DEPARTMENT OF ACCOUNTING

ECONOMICS FACULTY

ANDALAS UNIVERSITY

THESIS

The Effect of Corporate Governance Structure on Profitability: Study of Empirical Mining Companies listed in Indonesia stock exchange

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The Effect of Corporate Governance Structure on Profitability:

Study of Empirical Mining Companies listed in Indonesia stock exchange

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ABSTRACT

This research examines the effect of governance structure consist of board of commisioners size,independent composition,and women board of commisioner to profitability mining companies listed in indonesia stock exchange through ROA and ROE.We found that Good Corporate Governance Structure does not affect the profitability proxied by ROA on Mining Companies in Indonesia Stock Exchange. Good Corporate Governance structure does not affect the profitability proxied by ROE on Mining Companies listed on the Indonesia Stock Exchange

Keywords: *ROA, ROE, corporate governance structure, financial performance*

This thesis has already examined on October, 28th 2020 and approved by thesis advisor and thesis examiner

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Romi hidayat

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BAB I
Introduction

1.1. Background

Corporate governance is defined as "the system by which companies are directed and provide accountability to stakeholders" (Corporate Governance Council of Singapore, 2012a). A key objective of corporate governance is to safeguard the integrity of the company's financial reporting process to provide reasonable assurance that the financial statements give an accurate and fair view of its operations and finances.

Good corporate governance protects the interests of key stakeholders and enhances corporate performance. An essential pillar of good corporate governance is the Board of Directors. Directors of a company have a legal and fiduciary responsibility to manage governance risks. Directors must be vigilant in managing risks that may impact the company's operations and financial statements. The Board is ultimately responsible for ensuring the reliability of financial reporting.

Modern corporate governance principles support an approach that considers and balances the legitimate and reasonable needs, interests, and expectations of its stakeholders in an inclusive, ethical, and sustainable manner as part of its decision-making. Corporate boards include those who pursue wealth creation as the sole objective and ethically responsible individuals who seek to improve social and environmental performances. Corporate governance has become a mainstream concern of discussion in corporate boardrooms, educational meetings, and policy circles worldwide (Claessens,2006). Interest in corporate governance has increased since the turn of the century due to corporate fraud, managerial misconduct, and negligence, and massive loss of shareholder wealth (Krechovska,2014)
Like Enron and WorldCom, corporate collapses have led to the realization of the effect and importance of a robust corporate governance system on companies' financial performance. In 2009 global economic recession called for an increasing need to promote good corporate governance across the globe. However, recent corporate problems and business failures have spurred a lively debate on whether firms are adequately governed. Studies on corporate governance have focused more on developed countries, and little has been done in developing countries. There are many reasons for such an explosive interest in this research, but the main reason is corporate governance problems (Alen,2005). Such explosive interest has resulted in heightened interest in the issue among researchers and policy-makers due to a series of

unexpected corporate failures that have reignited and increased concerns regarding the effectiveness of board oversight (Hsu,2014).

In Africa, there have been many corporate collapses and financial crises in recent years because of a lack of corporate governance effectiveness. The South African Government recommends that a corporate governance structure comprises an appropriate balance of knowledge, diversity, and independence for discharging their duties objectively and more efficiently. Then, Dzingai(2017) does research examines the effect of corporate governance structures on firm financial performance. They were choosing secondary data of selected Johannesburg Stock Exchange (JSE), Socially Responsible Investment (SRI) Index-listed mining firms' sustainability reports, and integrated annual financial statements are used.

Using panel data analysis of the random-effects model, they determined the relationship between board independence and board size and the return on equity (ROE) for 2010–2015. They found a weak negative correlation between ROE and Board size and a weak but positive correlation between ROE and Board independence. Additionally, there is a positive but weak correlation between ROE and sales growth, but a negative and weak relationship between ROE and firm size. The research recommends that effective corporate governance through a small useful board and monitoring by an independent board result in increased firm financial performance. Then recommend that South African companies comply with the South African government rule recommendations, not as a liability but as an ethical investment that may likely yield financial benefit in the long-term. Although complying with corporate governance principles does not necessarily translate into a significant economic benefit, firms should, however, continue to adopt corporate governance for ethical reasons to meet stakeholder's social and environmental needs for sustainable development.

The other research is according to Khanifah (2020) the study aims to examine the effect of corporate governance disclosure on bank performance by building a corporate governance disclosure index (CGDI) for 10 Islamic banks operating in Iran, Saudi Arabia, and Malaysia. The result found that Islamic banks with a higher corporate governance disclosure level reported high operating performance measured by ROA. In contrast to the expectation, ROE's financial performance is not significantly related to the disclosure of sharia bank governance.

Mining industries are one of the industrial sectors that gives a significant contribution to national investment and export. According to the University of Indonesia Institute of

Economic and Community Research (LPEM) study in Finance (2017), one of the mining companies in Indonesia, PT Freeport Indonesia, contributed 91% of Mimika Regency's GRDP, 37.5% of Papua Province's GRDP, and 0,8% of Indonesia's GDP. It has a significant contribution to the growth of national and international industries.

According to Kontan (2018), the implementation of Good Corporate Governance in ANTAM is based on several parameters: (1) BUMN Scorecard, (2) OJK Open Corporate Governance, (3) ASEAN Corporate Governance Scorecard, (4) ASX Corporate Governance Principles and Recommendation According to PT. ANTAM website, PT. ANTAM got an A (excellent) in the mining category and a Special Award of all categories. Johan NB Nababan as the director of PT. ANTAM realizes that Good Corporate Governance is vital in the operation of the company.

So, the researcher wants to try the research in Indonesia Mining Companies. Because Governance structure (Board of Commissioners) as a part of Corporate Governance Disclosure Index and more specifically have a relationship with Financial performance in ROA and ROE?

1.2. Problem formulation

Based on this background, the researchers formulated the problem from this study:

1. Does implementing a Good Corporate Governance structure affect the profitability proxied by ROA on Mining Companies in 2017-2019?
2. Does applying a Good Corporate Governance structure affect the profitability of ROE on Mining Companies in 2017-2019?

1.3 Research Objective

1. To test and analyze the effect of Good Corporate Governance structure on profitability proxied by ROA on Mining Companies in 2017-2019
2. To test and analyze the effect of Good Corporate Governance structure on profitability proxied by ROE on Mining Companies in 2017-2019

1.4 Research Benefit

This research is expected to:

1. Give knowledge about Governance structure and Profitability

2. Give information related to the implementation of Governance structure and profitability in Mining Companies.

1.5. Writing Systematic

Writing this research will divide into five chapters. They will be prepared as follows: Chapter I, Introduction, discusses the general description that becomes research. It consists of background, problem definition, research objective, research benefit, and writing systematically.

Chapter II, Literature Review, discusses the theory that has a relation with the research problem. It consists of previous research and theoretical basis, which helps think base to solve the problem.

Chapter III, Research Method, provides an overview of the plan for doing the research. Along with theories from the literature review, this chapter will encompass the research. This chapter includes research, research limitation, types and source of data, and analysis method.

Chapter IV, Analysis and Discussion, contains data processing result based on the research method.

The last chapter, Chapter V, Conclusion, and Suggestion, contains a conclusion about the research result. It also contains a suggestion for the next research.

BAB II
Literature review

2.1 Agency Theory and Stewardship Theory

The two main theories related to corporate governance are the stewardship theory and agency theory (Ristifani,2009). Stewardship theory is built on philosophical assumptions about human nature, namely that humans are nearly trustworthy, capable of acting responsibly, possessing integrity and honesty towards others. In other words, stewardship theory sees management as trustworthy to act in the best way for the public and stakeholder interests. Meanwhile, the agency theory developed by Michael Johnson sees that company management as an "agent" for shareholders, will act with full awareness for their interests.

"A contact relationship which one or more person (the principal) engages another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. If both parties to the relationship are utility maximizers, there is a good reason to believe that the agent will not always act in the best interests of the principal" (Jensen and Meckling, in Natalia 2011).

From the definition above, it can be interpreted that agency theory is a contractual relationship between one or more parties (principal) to another party (agent) to perform services on their behalf (principal), which involves the delegation of decision making to agents. From the above understanding, Jensen and Meckling refer to company managers as agents and shareholders as principals (Warsono et al., 2009 in Natalia (2011).

According to Eisenhardt (quoted by Warsono et al., 2009), agency theory uses three assumptions of human nature, namely:

1. Humans, in general, are selfish (self-interest).
2. Humans have limited thinking power about the perception of the future (bounded rationality).
3. Humans always avoid risk (risk-averse).

From this theory, it can be concluded that the primary assumption of agency theory is that the principal objectives and different agent goals can lead to conflict because company managers tend to pursue their own goals. It leads to managers' tendency to focus on projects and investment companies that generate high profits in the short term rather than maximize shareholders' welfare by investing in profitable projects in the long run.

There are several ways to align the interests of shareholders (principal) with managers (agents) to implement and disclose corporate governance issues. With the implementation of corporate governance, it is expected that the company (agent) can carry out its responsibilities towards all stakeholders, including shareholders as principals (Warsono et al., 2009), so that conflicts of interest between agents and principals can be minimized. It hopes that the company can disclose and implement corporate governance correctly and adequately to prove its commitment to stakeholders to reduce the worst risk, which is the company's transportation.

2.2 Good Corporate Governance

Corporate governance is a terminology used for the concept of fiduciary obligations of those who control the company to act in the interests of all holders, shares (shareholders), and stakeholders. Fiduciary obligations are based on agency theory, where agency problems arise when managing a separate company from ownership. In other words, the board of commissioners and directors as agents in a company have interests different from shareholders. Organization for Economic Cooperation and Development (OECD) defines corporate governance as a system in which a business entity is regulated and controlled. In general, there are 5 (five) main principles in the application of corporate governance so that supervision can run well, namely, openness (transparency), accountability (accountability), responsibility (Responsibility), independence (independence), and fairness (fairness).

Whereas The Indonesian Institute for Corporate Governance (IICG) defines corporate governance as a process and a structure applied in running a company to improve shareholder value in the long run by taking into account other stakeholders' interests. Other stakeholders are interested parties with companies, namely creditors, suppliers, customer employees, government, and the public.

According to Sutojo(2005), Good corporate governance has five main objectives. The five objectives are as follows:

1) Protect the rights and interests of shareholders.
2) Protect the rights and interests of the members of the stakeholders' non-shareholder.
3) Increase the value of the company and its shareholders.
4) Increase the efficiency and effectiveness of the work of the Management Board or Board of Directors and company management, and
5) Improve the quality of the Board of Director's relationship with the company's senior management.

2.3. Participants in Corporate Governance

Participants are corporate organs that play an essential role in upholding corporate governance in the company. With their respective duties and responsibilities, participants determine the direction of development and company policy. In other words, good or bad corporate governance depends on what the participant is doing and how the participant strives to carry out the function following the principles corporate governance adopted (Natalia, 2011). There are five participants in Corporate Governance (Natalia, 2011) which are:

1. Board of Directors (BoD):

A corporate organ whose primary function is to pay attention responsibly (oversight) to the company's management to achieve the company's goals and objectives.

2. Chief Executive Officers (CEO):

A company organ that is in charge of running the company as well as possible and securing company assets.

3. Board of Commissioners (BoC):

a. One Tier System (Anglo Saxon);

A system that has a BoC consist of a combination of managers or senior management (Executive Directors) and Independent Directors who work on a part-time basis (Non-Executive Directors).

b. Two-Tier System (Continental Europe):

A system that has two separate bodies, namely BoC and BoD. The BoD is tasked with managing and representing the company under the direction and supervision of the BoC. In this system, BoD members are appointed and can be replaced at any time by the BoC. The BoD must also provide information to the BoC and answer things that are submitted by the BoC. As such, the BoC is primarily responsible for overseeing management tasks

4. Auditors

a. Internal Auditors:

Employees of a company where they conduct audits to assist management in carrying out their responsibilities effectively. Internal audits mainly relate to operational audits and compliance audits.

b. External auditors:

individual practitioners or members of public accounting firms that provide financial statement audit services to clients, in addition to tax consulting, management consulting, accounting system preparation, financial statement preparation, and other services.

5. Stakeholders

a. Shareholder:

The owner of the company's capital has rights and responsibilities for the company under applicable regulations (GCG General Guidelines KNKG, 2006).

b. Employees:

An essential company asset whose job is to carry out company operations with the primary goal of meeting the interests of customers (Colley et al., 2005). Employees have the right to security, a conducive work environment, satisfaction at work, and appropriate compensation.

c. Customer.

Customers do evaluate the ethical practices of companies, and research in marketing ethics has shown that some customers are aware of the importance of environmental issues, level of service quality, and other responsibility issues that impact the purchasing and consumption of products and service (Ferrel,2004).

d. Community / social society.

Community is more often quoted than society as one of the numerous groups to which a company is supposed to act responsibly. However, the meaning of the notion is hardly more precise than that of society. This term is generally used to indicate the local community surrounding a company's location, in other words, its geographical neighborhood(François,2005).

e. Creditors:

Those who provide loans with a certain amount to the company to obtain capital. Although commercial banks also possess a financial stake in companies, their objectives and expectations are much different from those of the shareholders. Creditors do not benefit from the residual claims of corporations. The promised return to creditors is more or less fixed or contractually prescribed. Corporate governance scholars tend to characterize bank-centered economies as more long-term oriented (Soleimani,2014)

f. Government:

The party that ensures that the company manages its finances appropriately and complies with all regulations and laws to gain market and investor confidence, including all parties related to the management requirements of publicly listed companies, such as the Indonesia stock exchange and the Indonesian Ministry of Finance. Each of the above institutions issues the company's financial management standards and demands to be obeyed/fulfilled by the company.

2.4. Corporate Governance Structure

1. Board Size.

The size of the board of commissioners is an essential element of the board of commissioner characteristics that affecting the level of accounting conservatism. Research conducted by Lara (2007) shows that companies with strong board as corporate governance mechanisms require a higher level of conservatism than companies with weak board. The agency the theory explains that the board of commissioners is expected to minimize the agency problems that arise between the board of directors and shareholders so that companies apply the principles of conservative accounting to prevent behavior that deviates from directors and managers. The signaling theory explains that the larger the board of commissioners' size will give a positive signal to investors related to the service and control functions of the board of commissioners as a corporate governance mechanism (Ahmed & Duellman, 2007). Thus, the greater the size of the board of commissioners, the greater the strength of the board of commissioners in conducting supervision so that the use of conservative accounting will be higher as well.

2. Independent Non-Executive Directors

Based on regulation number 33/ POJK.04 / 2014, one of the control functions is on the commissioners' board. Based on the Financial Services Authority Regulation Number 33 / POJK.04 / 2014, companies on the stock exchange must have proportional independent commissioners. The proportion here is to have several comparisons equal to the number of shares held by minority shareholders. The regulation explained that the proportion of independent commissioners was 30% of all members of the board of commissioners.

According to Rashid (2018), the board's ability (board independence) may be influenced by the board's advising tendency, which can be proxied by the frequency of board meetings. It empirically shows that higher advising intensity is associated with lower monitoring quality and higher agency costs. Thus, board meetings are directly related to the advising functions provided by the board. The CEO has a significant influence on board structure and monitoring because the board's monitoring ability depends on the distribution of power between the board and the CEO. It is further argued that outside director candidates known by the CEO or other inside directors are more likely to be aligned with top management than shareholders, as the CEO and top management have significant influence over who sits on the board. Thus, CEO duality may lead to conflicts of interest with other directors and severely undermine board independence. Therefore, a control variable, CEO duality, is considered.

Board independence may also be influenced by CEO power. When CEOs have a consolidation of power, it reduces the board's board monitoring effectiveness as the CEO will influence who sits on the board. When the CEO has consolidated power, He may be driven by his personal goal and be less interested in board independence. CEO tenure is another variable that may influence board independence. Long-tenured CEOs increasingly narrow their focus and become less open-minded; firms led by long-tenured CEOs may continue to follow existing directions. The likelihood of changes gradually decreases the longer a CEO remains in his or her current position. Furthermore, the longer the CEO remains in that role; He gradually gains firm-specific knowledge and successfully resolves to monitor demands. Thus, long-tenured CEOs are expected to adopt board independence to a lesser degree.

The effectiveness of outside directors can be influenced by the shareholders' influence on board members. Depending on the ownership structure, shareholders may have differing degrees of influence in different countries. Furthermore, insider owners play a large part in deciding who will sit on the board. It can be argued that the choice of debt has some impact on directors' independence. Some independent directors engage in invaluable networking with banks and financial institutions; alternatively, fund providers may have a part in nominating outside directors. Furthermore, once the firm relies on more debt, lenders' demands for monitoring increase in favor of more outside directors. Thus, the debt ratio is considered as an effect on board independence. Board independence is also influenced by firm age; older firms are more efficient than younger firms. Thus, there will be less need for oversight monitoring by outside directors.

Firm size shows the degree of complexity in companies operations. Because adopting board independence is potentially costly, a company will consider its cost and benefit. Large companies will have economies of scale and will be better able to adopt the directors. The company's growth is another variable that may influence board independence. Outside directors will try to retain their human capital and will be less attracted by low growing firms. Firm risk is also a potentially important determinant of board independence. A risky firm will tend to adopt more outside directors to reduce as part of its risk management procedure. A firm may try to appoint outside directors who have a proven track record of advising to reduce financial and other risks.

3. Woman Board Commissioner

Huse (2006) found that women and men need to understand the power game inside and outside the boardroom. Their contribution depends on the ability and willingness to make alliances with the most influential actors, spend time on preparations, be present in the most critical decision-making arenas, and take leadership roles. Women were more committed and involved, more prepared, more diligent, asking questions, and finally creating a good atmosphere within the board of commissioners.

The gender diversity of the board is a central theme of governance reform efforts worldwide. However, the consequences of changing the gender diversity of the board are little understood. While extensive literature shows that women behave differently in various settings, ex-ante, it is not clear whether women should also behave differently than men in the boardroom. Then evidence that Women directors behave differently than men directors, even after controlling for observable characteristics. Then the gender proportion is positively related to measures of board effectiveness. Women directors appear to have a similar impact as the independent directors described in governance theory do.

Gender diversity has a positive impact on performance in firms that otherwise have weak governance, as measured by their abilities to resist takeovers. However, in firms with strong governance, enforcing gender quotas in the boardroom could ultimately decrease shareholder value. One possible explanation is that greater gender diversity could lead to over monitoring in those firms. More generally, Women's boards have a substantial and value-relevant impact on board structure. Nevertheless, this evidence does not provide support for quota-based policy initiatives. No evidence suggests that such policies would improve firm performance on average. Proposals for regulations enforcing quotas for women on boards must be motivated by reasons other than improvements in governance and firm performance. The woman board of commissioners' importance in the board of commissioners' position has been raised in recent proposals for corporate governance reform (cited by Adams and Ferreira, 2004).

2.5. Basic Principles of Good Corporate Governance

The implementation of GCG needs to be supported by three interconnected pillars: the state and its instruments as regulators, the world businesses as market players, and society as product users (Zarkasyi, 2008).

The basic principles that must be implemented by each pillar are:

1. The state and its apparatus create laws and regulations that support a healthy, efficient, and transparent business climate—implementing laws and regulations and consistent law enforcement.
2. As market participants, the business community implements good corporate governance as a market guide for business implementation.

3. As users of products and services in the business world and parties affected by the impact of the company's existence, the public shows their concern and exercise objective and responsible social control.

2.6 Profitability

Profitability is the ability of companies to generate profits or a company's ability from various resources used in operational activities. According to Mamduh M. Hanafi and Abdul Halim (2005) in David Tjondro (2011), the Profitability Ratio measures a company's ability to generate profitability at a certain level of sales, assets, and share capital. On Company profitability ratios can generally be measured using several ratios, among others, Return on Assets and Return on Equity.

2.6.1 Return on Assets (ROA)

Return on Assets (ROA) focuses on the company's ability to obtain earnings in its operations. At the same time, ROE only measures the returns obtained from the company owner's investment in the business (Siamat, 2005) in Irman Firmansyah (2013). ROA is a ratio used to measure company management's ability to obtain profits as a whole and shows the level of performance efficiency. The greater the value of this ratio shows the companies' profitability is getting better or healthier.

$$\boxed{\textbf{ROA} = \frac{\textbf{Profit before tax x 100\%}}{\textbf{Total Assets}}}$$

This ratio is critical, considering the benefits obtained from the use of assets can reflect the company's business efficiency. The greater the ROA of a company, the greater the company's level of profit and the better the position of the company in terms of asset use.

2.6.2 Return on Equity (ROE)

Return on Equity is more of a concern for shareholders because it relates to the share capital invested in management. For management as an internal company, Return on Equity has an essential meaning in assessing its performance in meeting shareholder expectations (Helfert, 2000). Return on Equity is related to the return on the investment made by the owner. This ratio reflects the simple fact that investors expect to get more money if they invest more funds. The ratio is a measure of the success of a company, which is the primary and essential influence for the survival of a company.

$$\textbf{ROE} = \frac{\textbf{Profit after tax x 100\%}}{\textbf{Total Equity}}$$

The higher this ratio indicates the company's performance. The better or more efficient, the company's equity value will increase with an increase in this ratio. High ROE indicates the company's acceptance of an excellent investment opportunity and very effective cost management.

2.7.Previous Research

Several previous research related to the corporate governance effect on profitability has been done by several researchers using a variety of companies and data processing techniques. In 2020, Khanifah post journal to examine the effect of corporate governance disclosure on bank performance The data used in this research are secondary data taken from annual reports and sourced from each bank's official websites, including Iran Exchange, Stock Market Quotes and Financial News, and Bursa Malaysia. This study uses content analysis of the annual bank report within five years (2014-2018). The results show that that Islamic banks with a higher level of corporate governance disclosure reported high operating performance measured by ROA. In contrast to the expectation, the financial performance of ROE and Tobins'q are not significantly related to the disclosure of sharia bank governance.

Dzingai (2017) research about Effect of Corporate Governance Structure on the Financial Performance of Johannesburg Stock Exchange (JSE)-Listed Mining Firms. Board size and board independence are essential factors that affect firm performance. The size of the board matters and the firm should monitor it to be effective. Board independence is also crucial for the company's functioning and profitability, which aligns with the King IV recommendation for firms to include more independent non-executive directors on the board for efficient monitoring and transparency. Results indicate that mining firms in South Africa are complying with the King IV code of governance requirements. Using panel data analysis of the random-effects model, we determined the relationship between board independence and board size and the return on Equity (ROE) for 2010–2015. Results indicate a weak negative correlation between ROE and board size and a weak but positive correlation between ROE and board independence. Additionally, there is a positive but weak correlation between ROE and sales growth, but a negative and weak relationship between ROE and firm size. The study suggests that effective corporate governance through a small useful board and monitoring by an independent board result in increased firm financial performance.

According to Azizah (2014), the research uses a descriptive quantitative method and simple regression methods. Variable of Corporate Governance Disclosure Index (CGDI), Return on Asset (ROA), and Return on Equity (ROE)analyzed using SPSS 16 program. The results showed that Good Corporate Governance (GCG) has a significant positive effect on the Return on Assets (ROA) variable and Return on Equity (ROE) at State-Owned Banks listed on the Stock Exchange Indonesia 2011-2013 period.

According to Nurcahyani (2012) journal, the research was conducted to know the effect of GCG implementation and institutional ownership on financial performance. The population used in this study is companies listed on the Corporate Governance Perception Index (CGPI) for a period of years 2009-2011. The sample was taken by using the purposive sampling method—hypothesis test performed by multiple linear regression analysis. The results of this research indicate that GCG and Institutional ownership has a good effect on both ROE and ROA.

No.	Author (s)	Research Title	Variable	Research Result
1	Khanifah ,Pancawati Hardiningsih , Asri Darmaryantiko Iryantika , Udin	The Effect of Corporate Governance Disclosure on Banking Performance: Empirical Evidence from Iran, Saudi Arabia and Malaysia	ROA(X1),ROE(X2),CGDI(Y)	The result found that Islamic banks with a higher level of corporate governance disclosure reported high operating performance measured by ROA. In contrast to the expectation, the

				financial performance of ROE are not significantly related to the disclosure of sharia bank governance.
2	Isaih Dzingai and Michael Bamidele Fakoya (2017)	Effect of Corporate Governance Structure on the Financial Performance of Johannesburg Stock Exchange (JSE)-Listed Mining Firms	Board Size(X1),Independent Board((X2),sales growth(X3),firm size(X4),ROE(Y)	Results indicate a weak negative correlation between ROE and board size, and a weak, but positive, correlation between ROE and board independence. Additionally, there is a positive, but weak, correlation between ROE and sales growth, but a negative and weak relationship between ROE and firm size.

3	Shohifatul Azizah (2014.)	Pengaruh Good Corporate Governance (GCG) dengan Pendekatan Corporate Governance Disclosure Index (CGDI) terhadap Profitabilitas pada Bank BUMN yang Terdaftar di Bursa Efek Indonesia Periode 2011-2013".	CGPI(X!),ROA(Y1),ROE(Y2)	The result of this study show that corporate governance have positif significant effect to ROA and ROE of Indonesia BUMN Bank in 2011 until 2013
4	Nurcahyani Suhadak (2012) R. Rustam Hidaya	PENGARUH PENERAPAN GOOD CORPORATE GOVERNANCEDAN KEPEMILIKAN INSTITUSIONAL TERHADAP KINERJA KEUANGAN (STUDI PADA PERUSAHAAN PESERTA CGPI YANG TERDAFTAR DI BEI TAHUN 2009-2011)	CGPI(X!),Institutional ownership(X2),ROA(Y1),ROE(Y2)	The result of this study show that Corporate governance and institutional ownership have positif effect to ROA and ROE

CHAPTER III

Research Method

3.1 Research Location

This research was conducted by obtaining secondary data contained in the Indonesia Stock Exchange (www.idx.com).

3.2 Research Types and Approaches

This research is a quantitative study using a descriptive approach. Quantitative research is scientific research that emphasizes on the combination of deductive logic and the use of quantitative tools in objectively interpreting a phenomenon (Sekaran, 2006). Quantitative research is testing the causal relationship and measured research variables (parametic). There is a research hypothesis that is a researcher's guess, based on the data used in this study using secondary data obtained using library and documentation techniques.

The researcher use secondary data obtained using library / documentation techniques. This research was conducted by obtaining secondary data contained in the Indonesia Stock Exchange (www.idx.com).

In this section, the researcher will discuss about research methodology that consists of research design, place and object of research, data collection methods, research data, data analysis techniques, and company profiles that are used as research objects.

3.3 Population and Samples

Population is the sum of all data or whole units of analysis whose characteristics will be estimated. According to Sekaran (2006) the population refers to the whole group of people, events, or matters of interest that investigators want to investigate. The population that researcher use in this study are mining companies listed on the Indonesia Stock Exchange in the 2017-2019 period.

According to Sekaran (2006) The sample is part of the population that will be taken from so that it can later be representative of the population in a study. By studying the sample, the researcher will be able to draw conclusions that can be re-localized to the study population. In the sampling technique, researchers took a purposive sampling technique.

3.4 Data and Data Types

The type of data used in this study is secondary data in the form of annual reports for 2017-2019. Secondary data refers to information collected by a person, and not the researcher conducting the latest study (Sekaran, 2006). The data was obtained from the IDX website, www.idx.co.id

3.5 Data Collection Techniques

This study uses annual report data for 2017-2019 sourced from the IDX website (Indonesian Stock Exchange) and Companies Website. Because it is secondary data, the data collection technique uses how to learn and quote from archives or data and company records that are needed in the data source.

3.6 Definition of Variable Operations

This research was conducted using two variables: the dependent variable and the independent variable

3.6.1 Dependent variable

According to Sekaran(2006) the dependent variable is the type of variable that is explained or influenced by the independent variable. The dependent variable in this study is profitability which is proxied by ROA and ROE Mathematically can be known by the formula:

$$\textbf{ROA} = \frac{\textbf{Profit before tax x 100\%}}{\textbf{Total Assets}}$$

ROE is a ratio used to measure the ability of company management to manage available capital to generate profits after tax. This ratio is formulated as follows:

$$\textbf{ROE} = \frac{\textbf{Profit after tax x 100\%}}{\textbf{Total Equity}}$$

3.6.2. Independent variable

According to Sekaran(2006) the independent variable is the type of variable that explains or influences other variables. The dependent variable used in this study is found in the company's annual report. Disclosure of corporate governance is the disclosure of information on corporate governance and the principles governing the company and how the principles are disclosed and communicated to the public in a transparent manner and nothing is covered up. Measurement of variables by:

Board size = The number of board members in the company.

Independent non executive directors = The proportion of independent commissioners owned by the company.

Boards of woman= The proportion of female board of commissioners owned by the company.

3.7. Data Analysis

This test examines the effect of GCG structure on Financial Performance. There are three independent variables, namely Board size, Independent non executive directors, board of women and with two dependent variables, namely ROA and ROE. Testing is done with a simple regression test. The testing stages are as follows:

3.7.1 Descriptive Statistical Analysis

Descriptive statistical analysis is used to explain the data description of all variables that will be included in the research model that is seen from the minimum value, maximum value and average (mean).

3.7.2 Classical Assumption Test

Data analysis was performed using multiple linear regression analysis techniques. Before the regression model is used to test hypotheses, classic assumption testing is first performed. The purpose of this test is to determine the significance of the relationship between the independent variable and the dependent variable so that the results of the analysis can be interpreted more accurately, efficiently and limitedly from the weaknesses that occur because of the symptoms of classical assumptions. In this study, data analysis techniques were carried out with the help of the Statistical for Social Science (SPSS) program. According to Ghozali (2006) the classic assumption test conducted is as follows:

3.7.2.1 Normality Test

The classic assumption first tested is normality which aims to test whether in the regression model, confounding or residual variables have a normal distribution or not. A good regression model is a normal or near normal data distribution. Data normality testing is done by normal probability plot analysis graph test that compares the cumulative distribution of the actual data with the cumulative distribution of the normal distribution.

Normal distribution will form a diagonal straight line and ploting data will be compared with the diagonal line. If the data distribution is normal, then the line that represents the actual data will follow the diagonal line.

Normality test is intended to determine whether the regression model residuals studied are normally distributed or not, the method used to test normality using data analysis is to use the Kolmogorov-Smirnov test. If the significance value of the Kolmogorov-Smirnov test results is> significant level (5% = 0.05), then the assumption of normality is fulfilled (Center Laboratory and ICT, 2002).

3.7.2.2 Autocorrelation Test

This assumption test aims to determine whether in a linear regression model there is a correlation between the error of the intruder in period t and the error of the intruder in the period t-1 (previous). If it happens correlation, then there is a problem called autocorrelation (Center Laboratory and ICT, 2002). Or for the criteria of decision making free of auto correlation can also be done by looking at the Durbin-Watson value, where if the value of d approaches 2, then the assumption does not occur autocorrelation is fulfilled.

3.7.2.3 Heteroscedasticity Test

Heterosskedastisitas test is done to test whether in the regression model there is an inequality of variance from the residuals of one observation to another. Heteroscedasticity test is done by regressing the absolute value of residuals with the independent variables. The presence or absence of heteroscedasticity can be determined by looking at the significance level of α 5%.

Heteroscedasticity test was tested using the Spearman Rank correlation coefficient test which correlates between absolute residual regression results with all independent variables.

If the significance of the correlation results is less than 0.05 (5%), then the regression equation contains heterokedastisitas and vice versa non heterokedastisitas or homokedastisitas (Center Laboratory and ICT, 2002).

Detection of the presence or absence of heterokedasticity is done by analyzing the graph analysis using "scatterplot" between the ZPRED values on the X axis and ZRESID on the Y axis.below the zero on the Y axis, it is concluded that heterocedasticity does not occur in the regression model (Gabriella, 2013).

3.7.3 Regression Analysis

The data analysis technique used to solve this research problem is a simple regression analysis technique. In regression analysis a estimating equation will be developed. The regression model used is (Ghozali, 2006):

$$ROA = \alpha1 + \beta1\ BS + IND + WB + e.... (1) \qquad ROE = \alpha2 + BS + IND + WB + e....(2)$$

Where :

ROA = Return on Assets

ROE = Return on Equity

α1, α2, = Constants

β1, β2, = Regression Coefficient

BS = Board Size

WB = Women Board

IDN= Independent non executive director

e = Residual Term (confounding error

3.7.4 Hypothesis Testing

If the F test results have a prob value. Sig (p.value) is smaller than 0, 05 at α = 5%, then the model is said to be fit. Conversely, if p.value is greater than 0.05 then the model is not fit (David Djondro: 2012).

T test (Partial Test) is conducted to test hypothesis 1 through hypothesis 2. Hypothesis testing is to partially test the independent variables on the dependent variable (Center Laboratory and ICT, 2002). The testing steps are as follows:

1. Formulate a statistical hypothesis.
    a. Determine α = 5%.

b. Determine the hypothesis rejection criteria. Ho is rejected if Prob. Sig <0, 05 or t count> t table and the coefficient is positive.

2. Interpretation and analysis of the results of hypothesis testing.

3. Making conclusions based on the results of interpretation.

BAB IV

Result and Discussion

4.1. Company Lists of Research Sample

In the sampling technique, researchers took a purposive sampling technique which is the determination of samples based on certain criteria and characteristics.

1. Classification of Mining companies listed in the Indonesia Stock Exchange from 2017 to 2019.

2. Mining companies presenting annual reports in the Indonesia Stock Exchange from 2017 to 2019.

3. mining Companies classified as main board

This sampling choosed because of a lot of Mining companies operate in Indonesia but there several companies categories as main board or more stable.Then will be more easier to get Information if the companies listed in Indonesia Stock Exchange.So there are 20 Mining Companies that will become the research participants for 2017-2019, namely:

No	**Code**	**Company Name**
1	ADRO	Adaro Energy Tbk.
2	ANTM	Aneka Tambang Tbk.
3	ARTI	Ratu Prabu Energi Tbk
4	BYAN	Bayan Resources Tbk
5	DEWA	Darma Henwa Tbk
6	DOID	Delta Dunia Makmur Tbk.
7	DSSA	Dian Swastatika Sentosa Tbk
8	ELSA	Elnusa Tbk.
9	GEMS	Golden Energy Mines Tbk.
10	HRUM	Harum Energy Tbk.
11	INCO	Vale Indonesia Tbk.
12	INDY	Indika Energy Tbk.

13	ITMG	Indo Tambangraya Megah Tbk.
14	KKGI	Resource Alam Indonesia Tbk.
15	MEDC	Medco Energi Internasional Tbk
16	MYOH	Samindo Resources Tbk.
17	PTBA	Bukit Asam Tbk
18	PTRO	Petrosea Tbk.
19	TINS	Timah Tbk.
20	TOBA	TBS Energi Utama Tbk.

4.2.Descriptive Analysis

Descriptive statistics is the process of transforming research data in tabulated form so that it is easily understood and interpreted (Suyonto, 2013).

Table 4.1

Descriptive Statistical

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Board Size	60	2,00	10,00	5,0962	1,30248
Independent board	60	,20	,67	,4060	,10116
Women Board	60	,00	,25	,0484	,09004
Return on Asset	60	,01	20,78	5,8394	5,73811
Return on Equity	60	,20	45,10	11,8123	11,09376
Valid N (listwise)	60				

Source: Secondary data processed, 2020

Based on table we can see that the highest amount board size of commissioner is 10 by INCO in 2017.Then the lowest is 2 by ARTI in 2017,2018 and 2019.Mean of board size variable is 5.

Indenpendent board proportion variable,the highest is 0,67 by DOID in 2018 TOBA in 2019 and the lowest is 0,2 by ADRO and BYAN in 2019. Mean of independent board proportion is 0,4021.

Women Board proportion variable,the highest is 0,25 by DSSA in 2017 ADRO in 2018 and the lowest is 0 by ANTM,ARTI,BYAN,DEWA,DOID,GEMS,HRUM,INCO,INDY in 2019. Then mean of this variable is 0,0443.

Related to ROA, the highest is 20,78% by ARTI in 2019 and the lowest is 0,01%. By TOBA in 2019. Mean of ROA in mining companies is 5,83%.

Then the highest ROE is 45,10% by ARTI in 2019 and the lowest is 0,2% by TOBA in 2019. Mean of ROE is 11,81 %.

4.3 Classical Assumption Test Results

The classical assumption test is carried out so that the regression model used becomes a BLUE (Best Linear Unbiased Estimator) model. The classical assumption test that is done is the normality test, autocorrelation test and heteroscedasticity test.

4.3.1. Normality Test

Normality test aims to test so that the regression model used, confounding or residual variables have a normal distribution or not. A good regression model is one that has a residual value that is normally distributed.

Table 4.2

One-Sample Kolmogorov Smirnov test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual(ROA)	Unstandardized Residual(ROE)
N		60	60
Normal Parameters[a,b]	Mean	-2,1178902	-4,0374207
	Std. Deviation	5,82938623	11,63941583

Most Extreme Differences	Absolute	,115	,100
	Positive	,115	,100
	Negative	-,086	-,067
Test Statistic		,115	,100
Asymp. Sig. (2-tailed)		,082[c]	,200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: Secondary data processed, 2020

Based on the table above, the results of the ROA normality test obtained a Kolmogorov-Smirnov Z significance value of 0.082 > 0.05. It can be concluded that the normality assumption is fulfilled.

While the results of the ROE normality test were obtained with a Kolmogorof-Smirnof Z significance of 0.2 > 0,05. It can be concluded that the assumption of normality is fulfilled.

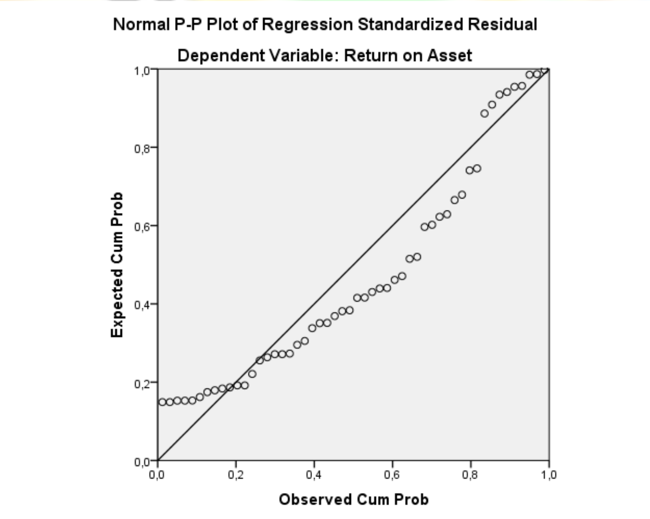

Image 4.1

Probability P-Plot ROA

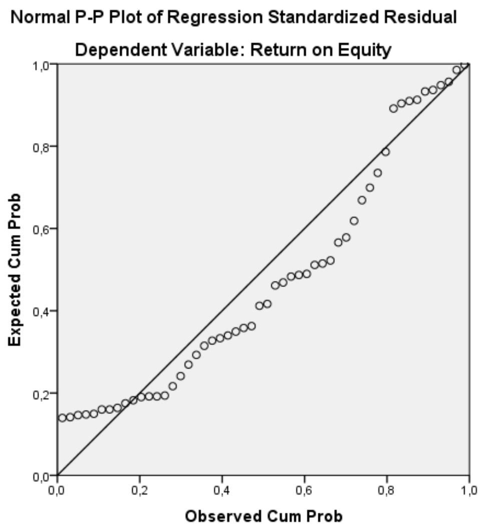

Image 4.2

Probability P-Plot ROE

4.3.2 Autocorrelation Test

This assumption test aims to determine whether in a linear regression model there is a correlation between confounding error in period t and confounding error in period t-1 (previous). A good regression model is free from autocorrelation. If there is a correlation, it is called an autocorrelation problem. An observation is said to not occur autocorrelation if the Durbin Watson value lies between the upper limit or -2 to +2.

Table 4.3

Durbin-WatsonTest Result for ROA

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,219[a]	,048	-,012	5,77167	1,748

a. Predictors: (Constant), Women Board, Independent board, Board Size

b. Dependent Variable: Return on Asset

Source: Secondary data processed, 2020

Table 4.4

Durbin-WatsonTest Result for ROE

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,119[a]	,014	-,047	11,35363	1,958

a. Predictors: (Constant), Women Board, Independent board, Board Size

b. Dependent Variable: Return on Equity

Source: Secondary data processed, 2020

Based on the table, the Durbin-Watson value for the Return on Assets (ROA) variable is 1,748 is more than-2 and 2 , so this assumption not occur autocorrelation problem. Likewise, the Durbin-Watson value for the Return on Equity (ROE) variable is 1,958 which is more than-2 and 2, so this assumption also not occur autocorrelation problem.

4.3.3 Heteroscedasticity Test

This assumption test aims to determine whether in a regression model there is an inequality of the variance of the residuals between one observations with other observations are different from other observations. If the variance of the residuals between one observation and another is different, it is called heterocedasticity, while a good model is that there is no heteroscedasticity (CLICT, 2002).

Heteroscedasticity was tested using the Spearman Rank correlation coefficient test, which is to correlate the absolute residuals of the regression results using all independent variables. If the significance of the correlation results is less than 0.05 (5%) then the regression equation contains heteroscedasticity and vice versa means non heteroscedasticity or homoscedasticity.

Table 4.5

Heteroscedasticity Test Result for ROA Correlations

			Board Size	Independent board	Women Board	Return on Asset
Spearman's rho	BS	Correlation Coefficient	1,000	-,184	-,119	,138
		Sig. (2-tailed)	.	,160	,364	,292
		N	60	60	60	60
	IDN	Correlation Coefficient	-,184	1,000	,004	-,217
		Sig. (2-tailed)	,160	.	,978	,096
		N	60	60	60	60
	WB	Correlation Coefficient	-,119	,004	1,000	-,064
		Sig. (2-tailed)	,364	,978	.	,626
		N	60	60	60	60
	ROA	Correlation Coefficient	,138	-,217	-,064	1,000
		Sig. (2-tailed)	,292	,096	,626	.
		N	60	60	60	60

Source: Secondary data processed, 2020

Based on the table above the significance of the correlation results between ROA and Board Size(BS) shows a value of 0,292 > 0.05, the regression equation not contain heteroscedasticity or homoscedasticity. Then between ROA and Independent board (IDN) is 0,096 >0,05.Thats mean the regression equation not contain heteroscedasticity or homoscedasticity. But in correlation result between ROA and Women Board(WB) is 0,626 >0,05,which is show that the regression equation does not contain heteroscedasticity or homoscedasticity,

Table 4.6

Heteroscedasticity Test Result for ROE Correlations

			Board Size	Independent board	Women Board	Return on Equity
Spearman's rho	BS	Correlation Coefficient	1,000	-,184	-,119	,133
		Sig. (2-tailed)	.	,160	,364	,310
		N	60	60	60	60
	IDN	Correlation Coefficient	-,184	1,000	,004	-,070
		Sig. (2-tailed)	,160	.	,978	,593
		N	60	60	60	60
	WB	Correlation Coefficient	-,119	,004	1,000	-,094
		Sig. (2-tailed)	,364	,978	.	,476
		N	60	60	60	60
	ROE	Correlation Coefficient	,133	-,070	-,094	1,000
		Sig. (2-tailed)	,310	,593	,476	.
		N	60	60	60	60

Source: Secondary data processed, 2020

Based on the table above the significance of the correlation results between ROE and Board Size(BS) shows a value of 0,310 > 0.05, the regression equation does not contain heteroscedasticity or homoscedasticity.Then between ROE and Independent board (IDN) is 0,593 >0,05.Thats mean the regression equation does not contain heteroscedasticity or homoscedasticity. But in correlation result between ROE and Women Board(WB) is 0,476 >0,05,which is show that the regression equation does not contain heteroscedasticity or homoscedasticity.

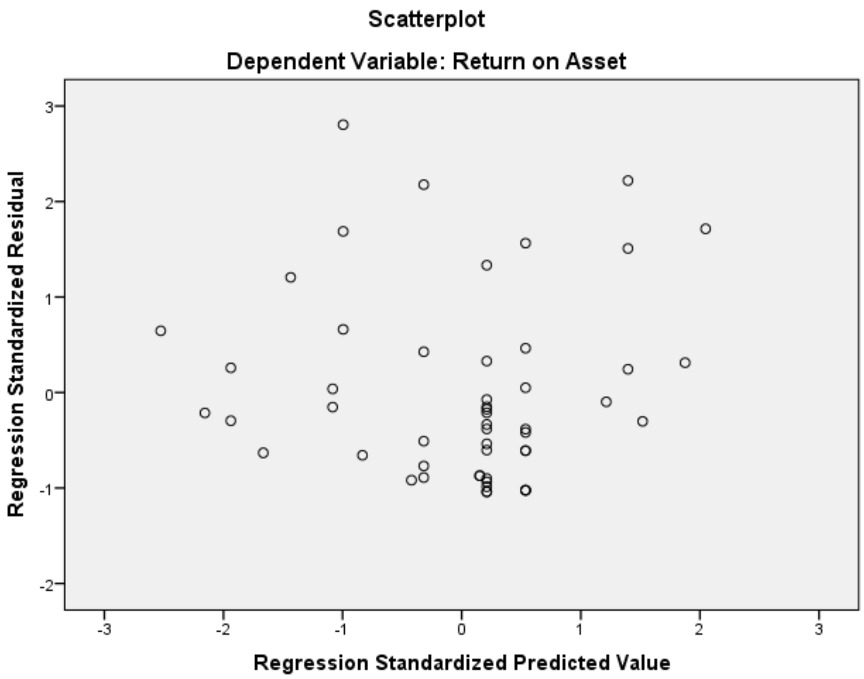

Image 4.3

Scatterplot Variabel ROA

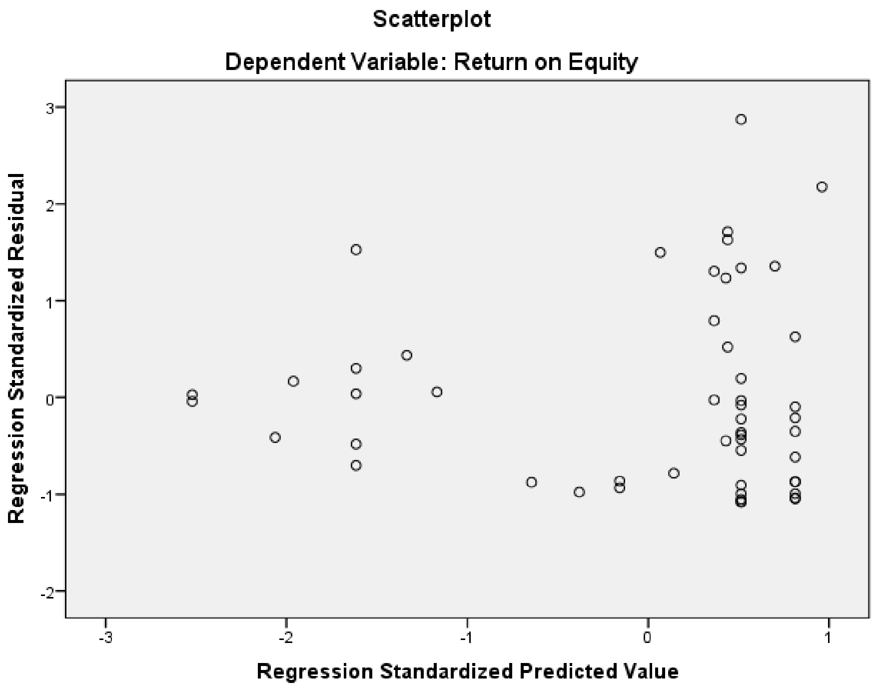

Image 4.4

Scatterplot Variabel ROE

Based on the plot image above, it can be seen that the residual plots for the ROA and ROE variables do not show a systematic pattern, they are all randomly distributed, so it can be concluded that ROA and ROE are free from heteroscedasticity.

4.4 Data Analysis and Hypothesis Testing

To answer the problem, achieve the goal and prove the hypothesis whether the independent variable has a significant (real) effect on the dependent variable as described in the previous chapter, it is necessary to do the t-test. The results of the regression analysis that have been carried out can be seen in the following table.

Table 4,7

Regression Analysis with Adjusted R Square Model Results for ROA

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,202[a]	,041	-,011	10,83980

a. Predictors: (Constant), Women Board, Independent board, Board Size

b. Dependent Variable: Return on Asset

Source: Secondary data processed, 2020

In the table above the Adjusted R square is -0,011, which is the result of the square adjustment of the correlation coefficient of 0,041. The Adjusted R Square value interpreted that the independent variable had an effect of -11% on the Dependent variable.

Table 4.8

Regression Analysis by F-Test Results for ROA

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.

1	Regression	80,231	3	26,744	,803	,498[b]
	Residual	1598,987	56	33,312		
	Total	1679,218	59			

a. Dependent Variable: Return on Asset

b. Predictors: (Constant), Women Board, Independent board, Board Size

Source: Secondary data processed, 2020

In the table above, it shows that the independent variable simultaneously influencing the dependent variable if the significance value is less than 0.05. From the analysis results above it can be seen that the calculated F-value is 0,803 with a significance level of 0,498 or more than 0.05. Therefore, it can be concluded that simultaneously, the Total Mean variable not significantly influences the Total Performance variable.

Table 4.9

Regression Analysis by t-Test Result for ROA

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	19,492	8,821		2,210	,031
	Board Size	-,784	1,080	-,096	-,726	,471
	Independent board	-14,886	14,501	-,136	-1,027	,309
	Women Board	-16,350	16,402	-,131	-,997	,323

a. Dependent Variable: Return on Asset

Source: Secondary data processed, 2020

Formula :

(1) 19,492+(-0,096)

(2) 19,492+ (-0,136)

(3) 19,492+ (-0,131)

Based on table, it can be seen that the regression coefficient of the influence of the Board of commisioners size (BS) independent variable on ROA as the dependent variable is a negative sign of 0.096 which means that the more board of commisaris size (BS), the ROA will decrease. The t value of the regression coefficient of the effect of the Board commisaris size (BS) independent variable is -0,726 which is lower than the t table value of 2.003. And the level of significance is 0,471>0.05.

Then,the regression coefficient of the influence of the Independent Board of commisaris(IDN) independent variable on ROA as the dependent variable is a negative sign of -0,136 which means that the more Independent Board of commisaris(IDN), the ROA will decrease. The t value of the regression coefficient of the effect of the Independent Board of commisaris(IDN) independent variable is -1,027 which is lower than the t table value of 2.003. And the level of significance is 0,309 > 0.05.

The regression coefficient of the influence of Women Board of commisaris(WB) independent variable on ROA as the dependent variable is a positive sign of -0,131 which means that the more Women Board of commisaris(WB), the ROA will increase. The t value of the regression coefficient of the effect of the Women Board of commisaris(WB) independent variable is -0,997 which is lower than the t table value of 2.003. And the level of significance is 0,323 > 0.05.

Table 4,10

Regression Analysis with Adjusted R Square Model Results for ROE

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,186[a]	,034	-,017	21,09241

a. Predictors: (Constant), Women Board, Independent board, Board Size

b. Dependent Variable: Return on Equity

Source: Secondary data processed, 2020

In the table above the Adjusted R square is -0,017, which is the result of the square adjustment of the correlation coefficient of 0,034. The Adjusted R Square value interpreted that the independent variable had an effect of -1,7% on the Dependent variable.

Table 4.11

Regression Analysis by F-Test Results for ROE

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	888,289	3	296,096	,666	,577[b]
	Residual	24913,825	56	444,890		
	Total	25802,114	59			

a. Dependent Variable: Return on Equity

b. Predictors: (Constant), Women Board, Independent board, Board Size

Source: Secondary data processed, 2020

In the table above, it shows that the independent variable simultaneously influencing the dependent variable if the significance value is less than 0.05. From the analysis results above it can be seen that the calculated F-value is 0,095 with a significance level of 0,577 or more than 0.05. Therefore, it can be concluded that simultaneously, the Total Mean variable not significantly influences the Total Performance variable.

Table 4.12

Regression Analysis by t-Test Result for ROE

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	27,372	17,165		1,595	,116

	Board Size	-1,492	2,102	-,095	-,710	,481
	Independent board	-2,958	28,217	-,014	-,105	,917
	Women Board	-38,000	31,916	-,157	-1,191	,239

a. Dependent Variable: Return on Equity

Source: Secondary data processed, 2020

Formula :

(1) 27,372+(-0,095)

(2) 27,372+ (-0,014)

(3) 27,372+ (-0,157)

Based on table, it can be seen that the regression coefficient of the influence of the Board of commisioners size (BS) independent variable on ROE as the dependent variable is a negative sign of -0,095 which means that the more board of commisioners size (BS), the ROE will decrease. The t value of the regression coefficient of the effect of the Board commisioner size (BS) independent variable is -0,710 which is lower than the t table value of 2.003. And the level of significance is 0,481 > 0.05.

Then,the regression coefficient of the influence of the Independent Board of commisioners(IDN) independent variable on ROE as the dependent variable is a negative sign of -0,014 which means that the more Independent Board of commisioners(IDN), the ROE will decrease. The t value of the regression coefficient of the effect of the Independent Board of commisaris(IDN) independent variable is -0,105 which is lower than the t table value of 2.003. And the level of significance is 0,917 >0.05.

The regression coefficient of the influence of Women Board of commisaris(WB) independent variable on ROA as the dependent variable is a positive sign of -0,157 which means that the more Women Board of commisaris(WB), the ROE will increase. The t value of the regression coefficient of the effect of the Women Board of commisaris(WB) independent variable is -1,191 which is lower than the t table value of 2.003. And the level of significance is 0,239 > 0.05.

BAB V

Conclusion and Suggestion

5.1 Conclusion

Based on research about The Effect of Corporate Governance Structure of Mining Companies listed in Indonesia Stock Exchange from 2017 until 2019, the researcher found that :

1. Good Corporate Governance Structure consists of Board of Commissioners, Independence Board of commissioners, Women Board of commissioners have a negative correlation with ROA. That means a Good Corporate Governance Structure does not affect the profitability proxied by ROA on Mining Companies in Indonesia Stock Exchange.
2. Good Corporate Governance Structure consists of Board of Commissioners, Independence Board of commissioners, Women Board of commissioners have a negative correlation with ROE. That means a Good Corporate Governance structure does not affect the profitability proxied by ROE on Mining Companies listed on the Indonesia Stock Exchange. So, this research does not support the Dzingai research, which is found that Posititif Correlation between Governance structure with ROE in Mining Company listed in the Johannesburg Stock Exchange.

.

5.2 Research Limitations

This research only uses secondary data from the Indonesia Stock Exchange, company Website, and internet news. It will be better for the next researcher to use the primary data if they have a connection with the companies.

5.3. Recommendation

1.Hopefully this research can be renewing when more mining companies are listing on the Indonesia Stock Exchange. So the data analysis will be more accurate to be a consideration to take any decision.

1. Try to continue this research with other variables like sustainability or other reports. Because In Indonesia, research directly using Governance structure, not too much.

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APPENDIX

Tahun	2017	X1	X2	X3	Y1	Y2
ADRO	Adaro Energy Tbk.	5	0,4	0,2	7,9	13,1
ANTM	Aneka Tambang Tbk.	4	0,25	0	9,99	28,15
ARTI	Ratu Prabu Energi Tbk	2	0,5	0	1	1
BYAN	Bayan Resources Tbk	6	0,333333	0	38	65,6
DEWA	Darma Henwa Tbk	5	0,4	0	0,7	1,2
DOID	Delta Dunia Makmur Tbk.	7	0,571429	0	4,9	26,4
DSSA	Dian Swastatika Sentosa Tbk	4	0,5	0,25	4,7	8,8
ELSA	Elnusa Tbk.	5	0,4	0	5,09	8,1
GEMS	Golden Energy Mines Tbk.	6	0,5	0	20,17	40,76
HRUM	Harum Energy Tbk.	6	0,333333	0	9,9	14,4

INCO	Vale Indonesia Tbk.	10	0,3	0,2	1	1
INDY	Indika Energy Tbk.	4	0,5	0	0,01	3,1
ITMG	Indo Tambangraya Megah Tbk.	7	0,285714	0,142857	19	26
KKGI	Resource Alam Indonesia Tbk.	5	0,4	0	12,79	15,17
MEDC	Medco Energi Internasional Tbk	5	0,4	0,2	2,5	10,1
MYOH	Samindo Resources Tbk.	3	0,333333	0	9	12
PTBA	Bukit Asam Tbk	6	0,333333	0	20,36	32,44
PTRO	Petrosea Tbk.	5	0,4	0	2,62	6,3
TINS	Timah Tbk.	5	0,4	0	3,9	7,6
TOBA	TBS Energi Utama Tbk.	5	0,4	0	0,1	0,2

Tahun	2018	X1	X2	X3	Y1	Y2
ADRO	Adaro Energy Tbk.	4	0,25	0,25	6,8	11,1
ANTM	Aneka Tambang Tbk.	6	0,333333	0	9,19	11,79
ARTI	Ratu Prabu Energi Tbk	2	0,5	0	1	1,8
BYAN	Bayan Resources Tbk	6	0,333333	0	45,6	77,3
DEWA	Darma Henwa Tbk	6	0,333333	0	0,6	1,1
DOID	Delta Dunia Makmur Tbk.	6	0,666667	0	6,4	28,9
DSSA	Dian Swastatika Sentosa Tbk	4	0,5	0,25	3,6	8
ELSA	Elnusa Tbk.	5	0,4	0	4,88	8,37
GEMS	Golden Energy Mines Tbk.	6	0,5	0	14,33	31,82

HRUM	Harum Energy Tbk.	6	0,333333	0	6,8	10,5
INCO	Vale Indonesia Tbk.	6	0,333333	0	3	3
INDY	Indika Energy Tbk.	5	0,4	0	13,8	45,1
ITMG	Indo Tambangraya Megah Tbk.	5	0,4	0,2	18	27
KKGI	Resource Alam Indonesia Tbk.	5	0,4	0	0,41	0,55
MEDC	Medco Energi Internasional Tbk	5	0,4	0,2	1	4,2
MYOH	Samindo Resources Tbk.	3	0,333333	0	20,4	27,1
PTBA	Bukit Asam Tbk	6	0,5	0	20,78	30,88
PTRO	Petrosea Tbk.	5	0,4	0	4,17	12,12
TINS	Timah Tbk.	5	0,4	0	0,9	2,2

TOBA	TBS Energi Utama Tbk.	5	0,4	0	0,1	0,3
Tahun	2019	X1	X2	X3	Y1	Y2
ADRO	Adaro Energy Tbk.	5	0,2	0,2	6	10,9
ANTM	Aneka Tambang Tbk.	6	0,333333	0	0,61	1,02
ARTI	Ratu Prabu Energi Tbk	2	0,5	0	55	123
BYAN	Bayan Resources Tbk	5	0,2	0	18,3	37,8
DEWA	Darma Henwa Tbk	6	0,333333	0	0,6	1,6
DOID	Delta Dunia Makmur Tbk.	7	0,571429	0	1,7	7,3
DSSA	Dian Swastatika Sentosa Tbk	5	0,6	0,2	1,9	4,4

ELSA	Elnusa Tbk.	5	0,4	0	5,24	9,97
GEMS	Golden Energy Mines Tbk.	6	0,5	0	8,41	18,32
HRUM	Harum Energy Tbk.	6	0,333333	0	4,1	5,9
INCO	Vale Indonesia Tbk.	6	0,333333	0	3	3
INDY	Indika Energy Tbk.	5	0,4	0	8	27,7
ITMG	Indo Tambangraya Megah Tbk.	6	0,5	0,166667	11	15
KKGI	Resource Alam Indonesia Tbk.	6	0,333333	0	4,3	8,9
MEDC	Medco Energi Internasional Tbk	5	0,4	0,2	0,3	1,7
MYOH	Samindo Resources Tbk.	3	0,333333	0	16,3	21,3
PTBA	Bukit Asam Tbk	6	0,333333	0	15,54	20,02

PTRO	Petrosea Tbk.	5	0,4	0	5,68	14,73
TINS	Timah Tbk.	5	0,4	0	3	11,6
TOBA	TBS Energi Utama Tbk.	3	0,666667	0	0,1	0,2