indicates that the calculated F value is greater than the F table and the value of Sig. 0.033 is smaller than 0.05. Using the basis for decision making in the F-test, it illustrates that overall,
The effect of good corporate governance on the financial performance of the property and real estate sub-sector companies listed on the Indonesia Stock Exchange (IDX). It explains that Good Corporate Governance can be used as guidance for investors or potential investors to invest in a company.

The results of this study agree with research conducted by Eksandy (2018) states Good Corporate Governance positively affects a company's financial performance. The same thing is also expressed by Fatikha and Yudiana (2021) and Kallamu, Saat, and Senik (2013), stating that Good Corporate Governance affects a company's financial performance. Yanti and Dwirandra (2019) illustrate that Good Corporate Governance affects financial performance. Hunjra et al. (2020) also express his similar point that Good Corporate Governance affects financial performance. Meressa (2016) explain that Good Corporate Governance does have a positive effect on profitability. A study conducted by Manukaji (2018) also illustrates that Good Corporate Governance affects the alignment of profits.

Implication and Conclusion

Based on the results of the analysis and discussions that have been carried out, several conclusions were obtained in this study, that are:

1. Individually or partially it is obtained that the Independent Board of Commissioners (X1), Managerial Ownership (X2) and Institutional Ownership (X3) variables have no effect on profitability consisting of ROA, ROE and NPM in the property and real estate sectors listed on the IDX in 2014-2018.

2. Overall or jointly, it is obtained that the Independent Board of Commissioners (X1), Managerial Ownership (X2) and Institutional Ownership (X3) have an effect on profitability consisting of ROA, ROE and NPM in the property and real estate sectors listed on the IDX in 2014-2018.

3. These results can be interpreted that Good Corporate Governance can affect the company's profitability if the overall structure and management functions are controlled or monitored closely and directed not only partially.

References


The effect of good corporate governance on the financial performance ...


