

# CORPORATE GOVERNANCE AND RETURN ON ASSETS IN MINING INDUSTRY COMPANIES: THE DEVELOPING MARKET STUDY

Meiryani <sup>\*</sup>, Mochammad Fahlevi <sup>\*\*</sup>, Kevin Rivaldo <sup>\*\*\*</sup>,  
Moch Doddy Ariefianto <sup>\*\*\*\*</sup>, Agustinus Winoto <sup>\*\*\*</sup>,  
Dianka Wahyuningtias <sup>\*\*\*\*\*</sup>, Ahmad Syamil <sup>\*\*\*\*\*</sup>

<sup>\*</sup> Corresponding author, Accounting Department, School of Accounting, Bina Nusantara University, Jakarta, Indonesia

Contact details: Accounting Department, School of Accounting, Bina Nusantara University, Jakarta 11480, Indonesia

<sup>\*\*</sup> Management Department, BINUS Online Learning, Bina Nusantara University, Jakarta, Indonesia

<sup>\*\*\*</sup> Accounting Department, School of Accounting, Bina Nusantara University, Jakarta, Indonesia

<sup>\*\*\*\*</sup> Finance Program, Accounting Department, School of Accounting, Bina Nusantara University, Jakarta, Indonesia

<sup>\*\*\*\*\*</sup> Hotel Management Department, Faculty of Digital Communication and Hotel & Tourism, Bina Nusantara University, Jakarta, Indonesia

<sup>\*\*\*\*\*</sup> Entrepreneurship Department, BINUS Business School Undergraduate Program, Bina Nusantara University, Bandung, Indonesia



## Abstract

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Differences in interests lead to conflict between managers with owners of capital because managers do not always align interests with the interests of company owners (Jensen & Meckling, 1976). Corporate governance has a very important role in increasing various growths, one of which is the growth of the company's finances. In the application of corporate governance, it takes several parties who can bridge corporate governance to be applied in the company. The board of commissioners is the core of governance that is tasked with ensuring the implementation of the company's strategy, supervising management, and requiring accountability. The purpose of this study was to find out what important parties in the company had a significant impact on the company's finances as measured through the return on assets (ROA) of mining companies. This study uses secondary data collected from financial statements and annual reports from mining companies listed on the Indonesia Stock Exchange (IDX) that can be accessed regularly. In this study, data analysis to test hypotheses was multiple linear regression analysis. The analysis of multiple linear regression data measures the interval or ratio data to know whether the free variables studied have a good correlation. The results of the study show that all parties who have an important role in bridging corporate governance such as the board of commissioners, independent commissioners, board of directors, and audit committee, have no significant influence on the growth of ROA in the company.

**Keywords:** Corporate Governance, Good Corporate Governance, ROA

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## 1. INTRODUCTION

A company is a place where the production process activities of both the production of goods and services occur. The company itself has various purposes or interests in carrying out its business activities, one of which is the interest in the company's profits. The interests focused on by a company determine what action each company should take. Every business activity carried out by the company needs to be a development activity so that the company can run well. Brigham and Houston (2006) explain that a company's profitability comes from several policies and decisions. Reducing information asymmetry can increase the value of a company by, among other things, sending a signal to outsiders on how to provide reliable financial information and reducing uncertainty about future company prospects (Wolk et al., 2000).

One development that can continue to be developed is corporate governance (CG). CG has a very important role in increasing various growths, one of which is the growth of the company's finances. In the application of CG, it takes several parties who can bridge CG to be applied in one company. In this case, the board of commissioners (BoC) is an integral component of the CG mechanism. The BoC is the core of the governance charged with overseeing management and requiring accountability (Sam'ani, 2008). The application of CG in numerous industries, including the mining industry, is also extremely important. With the existence of good corporate governance (GCG), it is anticipated that the company's profits will increase, allowing it to continue to grow financially. The growth of the company's financial aspects can be measured using a variety of instruments, including the return on assets (ROA) ratio.

In 2019, various sectors of the mining industry experienced a drastic decline in profit growth. Some economists say that the mining sector index is one of the obstacles to increasing the Composite Stock Price Index (JCI) throughout 2019. The mining sector index in 2019 itself decreased from the previous year by 12.83%. In addition, according to the Central Statistics Agency, in the second quarter of 2020, the mining and quarrying sector decreased back to -2.72% compared to the same period last year. The sector's profit growth also decreased by 3.75% when compared to the first quarter of 2020. This noted that there was a decrease in profits from the mining sector, which is still experiencing difficulties in its growth. In 2019, the mining sector index declined by 12.83%. Liza Camelia Suryanata, an analyst at Henan Putihrai Sekuritas, determined that the decline in the performance of the mining sector index in 2019 could not be separated from the decline in coal prices.

The role of mining in national development is a source of state revenue and foreign exchange (sectoral mission). As the primary sector, mining contributes and has an important role in the national economy and development. The revenue obtained from mining is very helpful for state revenues which were disrupted by the weakening global economy due to the COVID-19 pandemic. Recorded receipt by the state from the mineral and coal mining (Minerba) sector posted a figure of

IDR124.4 trillion in 2021. This value includes taxes, export duties, and non-tax state revenue (*penerimaan negara bukan pajak* — PNBPN). In September 2022, the Ministry of Energy and Mineral Resources (ESDM) noted that PNBPN from the Minerba sector reached IDR130 trillion. The same thing was stated by INDEF researcher, Nailul Huda. Nailul said that the current coal commodity has had a lot of impact on helping the local economy of residents around the mine, coal, and other fossil energy commodities help the national economy, especially the regions. For sustainable national development, laws and rules in the minerals and coal mining sector must manage and use the potential of minerals and coal in a way that is independent, reliable, transparent, competitive, efficient, and good for the environment.

Common law and two-tier governance which is the focus of this study. The common law system is a case-based legal system, which functions through logical reasoning. The common law tradition is usually identified with a case-based system. Two-tier CG system, the structure consists of two boards, namely the supervisory board consisting of independent non-executives and non-independent non-executive directors and the executive board consisting of all managing directors such as chief executive officer (CEO), chief financial officer (CFO), chief operating officer (COO), chief information officer (CIO), and C-level management.

Based on the description that has been disclosed, researchers are encouraged to conduct a study that focuses on indicators of CG mechanisms that are engaged in the mining industry which is very important to be applied properly in the company. Researchers aim to find out what important parties in the company that bridge CG significantly impact the company's finances as measured through ROA. Therefore, it is expected that this paper can contribute to readers in the decision-making process.

The remainder of this paper is structured as follows. The second section discusses previous studies and theory development. The third section discusses the methodological approach. The fourth section presents statistical results. In the fifth section, the discussion based on the results of the research, is presented. In the sixth section, conclusions and suggestions are provided.

## 2. LITERATURE REVIEW

### 2.1. Corporate governance (CG)

CG is a set of rules for how businesses should be run professionally, based on the ideas of openness, accountability, responsibility, independence, and equality. According to Agoes (2011), CG is a governance system that has a transparent nature and can decide on the roles of directors, shareholders, and other stakeholders so that these arrangements can assist the company in achieving its goals. In addition, the Cadbury (1992) also mentioned that corporate governance is a system that is the base for regulating the relationship between parties who have rights and obligations to the company. Stijn Claessens divides the notion of CG into 2 categories, namely as a series of corporate action patterns that have benchmarks, and CG is

used as a series of legal provisions that can affect the actions/behavior of the company. In general, CG is a system that regulates, manages, and supervises the business run by the company to achieve business success and is used as a form of attention to stakeholders.

According to Joni and Gunawan (2021), the fundamental concept of governance describes the overall management approach in which senior executives direct and manage the entire organization, ensuring that key management information that reaches the executive team is complete and accurate for subsequent decision-making by management, provide a control mechanism to ensure that management's strategies, directives, and instructions are carried out effectively and methodically.

CG has several objectives, namely:

- Assisting the economic development of the company.
- Ensuring the company's management is by its standards.
- Help the company to establish a good reputation.
- Guide for maintaining the stability of the company.
- Assist in the increase in capital obtained through investors due to trust.

In the practices run by every company, governance is often considered a problem because, with the existence of governance, there will be additional work that must be done by the company. Nevertheless, the company must still apply GCG, so that good governance can be referred to as GCG. In the process carried out by the company, 5 main principles must be held by each company in carrying out its business activities, namely:

- *Transparency*: in this principle, companies must be able to facilitate stakeholders in accessing the various information they need, and transparency needs to be implemented to maintain the level of objectivity between the company and stakeholders.
- *Independence*: In this principle, the company must be able to present information without the dominating nature of one party.
- *Responsibilities*: In carrying out business activities, the company must be able to follow the applicable regulations, as well as the moral norms applied.
- *Accountability*: In this principle, the company must be able to account for all decisions that have been taken by the company.
- *Fairness and equality*: In general, corporate stakeholders consist of many parties who have interests, but rather the company must still be able to pay attention to the value of justice so that there is no gap between stakeholders.

In addition, in the application of GC, there are several indicator mechanisms of GC, namely:

- *BoC*: A board that is tasked with conducting supervision and advising directors. In its implementation, the board of commissioners itself has a responsibility in monitoring managerial performance in achieving the level of return for shareholders. In addition, the BoC also prevents the emergence of various conflicts of interest in one company.

- *Independent BoC*: According to Emirzon (2007), the formation of independent commissioners is motivated by the desire to protect minority shareholders in a company. Based on the Decision of the Board of Directors (BoD) of the Jakarta Stock Exchange Number: KEP-339/BEJ/07-2001, independent commissioners will be responsible for overseeing the policies and actions of the BoD and for advising directors if they feel necessary.

- *BoD*: The chairman of the company elected by shareholders to represent their interests in managing the company.

- *Audit committee (AC)*: A form of the committee that is responsible for the company's financial statements. The establishment of an AC will minimize the possibility of management in earning management. The AC can conduct monitoring or supervision of financial statements and supervision of external audits. In accordance with the Decree of the Chairman of the Capital Market and Financial Institution Supervisory Agency Number 29/PM/2004, the audit committee is a committee formed as a liaison between shareholders and the BoC and management to prevent the emergence of the agency.

## 2.2. Return on assets (ROA)

ROA is a type of profitability ratio that is often used to measure how well a company can make money from its assets. ROA will evaluate the company's ability to utilize past profit income in the upcoming period or periods based on past profit income. In this instance, assets are all company assets obtained from their capital or capital from outside parties and converted by the company into various corporate assets for the company to continue existing. ROA is used to determine whether management has received appropriate compensation relative to the assets it already possesses. The ratio is a very useful metric for determining how effectively the company has utilized its funds. According to Van Horne and Wachowicz (2012), ROA is a metric used to evaluate the overall effectiveness of earnings generated from available assets. According to Brigham and Houston (2006), ROA is determined by dividing net income after taxes by total assets. The greater a company's ROA, the greater its profitability due to a greater return on investment. The value will describe the company's return on all contributed assets.

According to Titman et al. (2018), the profitability ratio represented by ROA is a ratio used to figure out the rate of return on the company's total assets as a result of operating income. The higher the number, the higher the return on the company's operations. Toni and Silvia (2021) explain that ROA provides a measurement of the company's financial performance in generating net profit from the assets used to run the company's operations, and an increase in ROA indicates that the company's performance has been successful in achieving optimal profits. Consequently, the greater the company's ability to generate profits, the more favorable its image, which in turn influences the increase in firm value. According to Ross et al. (2016), profitability is an important factor in all

aspects of business, one of which is the calculation of ROA, as it demonstrates how effectively a company manages its operations by utilizing its assets to generate profits.

### 2.3. Stakeholder theory

Stakeholder theory reveals that the company does not include entities that merely carry out operations for its own sake but it must bring benefits to its stakeholders owned (analysts, society, government, suppliers, consumers, creditors, shareholders, and others) (Ghozali, 2020). For that, a company is greatly affected by the provision of support from stakeholders that describes that capability (Ghozali, 2020). The ability of a firm to survive depends on which stakeholder support it can obtain through its operational activities.

Freeman's (1984) stakeholder theory describes the parties for which a business will be responsible. The company must be able to maintain relationships with its stakeholders by accommodating their desires and needs (Chariri & Ghozali, 2007). Moreover, the emergence of the stakeholder theory established a paradigm in which the company is accountable not only to shareholders but also to other stakeholders (Maulida & Adam, 2012). The primary objective of stakeholder theory is to assist the company's management in maximizing value creation as a result of its activities and minimizing stakeholder losses. This theory has flaws, even though it explains a broad perspective and the relationship between companies and stakeholders. The weakness of this theory, according to Larson and Gray (2011), lies in the theory's emphasis on the methods companies use to organize corporate stakeholders. The company is only instructed to identify those stakeholders who are deemed essential and significantly influential. Therefore, businesses must focus on these stakeholders. They believe that stakeholder theory disregards the impact of society as a whole on the disclosure of financial information (Chariri & Ghozali, 2007). Jensen and Meckling (1976) classify agency expenses as monitoring expenses, bonding expenses, and residual losses. Costs incurred and borne by the principal for monitoring agent behavior, i.e., measuring, observing, and controlling agent behavior. CG is a concept based on agency theory that is intended to provide investors with confidence that they will receive a return on their invested capital. CG relate to how investors believe that managers will provide benefits to investors, believe that managers will not steal or misappropriate funds or invest in unprofitable projects related to funds or capital invested by investors, and how investors control managers.

### 2.4. Legitimacy theory

The focus of legitimacy theory is the interaction between businesses and society. This theory asserts that organizations are a part of society and, as such, must pay attention to social norms, as conformity with social norms can lend legitimacy to businesses. According to Chariri and Ghozali (2007), the legitimacy theory is supported by a social contract between the company and the community in which it operates and uses economic resources.

Thus, legitimacy contributes to a company's continued existence. When preparing financial reports to provide appropriate and relevant information to users, it is crucial to evaluate financial performance. Financial performance provides an overview of a company's financial condition in a given period, both in terms of raising funds and channeling funds, as measured by capital adequacy, liquidity, and profitability indicators.

### 2.5. Prior studies

Hanif (2014) conducted an analysis of the banking industry listed on the Indonesia Stock Exchange (IDX) from 2009 to 2012 where the researcher wanted to know the influence of CG on profit growth. The results of this study show that there are several indicators of mechanisms used against CG, namely the BoC, independent BoC, BoD, audit committee, and institutional ownership, thus showing several things, namely:

1. The size of the BoC does not affect financial performance in banking companies registered with the IDX for the period 2009–2012, so *H1* is rejected.
2. The size of the independent BoC affects financial performance in banking companies registered with the IDX for the period 2009–2012 so *H2* is accepted.
3. The size of the BoD does not affect financial performance in banking companies registered with the IDX for the period 2009–2012, so *H3* was rejected.
4. The size of the audit committee affects financial performance in banking companies registered with the IDX for the period 2009–2012, so *H4* is accepted.

The next study was conducted by Nurdin et al. (2019), where researchers conducted a governance analysis of the company's growth. The growth of the company can be associated with asset growth, and the result of this research is that the company must be able to maintain the application of governance as a viable system to increase the assets of the company.

## 3. RESEARCH METHODOLOGY

### 3.1. Data collection method

We incorporated secondary data into this analysis. Data gathered from other current sources are referred to as secondary data. So, data are not directly collected from the items being investigated by researchers. Secondary data sources typically come from a variety of sources, including books, papers, journals, and other literature. In this study, "activation data", or archiving data utilizing original documents gathered and preserved by the government or other entities were used to collect data. Each mining firm listed on the IDX publishes annual reports online that are used to compile data for the year 2019.

The information used in this study was gathered from the annual reports of mining companies listed on the IDX in 2019. The collected samples are in Table 1.

**Table 1.** Research samples

Code	Company
CHURCHYARD	PT Adaro Energy Tbk
AREAS	PT Atlas Resource Tbk
BOSS	PT Borneo Olah Sarana Sukses Tbk
BSSR	PT Baramulti Suksessarana Tbk
EARTH	PT Bumi Resource Tbk
BYAN	PT Bayan Resource Tbk
GOD	PT Darma Henwa Tbk
DOID	PT Delta Dunia Makmur Tbk
DSSA	PT Dian Swastatiika Santosa Tbk
FIRE	PT Alfa Energi Investama Tbk
GEMS	PT Golden Energy Mines Tbk
GTBO	PT Garda Tujuh Buana Tbk
HRUM	PT Harum Energy Tbk
INDY	PT Indika Energy Tbk
ITMG	PT Indo Tambangraya Megah Tbk
KKGI	PT Resource Alam Indonesia Tbk
MBAP	PT Mitrabara Adiperdana Tbk
MYOH	PT Samindo Resource Tbk
PTBA	PT Bukit Asam Tbk
PETRO	PT Petrosea Tbk
SMMT	PT Golden Eagle Energy Tbk
SMRU	PT SMR Utama Tbk
TOBA	PT TBS Energi Utama Tbk
APEX	PT Apexindo Pratama Duta Tbk
LIMBS	PT Prabu Energi Tbk
BIPI	PT Astrindo Nusantara Infrastruktur Tbk
ELSA	PT Elnusa Tbk
ENRG	PT Energi Mega Persada Tbk
MEDC	PT Medco Energi International Tbk
MYTHS	PT Mitra Investindo Tbk
MTFN	PT Capitalinc Investment Tbk
PKPK	PT Perdana Karya Perkasa Tbk
NOISE	PT Radiant Utama Interinsco Tbk
SURE	PT Super Energy Tbk
ANTM	PT Aneka Tambang Tbk
BRMS	PT Bumi Resources Mineral Tbk
APPOINTMENT	PT Cita Mineral Investindo Tbk
DKFT	PT Central Omega Resources Tbk
IFSH	PT Ifishdeco Tbk
INCO	PT Vale Indonesia Tbk
MDKA	PT Merdeka Cooper Gold Tbk
PSAB	PT J Resources Asia Pacific Tbk
TINS	PT Timah Tbk
ZINC	PT Kapuas Prima Coal Tbk

### 3.2. Analytical method

Multiple linear regression analysis was used to test several hypotheses in the data analysis for this study. Multiple linear regression analysis is used to figure out if the free variables being studied have a meaningful link to other variables when interval or ratio data are being used. This analysis looks at the relationship between free variables and bound variables, where the latter are looked at more than once. Data analysis was done by putting data into groups based on variables or types of respondents, tabulating data based on variables from all respondents, showing data for each variable that was looked at, and doing calculations to test the hypotheses that had been made. The data analysis used in this study is as follows:

1. *Descriptive statistics:* Without trying to make broad conclusions, descriptive statistics are used to look at data by summarizing or describing it as it is. Data analysis in descriptive statistics is done using tables, columns, frequency calculations, measures of central tendency (mean, median, mode), measures of dispersion (range, variance, standard deviation), and other methods.

2. *Classical assumption test:* With the classical assumption test, the regression model is checked for multicollinearity, autocorrelation, and

heteroscedasticity. When a regression model is made that can be reliably tested and estimated, the classical assumption is met. The normality test, multicollinearity test, and heteroscedasticity test make up the traditional assumption test in this study.

3. *Hypothesis testing:* A simultaneous test (F-test) and a partial test make up hypothesis testing (t-test). Multiple linear regression was used to analyze the relationship between GCG and profitability and firm value with disclosure. In this regression equation, Tobin's Q, a measure of firm value, served as the dependent variable while the GCG and profitability served as the independent variables. The IBM SPSS Statistics program's testing procedure tool for multiple regression was used for 119 manufacturing businesses listed on the IDX in 2015-2016 which satisfied the requirements and provided the data required for this study served as the samples used in this investigation.

4. *Coefficient of determination:* Regression analysis uses a metric called the coefficient of determination ( $R^2$ ). The coefficient of determination value is an indicator of how much the explanatory variable contributed to the response variable. The linear influence of X is demonstrated by the coefficient of determination as variation (variation) of the ups and downs of Y. If the coefficient of determination is one, the constructed regression line fits the observed values very closely and securely. If the coefficient of determination is equal to 1, then X alone is responsible for all of the variation in Y's ups and downs. Other approaches that are appropriate for doing the study include the research approach uses an associative explanatory design to describe the pattern employed and assess the accuracy of the link between variables. It also includes conducting interviews, documenting, and tracking the annual report.

## 4. DATA ANALYSIS AND FINDINGS

### 4.1. Descriptive statistics

Descriptive statistics display data more clearly and meaningfully, so that interpretation of the data is easy to do. Descriptive statistics have functions including: 1) providing basic information about the variables in the dataset; 2) accentuating the potential relationship between variables.

**Table 2.** Descriptive statistics

Variable	N	Min.	Max.	Mean	Std. Dev.
BoC (X1)	44	1	6	2.73	1.301
Independent BoC (X2)	44	1	3	1.70	0.765
BoD (X3)	44	2	11	4.50	1.935
Audit committee (X4)	44	1	6	3.18	0.756
ROA	44	-1.525	1.000	-0.002	0.312

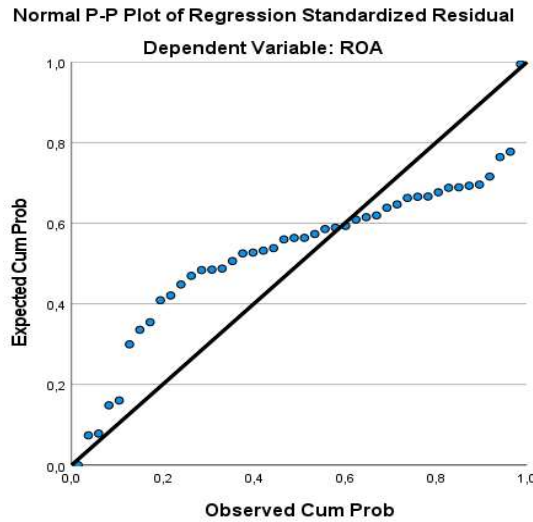
Based on Table 2, the analysis of descriptive statistics presented above, the BoC of mining businesses has an average of 2.73 and a standard deviation of 1.301. A BoC that is independent has a standard deviation of 0.765 and an average of 1.70. The audit committee comes in last, with a mean of 3.18 and a standard deviation of 0.756, while the BoD has an average of 4.50 and a standard deviation of 1.935.

**4.2. Classical assumption test: Normality test**

The purpose of a normality test is to determine whether or not the distribution of data in a group of data or variables is normally distributed by performing the test. Figure 1 shows a normality test.

From the normality test, it can be seen that the points are near the line so it can be said that the data is normal. Whereas if the dots are far from the line and scattered above, down, left, or right then it can be said that the data is not normal.

**Figure 1.** Normality test



**4.3. Multicollinearity test**

To determine whether the regression model identified a correlation between the independent and dependent variables, the multicollinearity test is used. There should not be any association between the independent variables in a suitable regression model. These variables are not orthogonal if the independent variables are correlated.

Since all of the variance inflation factor (VIF) values scored less than 10.00 on the multicollinearity test above, it can be concluded that the data does not exhibit multicollinearity. And if tolerance values are shown to be all more than 0.10, it can be concluded that multicollinearity does not occur in the data.

**Table 3.** Multicollinearity test

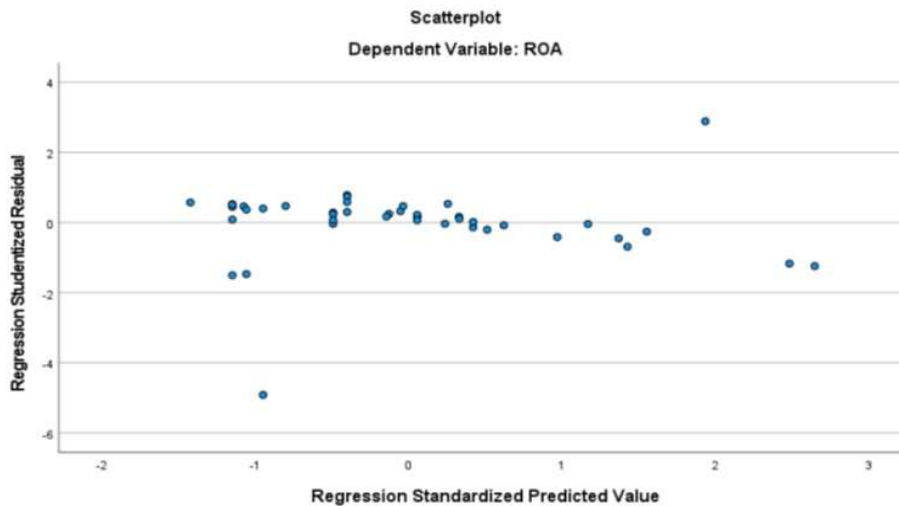
Model	Unstandardized coefficients		Standardized coefficient beta	t	Itself	Collinearity statistics	
	B	Std. Error				Tolerance	Bright
Constant	-355	225		-1.580	122		
BoC (X1)	0.65	0.58	271	1.113	272	374	2.674
Independent BoC (X2)	-0.23	0.75	-0.57	-306	761	649	1.542
BoD (X3)	0.11	0.36	0.65	294	770	449	2.229
Audit committee (X4)	0.53	0.69	127	757	454	785	1.274

**4.4. Heteroscedasticity test**

The goal of the heteroscedasticity test is to find out if the variance of one residual observation in the regression model is different from that of another (Ghozali, 2018). Figure 2 displays the results of the heteroscedasticity test.

From the results of the analysis above, it can be seen that scatterplot points spread so that it can be said that in this data occurs there is no heteroscedasticity.

Figure 2. Heteroscedasticity test



4.5. Hypothesis testing (t-test and F-test)

In this study, the hypotheses that are the basis of this study are:

$H_0$ : There is no influence between  $X_1$  (BoC),  $X_2$  (independent BoC),  $X_3$  (BoD), and audit committee ( $X_4$ ) on the company's ROA ( $Y$ ).

$H_1$ : There is an influence of the BoC ( $X_1$ ) on ROA ( $Y$ ).

$H_2$ : There is an influence of independent BoC ( $X_2$ ) on ROA ( $Y$ ).

$H_3$ : There is an influence of the BoD ( $X_3$ ) on ROA ( $Y$ ).

$H_4$ : There is an audit committee ( $X_4$ ) influence on ROA ( $Y$ ).

The significance is 5% (0.05).

Table 4. T-test

Model	Unstandardized coefficients		Standardized coefficients	t	Itself	
	B	Std. Error	Beta			
1	Constant	-0.355	0.225		-1.580	0.122
	BoC ( $X_1$ )	0.065	0.058	0.271	1.113	0.272
	Independent BoC ( $X_2$ )	-0.023	0.075	-0.057	-0.306	0.761
	BoD ( $X_3$ )	0.011	0.036	0.065	0.294	0.770
	Audit committee ( $X_4$ )	0.053	0.069	0.127	0.757	0.454

From the results of the processing above, it can be seen that for all variables  $X$ , namely  $X_1$ ,  $X_2$ ,  $X_3$ , and  $X_4$ , there is a significant value that exceeds 0.05, where  $X_1$  is 0.272 with a value of 1.113,  $X_2$  has a significance value of 0.761 with a t-value of -0.306, then variable  $X_3$  has a significance value of 0.770 with a t-value of 0.294, and variable  $X_4$  has a significance level of 0.454 with a t-value of 0.757.

Thus, from this t-test, it can be seen that all variables  $X_1$ - $X_4$  do not have a significant influence on variable  $Y$  (ROA) because all significance values are above 0.05. So, it can be concluded that  $H_1$  to  $H_4$  are rejected, and  $H_0$  is accepted. There is no significant influence between the BoC, independent BoC, BoD, and audit committee on ROA, a mining company listed on the IDX.

Table 5. ANOVA test

Model	Sum of squares	df	Mean square	F	Itself	
1	Regression	0.569	4	0.142	1.534	0.211
	Residual	3.618	39	0.093		
	Total	4.187	43			

From the results of the F-test that has been done with a significance value of 0.211, it can be concluded that  $H_0$  was accepted and  $H_1$ ,  $H_2$ ,  $H_3$ , and  $H_4$  were rejected. This happens because the significance value of the F-test is greater than 0.05. It can then be said that there is no significant influence between the BoC, independent BoC, BoD, and audit committee against ROA mining companies registered in the IDX.

4.6. Coefficient of determination

The coefficient of determination test was used to find out how well the endogenous factors could explain the exogenous variables at the same time. The  $R^2$  score goes up the better the prediction model of the suggested research model is:

**Table 6.** Coefficient of determination

Model summary				
Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. error of the estimate
1	0.369	0.136	0.047	0.304

From the calculation of the coefficient of determination,  $R^2$  has a value of 0.047 meaning that the influence of variables  $X1$ ,  $X2$ ,  $X3$ , and  $X4$  only influences 4% of the  $ROA$  acquired by a company. This means that 96% of the influence of  $ROA$  is caused by other variables and is not influenced by the BoC, independent BoC, BoD, and audit committee.

#### 4.7. Discussion

The research findings indicate that the BoC, independent BoC, BoD, and audit committee do not influence the  $ROA$ . It can be seen that  $H_0$  is accepted because, from the results of data processing  $X1$ ,  $X2$ ,  $X3$ , and  $X4$  have a value of significance greater than 0.05. In addition, with the results of the coefficient of determination, it can be seen that only 0.047 of variable  $X$  as a whole affects variable  $Y$ , which means that variable  $Y$  is influenced by variables that are beyond variable  $X$ .

It can be seen that  $H1$  is rejected because, from the results of the t-test, the result is 0.122, where this figure exceeds the significance level of 0.05. This result is also supported by previous research conducted by Wilar et al. (2018), in which it is said that there was no significant influence by the BoC on  $ROA$  financing institutions. In addition, Sukamalja's (2004) research also said that the BoC did not significantly affect  $ROA$ . This is supported by the view that the existing board of directors in a company consisting of many people will create a variety of decision materials, so this makes the performance, the company becomes disrupted which has an impact on the company's profits.

It can be seen that  $H2$  is rejected because the significance value shows that the result is 0.272, where this number exceeds the significant alpha number of 0.05. Therefore, it can be said that variable  $X2$  does not have a significant impact on  $ROA$ . Similar to the rejection of the first hypothesis, it can be seen that the independent BoC view consisting of many people will create a variety of decision materials, and this is the case. Make the company's performance become disrupted and have an impact on the company's profits.

It can be seen that  $H3$  has a significance value of 0.761, and this number exceeds the significant alpha number of 0.05. Therefore, it can be said that variable  $X3$  does not have a high level of significance for  $ROA$ . This hypothesis is also supported by the research of Hanas (2009), who said that the BoD finds it difficult to carry out the role of bridging CG with the company because it is known that some of them know the board of directors is not aware of the activities of the managers recruited or the truth of the company's financial statements. In addition, the board of directors tends to protect the interests of management because it is an integral part of management.

It can be seen that  $H4$  has a significance value of 0.454, and this number exceeds the significant alpha number of 0.05. Based on research conducted by Hanas (2009), the audit committee did not have

a significant influence in bridging the company with CG, so this obviously will not have a significant effect on the  $ROA$  of mining companies listed on the IDX.

If the market sees an improvement in profitability ratios as a favorable signal and promising future for the company, then this will provide investors a signal and cause the market to react favorably. Conversely, if the profitability ratio declines, the market will respond unfavorably, which is viewed as a bad omen for the company's prospects. If the company is successful in achieving a high-profit rate, this will encourage investors to purchase shares, driving up the share price and driving up demand for shares. Whereas, the value of Tobin's Q as a proxy for the value of the company will be impacted by the stock price and the number of shares outstanding. The value of Tobin's Q will increase if the share price and the number of shares outstanding rise (Kusumadilaga, 2010). Tobin and Brainard (1977) explain that Tobin's Q greater than 1 shows that the business generates earnings with a return rate that is in line with the purchase price of its assets. The value of the company will be affected by this. According to Sutedi (2012), excellent corporate governance is a framework that regulates and controls organizations to create additional value. The quality of financial reports can be enhanced by applying the GCG principles consistently, and performance engineering activities that lead to financial reports that do not reflect the company's core values can be stopped. The findings of this study contradict those of Jumandani's (2012) study, which found that the adoption of GCG by sample companies significantly improved financial performance as measured by  $ROA$ .

#### 5. CONCLUSION

The goal of this study was to figure out how the introduction of CG companies in Indonesia has affected the return on company assets. Conflicts of interest in management will be reduced by using corporate governance practices. Therefore, CG is an important part of the company's sustainability. Business ethics is a variety of principles that are used as the basis for a process and are a mechanism to increase business success and accountability for the company in the short, medium, and long term while taking into account the interests of stakeholders by the laws and values of business ethics. Indicators of mechanisms used to bridge CG are the BoC, independent BoC, BoD, and audit committee. In the results obtained for the indicators, this mechanism does not have a significant influence on the growth of the company's  $ROA$ . It can be seen that 4% of  $ROA$  is influenced by other variables and is not influenced by indicators of CG mechanisms, namely the BoC, independent BoC, BoD, and audit committee. The BoC has a level of 0.272, the independent BoC has a level of 0.761, the BoD has a level of 0.770, and the audit committee has a level of 0.454 (all values indicate greater than 0.05), and all these numbers show that there is no significant influence caused by these important positions as an indicator of mechanisms in CG against corporate  $ROA$ . This study found that companies that carry out good



asset management and provide high ROA results can illustrate that they implement the efficiency of the company well.

Based on the results of this study, the advice that can be given by the authors is that the company may be able to increase ROA by improving the systemization of sales and management of the company so that ROA in mining companies listed on the IDX can increase over time. ROA growth can be found through profit growth and also through significant asset growth in a company. So, ROA is a measuring tool to calculate the level of profitability of a company. It can also be seen that in this study, the practical implications of this research are an additional knowledge for readers so that they know insight information. Theoretically, the results of this study have implications for the development of financial accounting related to signaling theory and agency theory, which underlie the implementation of corporate governance practices in various companies in Indonesia. This research can also

encourage financial accounting research to further analyze what factors influence the cumulative abnormal return variable. New parties related to bridging in the creation of CG are not deeply significant to the growth of the company's ROA. Investors can use the results of this study as a source for consideration in making investment decisions. This can be a consideration for investors because the implementation of CG can have an impact on company profitability. Future research needs to identify the mechanisms of CG and financial performance to see how they affect firm value, such as the BoD, external auditors, audit committee, a general meeting of shareholders, and so on. This study has limitations: the data collection was only carried out in one particular year without considering the long-term dimension. The theoretical basis used in this research is still tentative. CG variables do not yet have standard measurement instruments such as the variable "financial performance".

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