**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 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. Good Corporate Governance affects the improvement of the company's financial performance. In measuring financial performance, a company can use a profitability ratio. Profitability ratios are used to measure the company's ability to earn profits or the effectiveness related to the management of the company management. The ability is calculated from own capital or all funds invested in the company. This study aims to find the effect of the Independent Board of Commissioners, Managerial Ownership, and Institutional Ownership on the financial performance of the property and real estate sub-sector companies listed on the Indonesia Stock Exchange (IDX) for 2014-2018. 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 version 21. This study indicates that Independent Board of Commissioners, Managerial Ownership, and Institutional Ownership partially do not significantly affect financial performance. Independent Board of Commissioners, Managerial Ownership, and Institutional Ownership simultaneously do not significantly affect profitability.*

***Keywords****: Good Corporate Governance, financial performance*

**1. Introduction**

The company's financial performance is a result that is related to many individual decisions continuously made by management. In increasing a company's value, the assessments can be through managerial performance or company financial performance (Prasinta, 2012). Financial performance is an illustration of the achievement of a company's success interpreted as the results achieved on various activities carried out. It can be explained that financial performance is an analysis carried out to see to what extent a company has applied and used financial implementation rules properly and correctly (Fahmi, 2012: 2).

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. 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. 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 (going concern). Profitability ratios are employed to assess a company's ability to earn profits. 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 researcher uses this ratio to measure a company's financial performance.

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.

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.

In accord with the observations made, the financial performance reports of property and real estate sub-sector companies for the last 5 (five) years (2014 - 2018) can be categorized as "good" in terms of total assets and total profits. It requires the companies to implement a Good Corporate Governance system. It improves the management's performance in controlling fraudulent practices within the corporations. It also helps determine the direction and control of a company's performance. Good Corporate Governance is concerned with the ways of all stakeholders to ensure that managers and other internal employees always take appropriate steps or adopt mechanisms that protect stakeholder interests.

In this study, to actualize a Good Corporate Governance system, the proxies can be independent commissioners, managerial ownership, and institutional ownership. The indicators observable in the implementation of GCG are managerial ownership, institutional ownership, and the proportion of independent commissioners (Muryati, 2014:2). The profitability ratio uses some measurements. It consists of ROA, ROE, and NPM to see a company's financial performance. The profitability ratio is a ratio analyzing a company's ability to generate profits and to see a benchmark for company performance.

**2. Literature Review and Hypothesis Development**

**2.1. Literature Review**

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 and Meckling, 1976).

Agency theory is the basis used to explain Good Corporate Governance. This theory (Wijayanti and Mutmainah, 2012) contains an explanation of the relationship between the agent (manager) and the principal (owner). In practice, the owner will give authority to the manager in the hope that the manager will serve his best to achieve the owner's goal, namely maximizing the company value. However, the problems arise if separating the ownership and management referred to the agency problem. Agency The problems emerge due to a conflict of interest between the owners (shareholders) and the agents (management). In reducing the problems (conflicts), a supervisory mechanism is necessary for the company management. The mechanism to use is Good Corporate Governance (GCG). GCG is expected to be a system that provides guidelines and principles to harmonize the different interests of managers and shareholders (El-Chaarani, 2014).

Good Corporate Governance is a structure and process (regulations, systems, and procedures) applied to ensure the tariff principle migrates to becoming a culture. It is to direct and control a company in realizing sustainable growth. It also increases added value with a concern about the stakeholders' interest balance following healthy corporate principles and applicable laws or regulations (Daniri, 2014:5). The implementation and management of Good Corporate Governance is a concept that emphasizes the importance of the rights of shareholders to obtain correct, accurate, and timely information (Sukandar, 2014). Good Corporate Governance (GCG) is a principle that directs and controls the company to achieve a balance between the strength and authority of the company in providing accountability to shareholders (in particular) and stakeholders (in general). It is, of course, intended to regulate the authority of directors, managers, shareholders, and other parties related to the development of the company in a certain environment.

The principles of Good Corporate Governance according to the Regulation of the Minister of State for State-Owned Enterprises Number: PER -01/MBU/2011 are the same as those proposed by Daniri (2014: 25), namely transparency, accountability, responsibility, independence, and fairness. The indicators measured in the implementation of GCG are managerial ownership, institutional ownership, and the proportion of independent commissioners (Muryati, 2014:2).

Independent Commissioners are members of the board of commissioners but not affiliated with the board of commissioners, other members of the board of commissioners, and shareholders. They are free from business relationships or other relationships that may affect their ability to act independently or solely for the company's benefit (Hidayat, 2015).

Managerial ownership is a level of management's share ownership that actively participates in decision-making. Its measurement is by the proportion of shares owned by managers at the end of the year expressed in percentage (%). In other words, managerial ownership is the proportion of shares possessed by managers expressed in percentage (%) so that managers are also the shareholders (Faizal, 2011). Institutional ownership is share ownership by parties in the form of institutions such as banks, insurance companies, investment companies, foreign companies, governments, and other institutional ownership (Rajgofal et al., 1999 in Syiami, 2012).

The company condition considered effective and consistent in the concept implementation of Good Corporate Governance (GCG) results in its reflected financial performance. Financial performance is one of the benchmarks functioned by users of financial statements to measure or determine the extent to which the quality of a company is. The company's financial performance is measurable by some indicators, namely Return on Equity (ROE), Return on Assets (ROA), and Net Profit Margin (NPM). According to Harahap (2013: 304), the profitability ratio, also called profitability, describes the company's ability to earn profits through all existing capabilities and sources such as sales activities, cash, capital, number of employees, number of branches, and others. The ratio that describes the company's ability to generate profits is also called the operating ratio.

**2.2. Hyphotesis Development**

**2.2.1. The Effect 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 (Reza and Farida 2019).

**H1 : Independent Board of Commissioners Affects Profitability Consisting of ROE, ROA and NPM**

**2.2.2. The Effect 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 (Fuad, 2021).

**H2 : Managerial Ownership (MO) Has No Effect on Profitability Consisting of ROE, ROA and NPM**

**2.2.3. The Effect 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 (Dini and Krisnha Kamil, 2020).

**H3 : Institutional Ownership (IO) Affects Profitability Consisting of ROE, ROA and NPM**

**3. Research Method**

The object of research in this study icovers 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. Of the total 48 companies, only 40 companies that meet the requirements following the sample criteria.

To find out the data needed in this study, firtsly 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.

**Variable Operationalization Table**

|  |  |  |
| --- | --- | --- |
| **Variables** | **Sub Variables** | **Formula** |
| ***Good Corporate Governance (X)***  | Independent Board of Commissioners (X1) | Independent Board of Commissioners = Number of Independent Party Commissioners / Number of Company Commissioners |
| Managerial Ownership (X2) | Managerial Ownership = Total Shares of Management / Total Shares Outstanding |
| Institutional Ownership (X3) | Institutional Ownership = Number of Institutional Shares / Total Outstanding Shares |

|  |  |  |
| --- | --- | --- |
| **Variables** | **Dimensions** | **Indicators** |
| **Financial Performance (Y)** | *Return On Aset (Y1)* | ROA = *Earing After Tax* / Total Assets |
| *Return On Equity (Y2)* | ROE = *Earning After Tax* / Total Equity |
| *Net Profit Margin (Y3)* | NPM = *Earning After Tax* / Net Sales |

Sources : (El-Chaarani, 2014), (Sholekah, 2014), (Sholekah, 2014), Kasmir (2012:200), Mamduh (2016: 42), Kasmir (2018:204)

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 + b1x1 + b2x2 + b3x3 + e**

Descriptions:

Y = Company's financial performance

a = Constant value

X1 = Independent Board of Commissioners

X2 = Managerial Ownership

X3 = Institutional Ownership

b1 = Regression coefficient of X1

b2 = Regression coefficient of X2

b3 = Regression coefficient of X3

e = Error

**4. Results and Discussion**

**4.1 Classic assumption test**

**4.1.1 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.

|  |
| --- |
| **Table 4.1 Normality Test** |
|  | Unstandardized Residual |
| N | 84 |
| Normal Parametersa,b | Mean | .0000000 |
| Std. Deviation | .97950143 |
| Most Extreme Differences | Absolute | .060 |
| Positive | .060 |
| Negative | -.051 |
| Test Statistic | .060 |
| Asymp. Sig. (2-tailed) | **.200c,d** |
| a. Test distribution is Normal. |
| b. Calculated from data. |
| c. Lilliefors Significance Correction. |
| d. This is a lower bound of the true significance. |

Based on the SPSS output table above, the significance value is 0.200 > 0.05. It follows the basis for decision-making in Kormogolov Smirnov's normality test. It can be concluded that the regression model meets the assumption of normality.

**4.1.2. 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:

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| --- |
| **Table 4.2 Multicollinearity Test** |
| Model | Unstandardized Coefficients | Standardized Coefficients | T | Sig. | Collinearity Statistics |
| B | Std. Error | Beta | Tolerance | VIF |
| 1 | (Constant) | 2.180 | .503 |  | 4.338 | .000 |  |  |
| IBC | -.119 | .435 | -.031 | -.273 | .786 | **.916** | **1.092** |
| MO | -.053 | .026 | -.241 | -2.076 | .041 | **.856** | **1.168** |
| IO | .171 | .088 | .217 | 1.937 | .056 | **.924** | **1.083** |
| a. Dependent Variable: Profit |

Based on the table of Multicollinearity Test above, 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.

**4.1.3 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 and Prawoto, 2016: 60). The requirements for the autocorrelation test are (4DW) > DU < DW, which means no autocorrelation (Ghozali, 2018: 111).

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| **Table 4.3 Autocorrelation Test** |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .326a | .106 | .072 | 1.13874 | 1.815 |
| a. Predictors: (Constant), IO, IBC, MO |
| b. Dependent Variable: Profit |

Based on the Autocorrelation Test table above, 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.

**4.1.4 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 and 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 (Dwi Priyatno, 2013:158).

The terms of the heteroscedasticity test with the Glejser test, according to Ghozali (2013), are:

1. If the significance value (sig) is greater than 0.05, there are no heteroscedasticity problems.

2. On the other hand, if the significance value is less than 0.05, heteroscedasticity occurs.

Based on the heteroscedasticity test in the appendix, the results are as in Table 4.4 below:

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| **Table 4.4 Heteroscedasticity Test** |
| Model | Unstandardized Coefficients | Standardized Coefficients | T | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 1.108 | .313 |  | 3.541 | .001 |
| IBC | .036 | .273 | .015 | .131 | **.896** |
| MO | .031 | .016 | .228 | 1.914 | **.059** |
| IO | -.043 | .056 | -.089 | -.770 | **.443** |
| a. Dependent Variable: Abs\_RES |

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). Therefore, 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.

**4.2 Hypothesis test**

**4.2.1** **Multiple Linear Regression Analysis**

This section analyzes the data regarding the influence of the Independent Board of Commissioners (IBC), Managerial Ownership (MO), and Institutional Ownership (OI). Based on the research data, the complete results of the Multiple Linear Regression Analysis carried out can be seen in the table below:

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| **Table 4.5 Multiple Linear Regression Analysis** |
| Model | Unstandardized Coefficients | Standardized Coefficients | T | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 2.260 | .557 |  | 4.056 | .000 |
| IBC | .320 | .486 | .074 | .658 | .513 |
| MO | -.051 | .029 | -.205 | -1.577 | .079 |
| IO | -.154 | .100 | -.171 | -1.530 | .130 |
| a. Dependent Variable: Profit |

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

**Y = a + b1X1 + b2X2+ b3X3+ e**

**Y = 2,260 + 0,320X1 - 0,051X2 - 0,154X3 + 0,894e**

In accord with 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 DKI, KM, and KI variables.

The b1 coefficient value of 0.320 is the Independent Board of Commissioners' (X1) contribution affecting profitability covering ROA, ROE, and NPM. The regression coefficient of b1 is 0.320 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 0.320.

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%.

**4.2.2 The Results of the Analysis of the Coefficient of Determination (R2)**

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 (R2):

|  |
| --- |
| **Table 4.6 Coefficient of Determination Test (R2)** |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .326a | .106 | .072 | 1.13874 |
| a. Predictors: (Constant), IO, IBC, MO |

 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 at10.6%. 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 (Meithasari, 2017).

**4.2.3 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 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 following are the results of the F-Test Analysis carried out.

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| --- |
| **Table 4.7 Analysis of F . Test** |
| Model | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 11.892 | 3 | 3.964 | 3.057 | .033b |
| Residual | 99.848 | 77 | 1.297 |  |  |
| Total | 111.740 | 80 |  |  |  |
| a. Dependent Variable: Profit |
| b. Predictors: (Constant), IO, IBC, MO |

The ANOVA output table above 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.

**4.2.4 T Test Analysis Results**

The t-test examines the significance of the effect of decision-making based on a comparison between the t value of each regression coefficient and the t table (critical value) following the significance level used with the condition that if the value of Sig. < 0.05 or t count > t table means the independent variable affects the dependent variable (Ghozali, 2018: 98). The following are the results of the t-test analysis performed.

|  |
| --- |
| **Table 4.8 T Test Analysis** |
| Model | Unstandardized Coefficients | Standardized Coefficients | T | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 2.260 | .557 |  | 4.056 | .000 |
| IBC | .320 | .486 | .074 | .658 | .513 |
| MO | -.051 | .029 | -.205 | -1.577 | .079 |
| IO | -.154 | .100 | -.171 | -1.530 | .130 |
| a. Dependent Variable: Profit |

The result of the analysis above illustrates that the Sig value of the Independent Board of Commissioners (X1) is 0.513 > 0.05 and the t value of 0.658 is smaller than the t table value of 1.66320. It can be explained that there is no effect of the Independent Board of Commissioners (X1) on profitability (Y) which consists of ROA, ROE, and NPM. It also shows that the Sig value of Managerial Ownership (X2) is 0.079 > 0.05 and the t-count value is 1.577 < the t-table value of 1.66320. it can be said that there is no effect of Managerial Ownership (X2) on profitability (Y) which consists of ROA, ROE, and NPM. The result of analysis above also indicates that the Sig value of Institutional Ownership (X3) is 0.130 > 0.05 and the t-count value is 1.530 < t table value of 1.66320. It refers to no effect of Institutional Ownership (X3) on profitability (Y) consisting of ROA, ROE, and NPM.

**4.3. Discussion**

**4.3.1 The Effect of Independent Board of Commissioners (X1) on Profitability (Y)**

Based on the result in the study, the coefficient of the Independent Board of Commissioners (IBC) obtains a Sig value of 0.513. It illustrates that the Sig value is 0.513 > 0.05 or the t value is 0.658 < the t table value is 1.66320. It depicts that there is no effect of the Independent Board of Commissioners (X1) on profitability (Y) which consists of ROA, ROE, and NPM.

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 and Wahyudi 2016).

Ahmad (2015) 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 Prantama *et al.* (2015), 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 Zabri (2015), 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. Tertius and Christiawan (2015) state that the Independent Board of Commissioners negatively affects a company's financial performance.

**4.5.2 The Effect of Managerial Ownership (X2) on Profitability (Y)**

Based on the analysis, the Managerial Ownership variable (X2) gains a sig value of 0.079. It indicates the value of 0.079 > 0.05 and the calculated t value of 1.577 < t table value of 1.66320. It explains that there is no effect of the Managerial Ownership variable (X2) on profitability(Y)which consists of ROA, ROE, and NPM.

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 management 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 (Melati, Arief, and Retno 2018). 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 Nugrahanti and Novia (2012), explaining that managerial ownership has no significant effect on financial performance. It also agrees with the research done by Hartono and Nugrahanti (2014), stating that managerial ownership does not significantly affect financial performance. This study is different from that of Nigeria in which the managerial ownership results do not affect financial performance (Saidu, and Gidado, 2018).

**4.5.3 The Effect of Institutional Ownership (X3) on Profitability (Y)**

The study indicates that the Sig value of the Institutional Ownership (X3) is 0.130. it has the value of 0.130> 0.05 or the calculated t value of 1.530 < the t table value of 1.66320. It can be explained that there is no effect of the Institutional Ownership (X3) on profitability (Y) which consists of ROA, ROE, and NPM.

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. The unfavorable conditions will not improve a company's financial performance (Faizah Nur Rohmah, 2013).

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 (Melati, Arief, and Retno, 2018). 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 owner of the company can control management behavior so that it acts following company goals which will ultimately improve the company's financial performance (Widyawati 2013).

The results of this study support the research conducted by Sari and Setiyowati (2017), Prantama et al. (2015), stating that institutional ownership has no significant effect on financial performance. Likewise, research conducted by Fadillah (2017) explains that institutional ownership does not significantly affect financial performance. Another study done by Raissa Fridilla Pardede (2017) states that institutional ownership does not affect a company's financial performance.

**4.5.4 The Effect of the Independent Board of Commissioners (IBC), Managerial Ownership (MO) and Institutional Ownership (IO) on Profitability Consisting of ROA, ROE, and NPM ratios**

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 Independent Board of Commissioners (IBC), Managerial Ownership (MO), and Institutional Ownership (IO) affect the profitability consisting of ROA, ROE, and NPM ratios.

Good Corporate Governance covering Independent Board of Commissioners (IBC), Managerial Ownership (MO), Institutional Ownership (IO) affects financial performance based on data testings that carried out. It is because the mechanism of Good Corporate Governance should work together to have the ability to affect the company's financial performance. It is likely to occur because it is observed from the long-term nature of the benefits of Good Corporate Governance and short-term financial performance in which the results achieved in that period are additional results of the company (Melati, Arief, and Retno, 2018).

Overall, Good Corporate Governance consisting of the Independent Board of Commissioners (IBC), Managerial Ownership (MO), and Institutional Ownership (IO) is a system that regulates and controls the company to obtain added value to shareholders (stakeholders). With the supervision carried out by the Independent Board of Commissioners (IBC), the managerial ownership has the responsibility for the General Meeting of Shareholders (GMS). It is for supervision implementation of the company management performed by the board of directors. By doing so, Good Corporate Governance can be created. It is then necessary to increase the effectiveness and efficiency of the company, so the performance can be improved. In addition, Institutional Ownership also affects a company's performance improvement. Through Institutional ownership as a party that functions to monitor the company, its performance can improve and be as expected.

Good Corporate Governance affects 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 Widyati (2013), saying that Good Corporate Governance affects the company's financial performance. Sarafina (2017) states Good Corporate Governance positively affects a company's financial performance. The same thing is also expressed by Alley et al., (2016) and Kallamu and Saat (2015), stating that Good Corporate Governance affects a company's financial performance. Ni Made and Dwirandra (2019) illustrate that Good Corporate Governance affects financial performance. Adi et al. (2013), Danoshana and Ravivathani (2013), and Rolens E.H. Riwu Manu (2019) also express his similar point that Good Corporate Governance affects financial performance. Yulianto (2014) and Yemane (2015) 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 tests and discussions carried out in this study, several conclusions are: First, the Independent Board of Commissioners (X1) does not affect profitability (Y) consisting of ROA, ROE, and NPM in the property and real estate sub-sectors listed on the IDX in 2014 - 2018. Second, Managerial Ownership (X2) does not affect profitability (Y), covering ROA, ROE, and NPM in the property and real estate sub-sectors listed on the IDX in 2014 - 2018. Third, Institutional Ownership (X3) does not affect profitability (Y) involving ROA, ROE, and NPM in the property and real estate sub-sectors listed on the IDX in 2014 - 2018.