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The influence of corporate governance on company financial performance in the financial sector

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ABSTRACT

Every company definitely wants the company it manages or owns to have good and correct governance, because every organization wants this to create the governance they want. So here the role of corporate governance becomes important with the variables Board independence, audit committee, institutional ownership, board size and the number of board meetings in a company which can lead to comfort and protection for shareholders and investors, governance adopted in controlling an organization it will direct the policies or steps of an organization, so that the goal to be achieved in this study is to provide an explanation of the influence of board independence, audit committees, institutional ownership, number of board meetings and board size on company financial performance with the research method of panel data regression analysis and research This was carried out on 36 companies in the financial sector listed on the Indonesia Stock Exchange (IDX) from the 2017 period to the 2021 period and produced a simultaneous test that board independence, board size, audit committee, institutional ownership and number of board meetings jointly have an effect on financial performance with the control variables firm size and leverage while the results partially board independence, board size have a positive and significant effect while the audit committee and institutional ownership and the number of meetings have no effect on financial performance.

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INTRODUCTION

Corporate governance practices are not running perfectly, especially in this country. Because corporate governance is still not fully implemented in business in Indonesia and Asia, poor governance practices have a significant role in the occurrence of financial cases, this weakness is evident from the lack of oversight by the board of commissioners and auditors for management actions. As a result, many businesses have come to believe that implementing corporate

governance is essential as a way to increase accountability within the organization. Following is the data graph CG Rule Score Asia - Pacific report May 2021(Allen, 2021).

There are even several large insurance companies that have experienced this, namely failure to pay, including PT. Jiwasraya Insurance(Hastuti, 2020), the name of the company is proof that in Indonesia the implementation of GCG is still not optimal so that when unwanted conditions such as Covid-19 occur it becomes a big problem for the company even though if the company carries out governance to the fullest the conditions to be able to continue running, then the employee case of the bank where IDR 1 billion was stolen on May 18 2019 is another incident of how bad corporate governance is implemented in Indonesia(Turnip, 2019).

And then, data and cases show that management supervision by auditors and the board of commissioners is inadequate, thus causing the cases mentioned above to occur. As a result, governance practices in Indonesia still need to be improved because they are very beneficial for business and provide a sense of security and comfort for investors. For a company to want to make money for itself and be able to run a successful business to optimize revenue for the company, proper governance is essential. This must start with adequate and appropriate governance to be able to produce positive business performance. Companies cannot be separated from the role of investors in maximizing the business they run because good corporate governance will lead to comfort and protection for shareholders or investors and good governance.(Jiang et al., 2012).

Some important things in a company or organization are where the directors monitor performance, provide competent resources according to business interests and provide the best service for the company(Ntim, 2015). There is a company director to be able to provide services for the company and bring the company to its expected goals by providing services and working hard to achieve organizational goals(Davis et al., 2018).

Board independence in a company or in corporate governance is very influential in reducing the occurrence of conflict within the company. In the agency theory put forward by Jensen and Mackling, it is emphasized that agency conflicts that occur in companies are because top management is able to have policies to implement their responsibilities while the shareholders shares or investors bear the risks that arise from decisions taken by management , so that management does not bear significant risks from the impact of decisions made unlike shareholders, thereby creating conflicts of interest within the company(Fama, 2012). Management can also carry out projects or decisions that will benefit only the management but not the shareholders, so there is board independence that can be relied on by the shareholders to control and monitor the actions of the management.Jackling & Johl, (2009)believes that agency problems or conflicts that occur in companies can be reduced if there is an independent board of commissioners.

Meanwhile, the audit committee is a group that has support from the board of commissioners and is very important in overseeing the organization's financial records(Karina & Sufiana, 2020). According to the Financial Services Authority regulation number 55/POJK.04/2015, which mandates the establishment of an audit committee by every public company in Indonesia, the existence of an audit committee can ensure the accuracy of financial statements, prevent disputes, and evaluate financial reports. performance of internal and external auditors to reduce fraudulent financial statements(Karina & Sufiana, 2020). And the task of the audit committee is to support the board of commissioners in strengthening oversight of financial reporting, risk management, audit implementation, and corporate governance(Shanti, 2020).

The company cannot be separated from the existence of institutional ownership according toRiza Bernandhi (2021)defining institutional ownership is the ownership of shares in a company by other institutions, such as banks, insurance providers, or investment managers. Institutional supervision can maximize managers' efforts to maximize business value. Institutional monitoring can act as another agency expense, resulting in lower agency costs and higher firm value(Abidin et al., 2021)

Meanwhile, the board size or the size of the board in a company also has an important role in the company because the board of directors in an institution can provide input and policies to the company, then direct it towards strategic policies. Then the company performed better because more meetings were held(Purnamasari, 2019). Commissioners can function as a process for monitoring management activities during the meeting. In the theory put forward byPfeffer, (2019)argues that an institution can obtain very large and valuable resources from the board of directors which in turn can reduce dependence on external resources, and then companies that have a large board size can gain access to more resources from the external environment. And several studies on corporate governance confirm this theory and show that an increase in board size can have a positive impact on company performance (Chen et al., 2005,Jackling & Johl, 2009,Nawaz Khan et al., 2019,Kiel & Nicholson, 2003,Riyadh et al., 2019)

Corporate governance includes board size and board independence variables as in research conducted byArora & Sharma, 2016,Berthelot et al., 2012,Kumar & Singh, 2013shows that the relationship between board independence, board size and financial performance is negative,Assenga et al., 2018AndNawaz Khan et al., 2019shows that there is no relationship between the performance of the company's independent directors and its financial healthChen et al., 2005,Jackling & Johl, 2009,Nawaz Khan et al., 2019,Kiel & Nicholson, 2003,Kyereboah-Coleman et al., 2006,Riyadh et al., 2019shows that increasing board size has a positive impact on company performance. Meanwhile, several studies have been carried outAfrifa & Tauringana, 2015,Arora & Sharma, 2016,Guest, 2009,Mak & Kusnadi, 2005,Malik & Makhdoom, 2016,O'Connell & Cramer, 2010that the relationship between board size and company performance is negative and there are several studies conducted byGhazali, 2010,Ahmed Haji, 2014found to have no correlation between board size and business performance.

While research on institutional ownership, audit committees and the number of board meetings questioned byAbidin et al., (2021),Gunawan & Wijaya (2019),Shanti (2020),Susmanto et al., (2021),Purnamasari (2019)AndAmelinda & Rachmawati (2021)claims that institutional ownership, number of board meetings, and audit committees all have a favorable impact on a company's financial success in research conducted byClarabella & Tarigan (2015),Full Moon (2017),Karina & Sufiana (2020),Widasari & Isgiyarta (2017),Octosiva et al., (2015)shows that institutional ownership, number of board meetings, and audit committees all have a negative impact on the financial performance of a business while in the research conductedIchsani, Putri, et (al., 2021)claims that there is no research conducted by the audit committee on financial performanceWardhani & Suwarno (2019)And Rahardjo & Wuryani (2021)shows that there is no impact of institutional ownership on the future financial performance of research companies conducted byWijaya & Al'Adawiyah, (2021)claims that the frequency of board meetings has nothing to do with a company's financial performance.

This study found that there is a positive and significant influence of board independence on the company's financial performance, where if there are policies implemented by the company, it will be monitored in every decision so that the decisions taken do not deviate from the company's initial goals and the state of the company so that with this will affect the company's financial performance because of the supervision carried out by board independence and with this board independence it is also possible to reduce conflicts of interest in the company, where in every company there must be an independent board that is not influenced by anything in the company, which is neutral in nature. company then from this research there is also a positive influence of board size on the company's financial performance where there are many competent human resources on a board, both board of commissioners and independence, so this will also influence the policies that will be taken in the future and will influence the company performance, therefore the size of a board has an influence if it is combined with competent resources within the board of a company so that the decisions taken will be in line with the company's current goals and conditions and the contribution to this research is that board independence and board This size

will be very influential and can have an impact on company performance, especially in the company's financial performance.

the studies cited above on independent boards, board size, frequency of board meetings, audit committees, and institutional ownership claims that these factors have an impact on a company's financial performance. Other researchers argue that independent boards, board size, frequency of board meetings, audit committees, and institutional ownership, and the number of board meetings have a negative or no impact on a company's financial performance.

A part of that, this research makes use of previous research that has been conducted byKiptoo et al., (2021)The research uses the variables board size, independent board, board diversity and board composition. With insurance companies in Kenya as the research object, this study's variables for audit committees, institutional ownership, and number of board meetings replace board diversity and composition, providing an update on previous research, Based on the research gaps described above, this research therefore seeks to offer a deeper understanding of the influence of corporate governance on financial performance.

RESEARCH METHOD

This research uses quantitative research with five independent variables: board independence, board size, audit committee, institutional ownership, and number of board meetings, one dependent variable is company financial performance with ROA, two control variables are company size and leverage, and measurement using data regression analysis panel to determine the influence of one or more independent variables on the dependent variable. The measurement of the variables Board independence and board size uses measurements carried out by research carried out by research Kiptoo et al., (2021).While the audit committee, institutional ownership uses research measurements conductedIchsani et al., (2021)while the number of board meetings uses research measurements used byPurnamasari (2019).

Table 1. Variable operationalization

Variables	Definition	Maesurement
ROA	The ratio shows the comparison of the net profit generated in the company that the company has invested in an asset	ROA =$\frac{profit\ after\ tax\ x\ 100\%}{total\ assets}$
Board independence	Members of the board of commissioners who are directly appointed but not directly affiliated with the organization	BI = $\frac{the\ number\ of\ independent\ board\ member}{Total\ number\ of\ board\ members}$
board sizes	The size of the board is the board of directors and board of commissioners of a company	Number of Board Members
Audit Committee	the audit committee is a corporate organization assisted by the board of commissioners and has an important role in it	KA = Number of audit committees
institutional ownership	institutional ownership is the ownership of shares of a company by an institution or institutions	KI = $\frac{lthe\ number\ of\ shares\ held\ institutionally}{total\ shares}$ x100%
Number of Board Meetings	the higher the frequency of meetings held, the more the higher the performance of the company	Number of board meetings in one year
Firm size	The scale that shows the size of the company from the total assets	Ln Total Assets
Leverage	The use of debt funds is used to	

	increase returns or profits	DAR $=\frac{total\ amoun\ of\ debt}{total\ asset}$

In this study, all populations were successfully retrieved, namely 525 financial data of companies listed on the Indonesian Stock Exchange from 2017 to 2021 and data that matched the criteria, only 180 company data to be sampled, Meanwhile, this research uses panel data regression analysis involving regression that uses panel data and panel data format. A number of problems that can occur when carrying out regression with data, whether cross-sectional data or time series data, are discussed separately in the regression study, whereas in the regression equation which combines time series data and cross section data(Sriyana, 2014).

In this research, the tool used to analyze is data regression analysis panel

Y = α +β1X1it+ β2X2it+ β3X3it+ β4X4it+β5X5iteit

Y = Return on assets (ROA) ratio

= constant or Y value if X1 = X2 = X3 = X4 = X5= 0

β1, β2,….,β5 = regression coefficient X1 = *Board independence*

X2 = *board sizes*

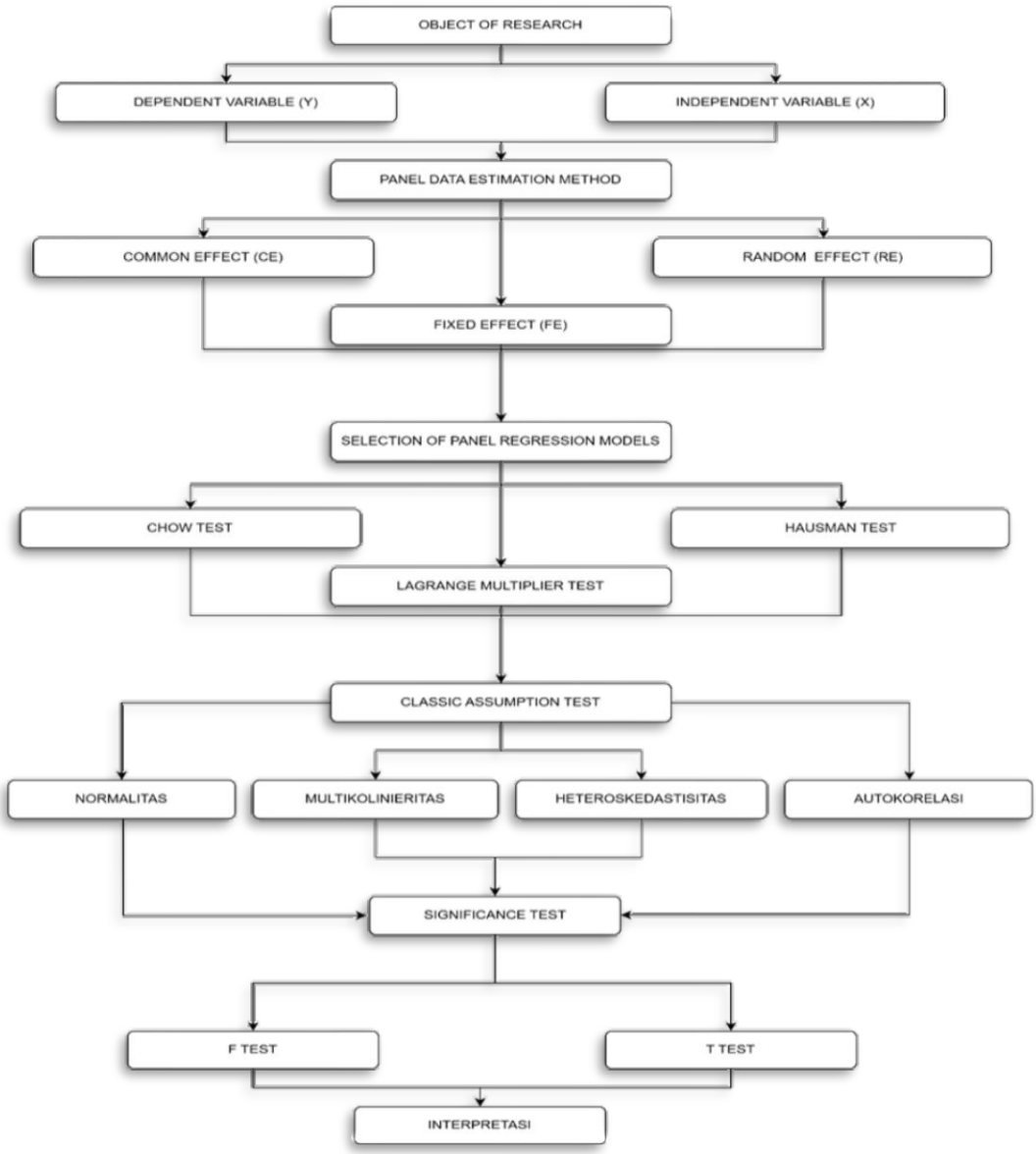
X3 = *Audit Committee*

X4 = *Institutional Ownership*

X5 = *Number of Board Meetings*

eh = Standard error

To produce the desired research, researchers used Eviews 12 as a statistical analysis program and used descriptive analysis methods, normality tests, assumption tests consisting of autocorrelation tests, heteroscedasticity tests and multicollinearity tests and panel data regression stages used in panel data regression analysis namely the Chow test , Hausman test and LM test after that panel data regression test.



Figures 1. Panel data regression flowchart

RESULTS AND DISCUSSIONS

Descriptive statistics

The table below describes the statisticsdescriptive of each variable

Table 1. . Descriptive statistics

Variable	N	Maximum	Minimum	Means	Standard Deviation
ROA	180	0.077	0.0002	0.0194	0.0188
Independence Board	180	0.71	0.11	0.3748	0.0807
Audit Committee	180	22	4	10.2788	4.7391
Board Size	180	8	2	3.5778	1.0354
Institutional Ownership	180	0.996	0.32	0.7357	0.1635
Board Meeting	180	62	3	10.8222	10.3849
Firmsize	180	35.08	26.93	30.8042	2.0194
Leverage	180	0.92	0.003	0.6842	0.2327

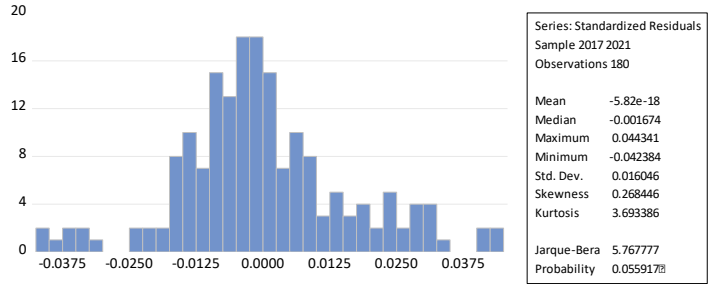
Source: Processed data (Eviews.12)

From the results of the descriptive statistics above with a sample of 180, it can be interpreted that the level of profit earned by companies in the financial sector by using the ROA calculation means that the minimum value is 0.0002 and the maximum is 0.0768 and the median value or middle value is 0.0135, the mean or average value – the average is 0.0194 and the standard dev is 0.019, so it can be interpreted that the level of profit obtained by companies in the financial sector is relatively small, then board independence looks at the mean value, namely 0.37, median 0.38, maximum 0.71, minimum 0.11 with a standard deviation that is0.080, it can be stated that the average board independence in companies in the financial sector is 0.37 which can be interpreted that companies in the financial sector are in accordance with the provisions of financial services regulation number 15/POJK 04/2017 article 19 at least 30 percent of the total board member.

Furthermoreboard size by looking at the mean value, which is 10.27, the median value, which is 9, the maximum value, which is 22, the minimum value, which is 4 and the standard deviation, which is 4.73. It can be stated that the mean value is close to the minimum value, so it can be stated that the board size is in accordance with the service authority regulations. finance, namely no. 73/POJK 05/2016 and no. 33/POJK 55/2016, where the minimum members on the board of commissioners and directors are 3 members, then the audit committee by looking at the mean value, namely 3.5, median 3, maximum 8,minimum of 2 with a standard deviation of 0.16, it can be stated that the average audit committee member is 3.5, so companies in the financial sector have complied with the provisions of the financial services authority regulation number 55/POJK 04/2015 article 2 which is at least an audit committee in a company, namely 3 members of the audit committee.

then institutional ownership with a mean value of 0.73, mean value of 0.74, maximum value of 0.996, minimum value of 0.32 with a standard deviation of 0.163, it can be said that the average institutional ownership in the financial sector is 0.735 with an average proportion of institutional ownership - the average is large enough, with this institutional ownership can provide and direct management and can increase supervision of what is carried out by the management, board meetings with a mean value of 10.8, a median value of 6, a maximum value of 62, a minimum value of 3 with a standard The deviation is 10.38 from this data, so the average meeting held by companies in the financial sector is 10.38, it can be said that companies in the financial sector have complied with the regulations of the financial services authority number 15/POJK 04/2017 article 27 which is said to be at least 1 meeting held at least in 3 months apply By holding 10 meetings in one year, the average company in the financial sector has fulfilled it.

Normality test



Figures1. Histograms
Source: Processed data (Eviews.12)

From the results of the normality test above, a probability value of 0.0559 > 0.05 is obtained, so H0 is accepted, meaning that the variables can be declared normally distributed.

Autocorrelation

Table 2. Autocorrelation

Durbin–Watson	K = 5 & n = 180	Conclusion
1.941739	dL<dU<DW<4-du 1.6994< 1.8135 <1.941739 < 2.1865	There is no autocorrelation

Table 3. Eviews 12 results

	Coefficient	Standard error	t count	Prob.
C	11.95134	3.793395	3.150565	0.0020
BI	0.702547	0.414954	1.693073	0.0927
BS	0.026564	0.027196	0.976764	0.3304
AUDITING COMMITTEE	-0.021319	0.060458	-0.352619	0.7249
KI	-0.095123	0.615656	-0.154507	0.8774
COUNCIL MEETING	-0.004936	0.008457	-0.583662	0.5604
FIRMSIZE	-0.455955	0.122672	-3.716852	0.0003
LEVERAGE	-0.308572	0.355403	-0.868230	0.3868
DW	1.941739			

Source: Processed data (Eviews.12)

From the data abovethe dw value is smaller than 4-du = 2.1865 and the dw value is greater than dl and du then it is said that there is no positive autocorrelation and the assumption that there is no autocorrelation is fulfilled.

Heteroscedasticity

The heteroscedasticity test to find out the variance of the regression model error is not constant or the variance between one error and another error is different which can be seen from each variable showing that each variable is greater than the value of 0.05.

Table 4. Heteroscedasticity results

	Coefficient	Standard error	t count	Prob.
C	1.355241	2.916705	0.464648	0.6428
BI	1.207261	1.373038	0.879262	0.3805
BS	0.060465	0.043862	1.378526	0.1698
AUDITING COMMITTEE	0.005026	0.131363	0.038260	0.9695
KI	0.388044	0.702631	0.552272	0.5815
COUNCIL MEETING	-0.016529	0.012948	-1.276589	0.2035
FIRMSIZE	-0.035971	0.100908	-0.356475	0.7219
LEVERAGE	0.285889	0.519070	0.550772	0.5825

Source: Processed data (Eviews.12)

Based on the data above, heteroscedasticity uses the Glatjer test. Therefore, there is no problem with heteroscedasticity. This is because H0 is accepted and H1 is rejected because the probability value of each independent variable is greater than the value 0.05.

Multicollinearity

Table 5. Multicollinearity results

Variables	Roa	Independence board	Board size	Audit committee	Institutional ownership	Board meeting	Firm size	Leverage
Roa	1	0.956	-0.171	-0.212	-0.021	-0.105	-0.185	-0.496
Independence board	0.956	1	0.005	-0.083	-0.114	-0.011	-0.060	-0.072
Board size	-0.171	0.005	1	0.529	0.088	0.505	0.834	0.357
Audit committee	-0.212	-0.083	0.529	1	-0.061	0.481	0.515	0.263
Institutional ownership	-0.021	-0.114	0.088	-0.061	1	-0.114	0.029	0.198
Board meeting	-0.105	-0.011	0.505	0.481	-0.114	1	0.494	0.259
Firmsize	-0.185	-0.060	0.834	0.515	0.029	0.494	1	0.371
Leverage	-0.496	-0.072	0.357	0.263	0.198	0.259	0.371	1

Source: Processed data (Eviews.12)

Based on the data above, it can be seen that the correlation value between ROA and Board independence or BI is 0.095698, ROA and Board size or BS is -0.171305, ROA and audit committee is -0.212036, ROA and institutional ownership or KI is -0.02155, ROA and the number of meetings is -0.10585 with this all not exceeding 0.85 so it is not infected with multicollinearity(Widarjono, 2018)

Panel Data Regression Model Estimation

Table 6. Regression model estimation

Variables		C	Bi	Bs	Audit Committee	Ki	Board Meeting	Firm Size	Leverage	F Statistics	Prob
Coefficiency	Ce	-0.904	0.951	0.033	-0.019	0.774	0.0052	-0.055	-0.880	5,656	0,000
	Fe	11,951	0.705	0.026	-0.021	-0.095	-0.0049	-0.455	-0.308	8,996	
	Re	0.824	0.831	0.048	-0.036	0.350	0.0000	-0.108	-0.581	2,942	0.006
Error Standard	Ce	1,035	0.487	0.001	0.046	0.249	0.004	0.035	0.184		
	Fe	3,793	0.414	0.027	0.060	0.615	0.008	0.122	0.355		

	Re	1,482	0.391	0.019	0.051	0.375	0.006	0.051	0.249
	Ce	-0.873	1,951	2.162	-0.414	3.103	1.151	-1,560	-4,776
T Statistics	Fe	3,150	1693	0.976	-0.352	-0.154	-0.593	-3,716	-0.686
	Re	0.556	2.123	2,463	-0.695	0.934	0.015	-2,119	-2,326
	Ce	0.383	0.052	0.031	0.679	0.002	0.251	0.120	0
Prob	Fe	0.002	0.092	0.330	0.724	0.887	0.560	0.0003	0.386
	Re	0.578	0.035	0.014	0.487	0.351	0.988	0.0355	0.0212

Source: Processed data (Eviews.12)

Estimation of the panel data multiple regression model for further use in the model in panel data regression research and the models *are Common Effect , Fixed Effect* and *Rendom Effect* From the three approaches above, the next step is to test the selection of these models to find out which model to use.

Panel Data Regression Model Selection

Test Chow

Table 7. Test Chow

Statistics	df	Prob
8.043107	(35,137)	0.0000
201.009028	35	0.0000

Source: Processed data (Eviews.12)

The prob value is 0.0000 as can be observed from the Chow test findings above, hence the superior fixed effects model technique is used to regress the panel data.

Hausman test

Table 8. Hausman test

Statistics Chi-Sq.	Chi-Sq. df.	Prob
12.818751	7	0.0766

Source: Processed data (Eviews.12)

Seen from the hausman test produces a prob value of 0.0766 > 0.05. Because the value is above 0.05, the test chosen has a rendom effect model which is more suitable to use based on the hausman test results.

Lagrange Multiple (LM) Test

Table 9.lagrange multiplier (lm) test

	Cross-section	Time	Both
Breus-pagan	105.1197	0.299228	105.4190
201.009028	0.0000	0.5844	0.0000

Source: Processed data (Eviews.12)

Rendom Effect is an acceptable model to use based on the LM test above, which has a value of 105.419 and a statistical probability value of 0.000 and is smaller than the significance level value used, namely 0.05

From the results of the three tests, namely Chow, Hausman and LM, it resulted in the selection of a rendom effect model, so the model chosen to regress panel data is suitable for use in this study.

Panel Data Regression

Table 10. Panel Data Regression

Variables	Coeafficiency	Error Standard	T Statistics	Prob
Roa	0.824	1,482	0.556	0.578
Independence Board	0.831	0.391	2.123	0.035
Board Size	0.048	0.019	2,463	0.014
Audit Committee	-0.036	0.051	-0.695	0.487
Institutional Ownership	0.350	0.375	0.934	0.351
Board Meeting	0.00009	0.006	0.015	0.988
Firmsize	-0.108	0.051	-2,119	0.035
Leverage	-0.581	0.249	-2,326	0.0212
F Statistics			2.942188	
Prob (F Statistics)			0.00618	

Source: Processed data (Eviews.12)

Based on the table above, it can be assumed that the panel data regression equation is as follows : ROA =0.824724 + 0.831854 BI + 0.048986 BS – 0.036175 AUDIT COMMITTEE + 0.350575 KI + 0.000095 NUMBER OF MEETINGS

Based on this equation, it can be described as follows: The regression coefficient for the BI variable has a positive sign, namely 0.831854, which indicates that if BI increases, the ROA value will increase by 0.831854, assuming that the other independent variables are constant, then the regression coefficient for the BS variable. The constant value has a positive sign, namely 0.824724, which indicates that if the variables Bi, Bs Audit Committee, Ki, and Number of Meetings are constant, then the value of return on assets or ROA is 0.824724. This shows that if the other independent variables remain constant, the ROA value will increase by 0.048986 as BS increases. Then the regression coefficient for the KI variable has a positive sign, namely 0.350575, which means that if KI increases, the ROA value will increase by 0.350575 with the assumption other independent variables are constants,the number of meetings is positive, namely 0.000095, this indicates that if the value of the number of meetings increases, the ROA value will decrease by 0.000095 assuming the other independent variables are constants.

Simultaneous Test (Test f)

Based on the test results in the table, it is known that the prob value (F-statistic) is 0.00618. This shows that the value is smaller than the significance level, namely (0.05), so the Ha value is

accepted and H0 is rejected. Therefore, the independent board, board size, Audit Committee, Institutional Ownership (IC), and Number of Meetings simultaneously have a significant effect on the return on assets (ROA) of companies in the financial sector.

Partial Test

The ttable value of 2.042 is obtained from k = 6 (number of variables), n = 36 (number of observations), df = n – k = 30, when viewed from the percentage point of the t distribution with a significance value level of 0.05, the resulting ttable value is 2.042 .

Based on the output of this table, it can be concluded that the Board Independence (BI) variable has a positive and significant effect on return on assets for business actors in the financial sector. The calculated t value is 2.12302, meaning it is greater than the t table (2.12302 > 2.042), and the probability value is 0.0352, meaning it is lower than the significance level (0.0352 0.05).

Based on the output in the table, it can be concluded that the variable board size or BS has a positive and significant effect on the return on assets of business actors in the financial sector. The calculated t value is 2.463575 which means it is greater than t table (2.463575 > 2.042), and the probability value is 0.0147 which means it is greater than the significance level (0.0147 0.05).

Based on the output of the table it can be concluded that the audit committee variable has no effect and is not significant on return on assets in companies in the financial sector because the t value is 0.695761 which is smaller than t table (0.695761 2.042), and the probability value is 0.4875 which is more greater than the significance level (0.4875 > 0.05).

It can be concluded that the institutional ownership variable has no effect and is not significant on the return on assets of companies in the financial sector based on the table output because the t value is 0.934294 which is smaller than t table (0.934294 2.042), and the probability value is 0.3515 which is greater than significance level (0.3515 > 0.05).

Based on the output of the table, it can be concluded that the variable number of board meetings has no effect and is not significant on return on assets in financial sector companies because the calculated t value is 0.015016 which is smaller than the t table (0.015016 2.042), and the probability value is 0.988 which is greater than the significance level (0.988 > 0.05).

CONCLUSION

The results that can be concluded are that from this research, firstly, board independence, board size, audit committee, institutional ownership and number of meetings with the control variables, namely company size and leverage on return on assets, have a positive and significant relationship, which if all variables provide this occurs. increase will affect the return on assets of companies in the financial sector,both board independence and board size have a positive and significant effect where board independence can reduce conflicts of interest and can monitor decisions taken by management and board size can provide valuable resources for the company due to the network or networking of board members so that this can affect the company's financial performance and the three audit committees, institutional ownership and the number of board meetings in the company have no effect on the company's return on assets and This research aims to determine the role of good corporate governance or corporate governance, where companies need supervision of the management within the company because with the existence of corporate governance, as we often discuss, it can protect and provide comfort to investors, where the role of board independence, audit committee, institutional ownership and the number of board meetings in the company are quite important in monitoring company performance. Board independence and board size have an influence on the company's financial performance where there is supervision of decisions taken by management and reducing conflicts of interest and Even a larger board size can provide valuable resources for the company, but not the audit committee, institutional ownership and the number of meetings which do not have an influence on the company's financial performance. Based on the research that has been carried out, the following suggestions can be given. For future researchers, it

is hoped that they can conduct case studies with a longer research time span so that broader results can be obtained regarding the financial ratios used and add the variables ROE, managerial ownership and board diversity and then expand to other sectors such as the property sector, manufacturing and others in further research so that we can obtain better research in the future.

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