Available online at https://ijmras.com/

Page no: 11/11

INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH AND STUDIES

ISSN: 2640 7272

Volume:06; Issue:08 (2023)

Doi: 10.33826/ijmras/v06i08.10

Good corporate governance analysis of financial performance at Pt bank sulselbar

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ABSTRACT

This research intends to examine the impact of effective corporate governance, including the presence of independent commissioners and audit committees, on the financial performance of PT Bank SULSELBAR. The investigation took place within the premises of PT Bank SULSELBAR and utilized quantitative research techniques. The study encompassed all the subsidiaries of PT Bank SULSELBAR, with a purposive sampling approach resulting in the selection of 5 branches as the study's sample. The theoretical frameworks underpinning this research are agency theory, signaling theory, and attribution theory. To conduct the study, secondary data from the official websites of the respective companies were employed. The data were subsequently subjected to Regression Analysis utilizing SPSS software. The outcomes of the analysis indicated that, when taken individually, the influence of independent commissioners and audit committees on financial performance was not statistically significant

Keywords: Pt Bank Sulsel bar, Good Corporate Governance, Performance

INTRODUCTION

The rapidly evolving business landscape demands companies to consistently adapt and innovate. Fierce competition and intricate challenges necessitate the implementation of intelligent and effective strategies for market survival. Enhancing financial performance stands as a pivotal element in ensuring a company's endurance. Thorough evaluation and proficient management of financial performance are crucial facets for every company. Through an assessment of financial performance, companies can gauge their financial management, efficiency, effectiveness, and adherence to financial regulations (Dura, 2022).

To bolster financial performance, companies must adopt astute strategies grounded in comprehensive analysis. Efficient and effective financial management confers an advantage in confronting intensifying and multifaceted business rivalry. Proper strategy implementation and meticulous attention to financial performance guide companies toward long-term success. Hence, continuous evaluation and enhancement of financial performance are imperative for enduring success in a landscape characterized by heightened and dynamic business competition (Hutabarata, 2021).

The significance of economic efficiency within the corporate realm and the implementation of corporate governance (GCG) emerge as pivotal factors in augmenting company performance. This efficiency encompasses the participation of internal and external entities in company operations, along with the application of GCG principles that ensure sound and transparent management (Rashid, 2020).

Concerning financial reports, a close correlation exists between GCG implementation and financial performance. This aligns with agency theory, positing that by diminishing, separating, and regulating ownership, conflicts of interest between managers and shareholders can be mitigated, ultimately boosting company performance (Din et al., 2021; Anik et al., 2021).

A robust corporate governance structure empowers companies to achieve substantial asset growth, indicative of the trust and backing from various stakeholders. This trust and endorsement fortify banking institutions in conducting their operations and securing their position within a competitive market.

Independent commissioners assume a significant role in advancing a company's financial performance, given their ability to forestall errors often encountered in financial statements. By conducting vigilant oversight, independent commissioners can alleviate agency issues within a company, thereby contributing to performance enhancement (Anik et al., 2020).

Research by Amelinda and Lucky (2021) also underscores that an appropriately sized audit committee, tailored to a company's complexity, enhances decision-making effectiveness, ultimately influencing financial performance positively.

The case of PT. Bukit Asam (PTBA) presents an interesting phenomenon. Despite achieving a high GCG score based on the CGPI survey from 2018 to 2020, the results don't align with the company's financial performance, which experienced a decline during this period, notably in profits (Dzaky et al., 2021; Dewi et al., 2021). Several studies corroborate these findings, asserting that GCG implementation does not significantly impact financial performance. This might be attributed to the company's already rigorous operational discipline, leading to a lesser impact of additional GCG measures. However, there are studies indicating contrasting outcomes, asserting that heightened GCG implementation does enhance corporate financial performance, particularly within Indonesia's banking sector. By reducing information asymmetry through GCG implementation, public trust in companies could rise (Markonah and Johan, 2022; Amelinda and Lucky, 2021)

By looking at background information and phenomena that occur at PT. Bukit Asam, as well as the inconsistency of the results from previous research, researchers feel interested in investigating further through research entitled "The Influence of Good Corporate Governance on Financial Performance at Regional Development Banks"

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

The concept of agency theory defines an agency relationship as a contractual arrangement wherein one or more parties (principals) engage another party (agent) to carry out tasks on their behalf. This arrangement involves delegating certain decision-making authority to the agent. This theory elucidates the division between proprietors and workers within an organization, stemming from the notion of segregating ownership and control within the organizational structure. This segregation extends to the allocation of risk, decision-making responsibilities, and control of various functions within the organization (Jensen and Meckling, 1976).

Attribution Theory (Teori Atribusi)

Attribution theory revolves around how individuals provide explanations for the actions of themselves or others. It's a cognitive process in which individuals seek causal factors that shed light on the behavior of others, making sense of such behavior in a rational manner. Attribution Theory delineates how individuals comprehend their interactions with the occurrences around them by delving into the reasons underlying those events. (Arifuddin, 2022). Nur et al. (2022) also posit that attribution theory is a psychological framework that illuminates the process of ascertaining the causes of both others' and one's own conduct, elucidating how individuals seek justifications for events and others' behaviors within their personal and environmental contexts.

The Influence of Independent Commissioners on Financial Performance

The proposition derived from the outcomes of this investigation is that the presence of an autonomous commissioner holds a pivotal position in enhancing a company's financial performance. The ratio of autonomous commissioners within the board of commissioners demonstrates a significant sway on financial performance, a fact substantiated through prior research (Meiryani and Sani, 2019; Anik et al., 2020).

These revelations underscore that the market reacts robustly to the count of autonomous commissioners participating in supervising the company's financial statement formulation process. This concurs with agency theory, which postulates that management inclines toward self-interest and may overlook shareholder interests. Consequently, the inclusion of an autonomous commissioner within the board holds paramount importance in supervising and overseeing all managerial undertakings.

The presence of an autonomous commissioner confers a heightened level of assurance to shareholders, as they seek accurate and transparent financial disclosures. Through rigorous oversight by an autonomous commissioner, the aim is to cultivate a sense of reliance upon the information presented within the company's financial reports, which in turn can be meticulously accounted for.

Furthermore, autonomous commissioners assume the role of motivating management to embrace a conservative stance in times of economic uncertainty, discouraging undue optimism in the portrayal of company profits. Hence, the hypothesis posited suggests that the inclusion of an autonomous commissioner within the board of commissioners will yield a favorable impact on the company's financial performance.

H_1: Independent commissioners have a significant effect on financial performance.

The Influence of the Audit Committee on Financial Performance

The audit committee represents a pivotal component of corporate governance. Its primary responsibility involves bolstering and reinforcing the board of commissioners' functions, encompassing financial reporting, risk management, audits, and the enforcement of corporate governance. The impact of the audit committee on financial performance might arise from insufficient oversight over its performance. Additionally, the size of the audit committee showcases a positive correlation with financial performance, as evidenced by a significant p-value of 0.031 (Al-Homaidi, 2019; Purwanto et al., 2020).

As observed by Amelinda and Lucky (2021), a suitable size commensurate with a company's intricacy can heighten the efficacy of decision-making by the audit committee. The audit committee's efficiency and effectiveness play a role in enhancing corporate management control, particularly concerning the reporting of financial performance. This concurs with agency theory, which posits that the audit committee can enhance financial performance by maximizing profits and curtailing the risk of loss due to management's manipulation of financial reports for personal gain.

Sustained oversight by the audit committee serves to mitigate agency predicaments (Luthfiana and Nurma, 2023). Therefore, the hypothesis posited suggests that an appropriate and efficient size of the audit committee yields a favorable impact on the company's financial performance. The audit committee undertakes a critical role in surveilling and managing the financial aspects of the company, thereby ensuring transparency, durability, and engendering trust among stakeholders.

H_2: The audit committee has a significant effect on financial performance.

Based on the framework and hypothesis development, the research model in this study is as follows:

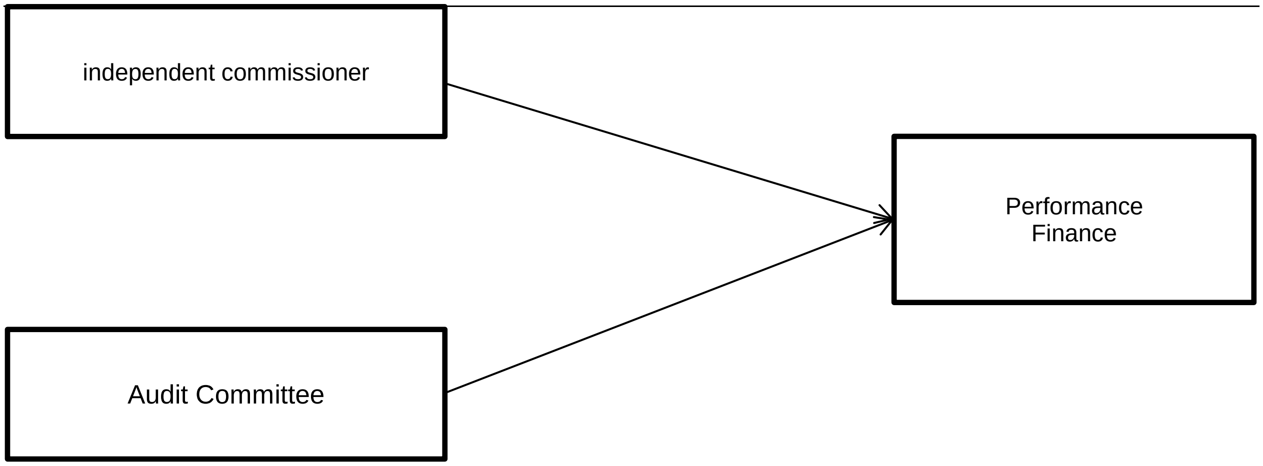

Figure 1. Research Model

RESEARCH METHODS

This research aims to investigate the impact of having independent commissioners and audit committees on the financial performance of a regional development bank in South Sulawesi. The study focuses on a sample comprising 5 branches, which were selected through purposive sampling. Secondary data from the official websites of each subsidiary were utilized as the data source. The collected research data underwent analysis through Regression Analysis employing SPSS software. The regression models applied in this study are outlined as follows:

Model:

$$Y = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon \ldots (1)$$

Information:

Y : Financial Performance

X_1 : Independent Commissioner

X_2 : Audit Committee

ε : Error

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RESULTS AND DISCUSSION

Multiple Linear Regression Analysis

Coefficients [a]						
		Unstandardized Coefficients		**Standardized Coefficients**		
Model		B	std. Error	Betas	t	Sig.
1	(Constant)	.351	.203		1,724	.097
	Independent Commissioner	.186	.193	.153	.967	.343
	Audit Committee	.111	.389	041	.285	.778
Source: Data Processed with SPSS, 2023						

The Influence of Independent Commissioners on Financial Performance

The variable related to independent commissioners yielded a probability value (Sig) of 0.343 > 0.05. In partial terms, the presence of independent commissioners did not show a significant influence on financial performance. Consequently, the hypothesis H4 is declined. These research outcomes mirror the findings of a prior study conducted by Setiawan (2016), where it was also concluded that the presence of independent commissioners did not significantly impact a company's financial performance. This trend is possibly attributed to the fact that the companies under examination in this study adhered to regulations mandating a minimum composition of 50% independent commissioners within the board. With a substantial number of independent commissioners meeting this requirement, their effect on financial recognition within the company is limited.

This scenario can be traced back to the appointment of independent commissioners, which seemingly disregards competence and professionalism, favoring personal relationships with the company or positions of esteem instead. This results in a lack of autonomy in the execution of their responsibilities, as was disclosed by Sembiring and Afni (2019) and Eksandy (2018).

This situation brings forth pressing inquiries about the efficacy of regulations governing the presence of independent commissioners within companies. Does this regulation genuinely foster the establishment of a robust oversight structure, or is it merely a formality? Does the process of nominating and appointing independent commissioners necessitate modernization to emphasize competence and autonomy, thereby elevating the caliber of supervision and transparency within the organization?

Furthermore, the repercussion of compromised commissioner independence can extend to the company's public image. Public perception of the company's sustainability and integrity may waver if doubts arise concerning the efficacy of the oversight conducted by the board of commissioners (Eksandy, 2018).

Hence, a comprehensive and meticulous evaluation of the system for selecting independent commissioners within companies is imperative. Involving unbiased and capable entities in the commissioner selection and evaluation process holds significance in ensuring impartiality and objectivity in decision-making. This approach can guarantee that independent commissioners genuinely fulfill their supervisory roles effectively, safeguarding the long-term interests of the company and all stakeholders involved.

The Influence of the Audit Committee on Financial Performance

The variable linked to the audit committee yielded a probability value (Sig) of 0.778, which surpasses the threshold of 0.05. In partial terms, the audit committee did not exhibit a significant impact on financial performance. Consequently, hypothesis H5 is dismissed. These research findings align with prior conclusions asserting that audit committees do not wield a substantial influence over a company's financial performance. This suggests that the contribution of the audit committee toward enhancing the company's financial performance might be limited.

This situation could imply that the constitution of an audit committee within a company might be driven primarily by regulatory compliance, mandating public companies to maintain a minimum of three audit committee members. However, the composition of this audit committee does not always reflect the actual requirements of the company; at times, it could merely fulfill a formal obligation to meet regulatory criteria (Sembiring and Afni, 2019).

It becomes imperative to question whether this formally established audit committee can effectively execute its role in ensuring the authenticity and transparency of the company's financial reports. The selection of competent and independent members for the audit committee assumes paramount importance to guarantee the committee's meaningful contribution toward supervising and evaluating the company's financial performance (Sembiring and Afni, 2019).

To amplify the efficacy of the audit committee, concerted efforts must be taken to avoid the inclination toward perfunctory compliance. The selection procedure for audit committee members should hinge upon qualifications, experience, and the ability to comprehend and address industry-specific challenges and the company's business environment. Thus, the audit committee can effectively fulfill its role in delivering invaluable recommendations and insights to assist companies in risk management, attainment of strategic objectives, and the sustainable enhancement of financial performance (Maryanti and Wildah, 2017; Sembiring and Afni, 2019).

CONCLUSION

Based on the results and findings of the discussion described in the previous chapter, the conclusions that can be drawn include:

1. Independent commissioners have no significant effect on the performance of PT Bank SULSELBAR . This means that the composition of independent commissioners will not always be independent in carrying out their duties.
2. The audit committee has no significant effect on the financial performance of PT Bank SULSELBAR . Which means the audit committee cannot be able to improve the financial performance of the company.

SUGGESTION

Based on the research conducted, there are several suggestions that can be given, as follows:

1. Adding or considering other variables that can be used to review the factors that affect the financial performance of PT Bank SULSELBAR ,
2. This research was conducted by selecting a sample covering only one sub-sector of PT Bank SULSELBAR , for further researchers to expand the scope of the research sample so that the research results can be generalized.

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