Research Article

Effect of Good Corporate Governance Mechanism on Company Profitability Ratios

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Abstract: Determining good corporate governance mechanisms' effect on profability of company specifically companies that are a part of property and real estate sub-sector which also exist on the list that belongs to the Indonesia Stock Exchange (IDX) from year 2014-2019 is the purpose of this research. Purposive sampling is used as a research method, 12 companies are involved as sample. The results showed that the GCG-forming variables consisting of institutional share ownership, managerial share ownership, board of directors, independent board of commissioners and audit committee do have effect on company profitability. The profitability of said company wouldnt even be partially affected by institutional share ownership, managerial share ownership, board of directors and independent commissioners. Meanwhile, the audit committee partially affects the company's profitability. It is important for investors to look more into the aspects of Good Corporate Governance as a consideration in investing. Further researchers are expected to conduct research on Good Corporate Governance against profitability by taking a sector other than Real Estate and Property.

Keywords: Good Corporate Governance, profitability.

1. Preliminary

Background

Good corporate governance implementation in Indonesia is considered to be low, especially if a comparison to other asian countries is made. The weak implementation of Good Corporate Governance occurred because the value and basic practices' awareness when one runs a business is lacking. So far, enforcement of rules for implementing Good Corporate Governance has not been sanctioned for companies that have not implemented or have implemented them but do not meet the standards for implementing GGC. However, GCG's implementation provides added value for the company. Companies that make improvements to the quality of GCG show an increase in market valuation, while companies that experience a decrease in GCG quality, tend to show a decline in market valuation (Cheung et al, 2011).

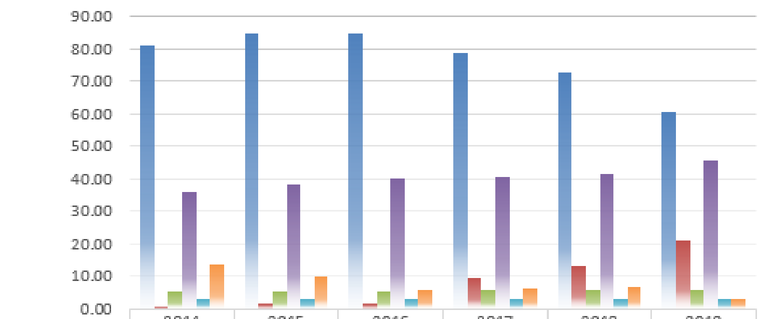
Jensen and Meckling (1976) in Surjawati et al. (2015) companies are a contract file between the owner of the company and the manager in charge of running the business. Investors or owners of capital establish a company with the aim of getting the maximum profit or profit to increase the prosperity of the investor or the owner of the capital itself. The way a company gets a profit is by increasing sales, and making efficiency with costs so that the profit earned by the company is higher. When profits are higher, the prosperity felt by investors or owners of capital will also be higher.

For investors, when they assess a company performance, one of the most important indicator is profitability because then the investors could see if the company is able to earn profits as well as rate of return that the investors will later receive. If the business entity's profitability gets higher then they are more likely to be able to survive (Hermuningsih, 2013). To achieve balanced profit, an effort is made in a form of company management and sustainability can be achieved using Good Corporate Governance's implementation (Daniri, 2006).

The management's ability to conduct a business can be assessed on the basis of the company's profits from sales and investments as reported in the financial statements. The high value of the profitability ratio symbolizes the level of profit, and the company's efficiency is also high. Profitability ratios that the company management fabricated, show the final results of all financial policies and operational decisions. The condition of a company will become better if the value of the company's profitability index becomes higher.

The aim is to obtain a more open, clear, appropriate, independent and fair company management for all users of financial statements, that is why the corporate governance's concept is offered. If this concept is applied consistently, it is hoped that the financial reports's quality can be improved and become an obstacle to agency problem activities. The interests of shareholders as company owners and creditors as external funders are one of the reasons for the implementation of the improvements. The GCG-forming variables consist of institutional share ownership, managerial share ownership, an independent board of commissioners, an audit committee, and a board of directors.

Selection of the property and real estate sector because sector is due to seeing the potential number of residents who are getting bigger day by day so that more developments in the housing sector, apartments, shopping centers and office buildings attract investors to invest their funds. (Setiyono, Hariyani, Wijaya, Apriyanti, 2018) However, profitability has decreased almost every year. The reason for choosing ROE as a proxy for the profitability ratio is because it is able to measure net profit after tax with own capital, ROE is considered as the most appropriate among other profitability ratios in relation to stock returns because in the capital account section there is also a share capital account. (Lavinda, 2020).



	2014	2015	2016	2017	2018	2019
ISO (X1)	81.03	84.97	84.88	78.68	72.53	60.56
MSO (X2)	0.43	1.37	1.40	9.23	13.12	20.88
BOD (X3)	5.25	5.08	5.25	5.50	5.67	5.50
IBOC (X4)	35.72	38.12	39.96	40.55	41.39	45.52
AC (X5)	3.00	3.00	3.00	3.00	3.00	3.00
ROE (Y)	13.57	9.84	5.86	6.26	6.76	3.06

Figure 1.1
Variables of Good Corporate Governance and profitability

Based on Figure 1.1, it explains the average of each GCG variable, namely institutional share ownership, managerial share ownership, independent board of commissioners, audit committee, and board of directors as well as profitability variables. The average institutional share ownership and managerial share ownership that keep on increasing does not make ROE increase every year, it tends to decrease significantly. Likewise, the usual amount of boards of directors as well as boards of commissioners is not able to increase ROE. This indicates a gap, because the increase in the good corporate governance variable does not increase the profitability.

Corporate governance has the aim of developing a better and more professional company as well as making the right decisions in accordance with the rules and social responsibility. Besides that, the most important thing is the increase in the contribution of said company to the economy of its country.

In conclusion, the question that could be formulated for this research is how the impact of good corporate governance as well as variables forming good corporate governance consisting of institutional share ownership, managerial share ownership, board of directors, independent board of commissioners and audit committee on company profitability.

In this research, it is hoped that the results obtained will provide benefits to companies, investors and academics. First, for the company, this research would offer them some benefits and contributions in implementing Good Corporate Governance towards profitability. Second, for investors, it is hoped that this research can be used as a useful consideration for making investment decisions in companies that apply Good Corporate Governance practices. Third, for the academic, the expectation is for readers's insight to be increased through reading thus research and that they can also utilize this as reference for further similar research.

2. Literature review

Profitability Ratio

Harahap (2013: 304) states that the profitability ratio provides an overview of companies that are able to earn profits. Meanwhile, Gitman (2012: 629) Profitability is the relationship between income and costs generated by the use of company assets that are smooth and remain in productive activities.

The list of profitability-forming ratios consists of Net Profit Margin (NPM), Return on Assets (ROA) and Return on Equity (ROE). According to Kasmir (2012: 204) ROE is a ratio of your own capital to measure net profit after tax. Fahmi (2012: 98) states that ROE measures a company's ability to use its resources.

Good Corporate Governance

The Cadburry Committee from the UK (FCGI, 2001) explains the notion of corporate governance, namely regulating interest groups, private and government that have relations to their rights and obligations in controlling companies, the statement is quoted by the Forum for Corporate Governance in Indonesia.

The importance of shareholders' rights to obtain correct and precise information as well as the obligation of a company to disclose precisely, in time, and very much transparent of all informations regarding company performance, ownership and stakeholders. The variables forming GCG are institutional share ownership, managerial share ownership, independent board of commissioners, audit committee, and board of directors.

Institutional Share Ownership

Company shares owned by an institution or institution can be said to be institutional share ownership. In general, institutions delegate responsibility to their division, it was done to manage the investment of said company. The institutional ownership that exists in a company is going to uplift management performance to increase their supervision so that it will be more optimal. This is because institutional share ownership has the power or authority that allows it to support or reject the company's managerial performance (Mahadewi & Krisnadewi, 2017).

According to Beiner et al., (In Mahadewi & Krisnadewi, 2017) institutional ownership is share ownership by institutions the calculation is as follows:

$$Institutional\ ownership = \frac{amount\ of\ institutional\ shares}{amount\ of\ shares\ outstanding} \times 100\%$$

Managerial Share Ownership

Boediono (2005) argues that managerial share ownership is shares owned by company directors and managers. Faisal in Mahadewi & Krisnadewi, (2017) managerial ownership is the shareholder who has responsibility in making decisions for the company. Managerial ownership formula according to Gideon in Mahadewi & Krisnadewi, (2017) is as follows:

$$Managerial\ ownership = \frac{amount\ of\ management\ shares}{amount\ of\ shares\ outstanding} \times 100\%$$

Board of Directors

In the company, the one who is the holder of its power is the board of directors. Every members of Board of Directors ought to do their job as well as authorities by utilizing decisions along with their main duties and functions (Tri Hendro and Conny, 2014: 95). Concurrent positions such as commissioners, directors, or executive officers are not allowed to be held by directors unless there are other provisions. When a member of the board of directors is good then they wouldn’t possess, in other company, over 25% of the paid-up capital. The proportion of Board of Directors’s size can be calculated with :

Board of Directors Size = Total Board of Directors

Independent Board of Commissioners

According to Regulations of the Financial Services Authority, specificially No. 33/POJK.04/2014, the company must have an independent commissioner whose composition should account for at the minimum 30% of the total amount of the commissioner committee’s members. Board of Commissioners has minimum of 3 people, 2 commissioners as well as 1 independent commissioner. Then President Commissioner will be chosen from one of them. (Muhammad Bayu Aji Sumantri: 2015).

According to Ujiantho & Pramuka (2007) calculating the proportion of commissioners in a company can be done, percentage of the number of independent commissioners will be used compared to the number of commissioners. (Mahadewi & Krisnadewi, 2017).

$$Board\ of\ commisioners = \frac{The\ amount\ of\ independent\ commissioners}{The\ amount\ of\ commissioners} \times 100\%$$

Audit Committee

The one who is in charge of reviewing the policies of accounting that the company acquired is the audit committee (Bradbury in Widianto, 2014). Audit Committees in public companies are at least made up of three people, one of which is the independent commissioner of a company as regulated in Bapepam-LK Regulation No.IX.I.5 (Widyati, 2013). According to Rahmawati et al. (2017) Audit Committee's size in company is possible to be calculated using the following formula:

∑ member of the Audit Committee

Framework

The theory described, it shows that there are several factors to measure return on equity. This study examines the factors influencing financial performance in companies that are a part of property and real estate sub-sector and the ones that exists on the Indonesia Stock Exchange (IDX)'s list which institutional share ownership, managerial share ownership, board of directors, independent board of commissioners and institutional share ownership audit committee, managerial share ownership, board of commissioners, board of directors and audit committee have measured.

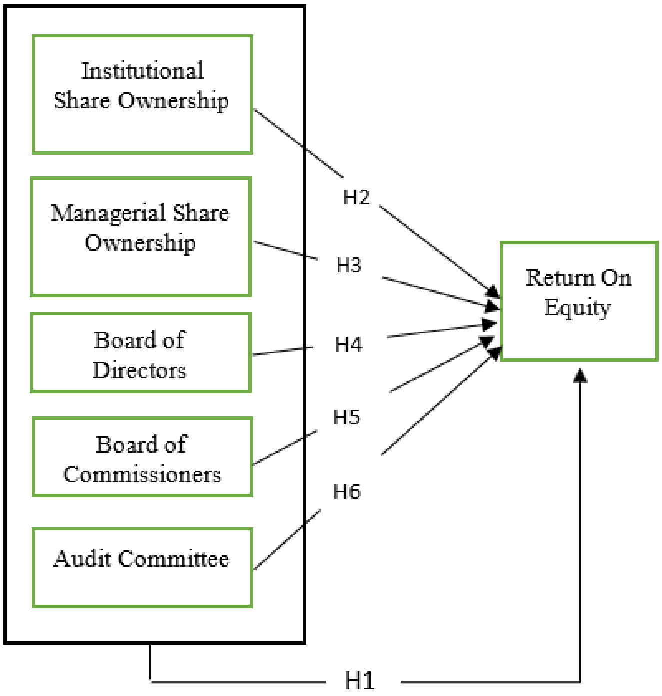


Figure 2.1 Framework Thinking

Hypothesis

H1 = GCG affects profitability
H2 = institutional share ownership has impact on profitability
H3 = managerial share ownership has impact on profitability
H4 = the board of directors have impact on profitability
H5 = there is a positive effect on profitability from independent board of commissioners
H6 = there is a positive effect on profitability from the audit committee

3. Research methods

The mechanism *GCG* is the object of this research which profitability institutional share ownership, managerial share ownership, board of directors, independent board of commissioners, and audit committee has proxied as calculated by Return On Equity (ROE) in companies that are a part of property and real estate sub-sector and are also available on the list provided by the Indonesia Stock Exchange fron year 2014 - 2019.

Population and sample

Companies that are engaged in the sub-sector of property and real estate which are available on the list provided by the BEI in 2014 to 2019 as many as 41 companies. Purposive sampling is used as sampling technique in this study, Sugiyono (2017: 68) stated that the sampling technique have certain criterias.

Criterias to choose samples are as follows:

The total number of property as well as real estate subsectors that are on the list provided by BEI is 41 companies, but only 12 of them met the criteria during the last 5 years (2014-2019 period).

Table 3.1
Research Sample Criteria

No.	Criteria	Amount
1	Companies listed in the property and real estate sub-sector of the Indonesia Stock Exchange in the 2014-2019 period.	41
2	Companies with incomplete annual reports during the 2014-2019 research period	11
3	Companies that do not explain GCG-forming variables	18
4	Total property and real estate sub-sector companies that have complete data regarding the variables used in the study.	12

Source: 2020 data processed.www.idx.co.id and www.sahamok.com)

Below are the results of the research sample qualification:

Table 3.2
Sample Qualification

No.	Code	Company name
1	APLN	Agung Podomoro Land Tbk
2	ASRI	Alam Sutera Realty Tbk
3	BEST	Bekasi Fajar Industrial Estate Tbk
4	BIPP	Bhuawanatala Indah Permai Tbk
5	BKDP	Bukit Darmo Property Tbk
6	BSDE	Bumi Serpong Damai Tbk
7	DART	Duta Anggada Realty Tbk
8	DILD	Intiland Development Tbk
9	DUTI	Duta Pertiwi Tbk
10	LPCK	Lippo Cikarang Tbk
11	WHEELS	Pikko Land Development Tbk
12	SMDM	Suryamas Dutamakmur Tbk

Source: data processed 2020 (www.sahamok.com)

Operational Variable

The operational variables used are shown in table 3.3

Table 3.3
Operational Variables

Variable	Dimensions	Variable Definitions	Indicator	Size Scale and Formula
Independent: *Good Corporate Governance*	Institutional Share Ownership (X1)	Share ownership held by institutions such as financial institution companies and other institutional ownership. (Bernandhi, 2013).	The percentage of shares owned by the institution	$ISO = \frac{\sum institutional\ shares}{\sum shares\ outstanding} \times 100\%$ (Riduan and Sari, 2013) (Scale: Ratio)
	Managerial Share Ownership (X2)	Managerial ownership is the percentage of share ownership owned by directors, managers and board of commissioners (Efendi, 2013)	The proportion of shares owned by managerials at the end of the year expressed as a percentage.	$MSO = \frac{\sum management\ shares}{\sum shares\ outstanding} \times 100\%$ (Riduan and Sari, 2013) (Scale: Ratio)
	Board of Directors (X3)	The board of directors is assigned and responsible collegially in the company (Wardhani, 2007).	The number of members who sit on the board of directors.	BD = ∑ Board of Directors (Firmansyah, 2016) (Scale: Number)
	Independent Board of Commissioners (X4)	The independent board of commissioners has no relationship with management that can influence their actions (PBI number 11/3 // PBI / 2009).	The percentage of commissioners who come from outside the company.	$IBC = \frac{\sum independent\ commissioners}{\sum commissioners} \times 100\%$ (Maliana, 2015) (Scale: Ratio)
	Audit Committee (X5)	The audit committee is formed by the board of commissioners to assist and strengthen the functions of the board of commissioners who Committee Association) (Indonesian Audit Committee Association)	The number of members who sit as the audit committee	KA = ∑ audit committee (Firmansyah, 2016) (Scale: Number)
Dependent: Profitability	*Return On Equity* (Y)	*Return on equity* it measures the ability to generate profits based on a	Compare net income after tax to total equity.	$ROE = \frac{Laba\ bersih\ setelah\ pajak}{Total\ ekuitas}$ (Dewi and Widagdo

4. **Research results and discussion**

Classic assumption test

Before performing test of the hypothesis using F and t test, firstly, classical assumption deviation test is carried out. The classic assumption test can be described as follows:

Multicollinearity Test

The multicollinearity's presence as well as absence in the regression can be detected through looking into Variance Inflation Factor (VIF) with criteria if VIF value is <10, the results indicate that the independent variable does not occur multicollinearity, it was assumed from the test results that were acquired from VIF value from each independent variable as follows:

Table 4.1
Multicollinearity Test

Variance Inflation Factors
Date: 01/08/21 Time: 09:08
Sample: 1 72
Included observations: 71

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	82,54019	94.46359	NA
ISO	0.003906	29.31003	2.848554
MSO	0.007624	3.403798	2.866817
BOD	0.366465	12,89516	1.195394
IBOC	0.014529	27,81927	1.120105
AC	2.169424	28.29004	1.090446

Source: Output Eviews 10, 2020

Centered VIF test' results are shown in the table above, it could be seen that values that are below 10 and more than 1, thus the conclusion is multicollinearity in independent variable does not exist.

Autocorrelation Test

To detect autocorrelation, a statistical test can be performed through the Durbin-Watson test (DW Test). Namely by comparing the calculated Durbin-Watson number (DW) along with their critical value (dL and dU). The criteria can be concluded :

- If DW <dL or DW> 4 - dL, autocorrelation exists,
- If (4 - dw)> dU then negative autocorrelation does not exist,
- If dL ≤ DW ≤ dU or 4 - dU ≤ DW ≤ 4 - dL, the Durbin Watson test doesn't capitulate an inconclusive conclusion.

With a sample size of n = 100, α= 0.05 and the independent variables number is k = 5, the critical value is dL = 1.4685 and dU = 1.7685. Autocorrelation test's results are shown in following table:

Table 4.2
Autocorrelation Test

R-squared	0.228151	Mean dependent var	7,649,437
Adjusted R-squared	0.168778	SD dependent var	8.639154
SE of regression	7.876435	Akaike info criterion	7.046349
Sum squared resid	4032,485	Schwarz criterion	7.237562
Log likelihood	-244.1454	Hannan-Quinn criter.	7.122388
F-statistic	3.842677	Durbin-Watson stat	1.227931
Prob (F-statistic)	0.004119		

Source: Output Eviews 10, 2020

According to table 4.2, the Durbin-Watson value is 1.227931 with the assumption that if (4 - dw)> dU or 4 - 2.772069> 1.46851, thus the conclusion is that no autocorrelation can be found.

Heteroscedasticity Test

The aim of heteroscedasticity test is to find out the existence of variance's inequality from residuals of one to other observation in the regression model, it is known as homoscedasticity. Eviews 10 software then is used as a help, below are the following results :

Table 4.3
Heteroscedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.330779	Prob. F (5.65)	0.2624
Obs * R-squared	6.593171	Prob. Chi-Square (5)	0.2527
Scaled explained SS	6.853484	Prob. Chi-Square (5)	0.2318

Source: Output Eviews 10, 2020

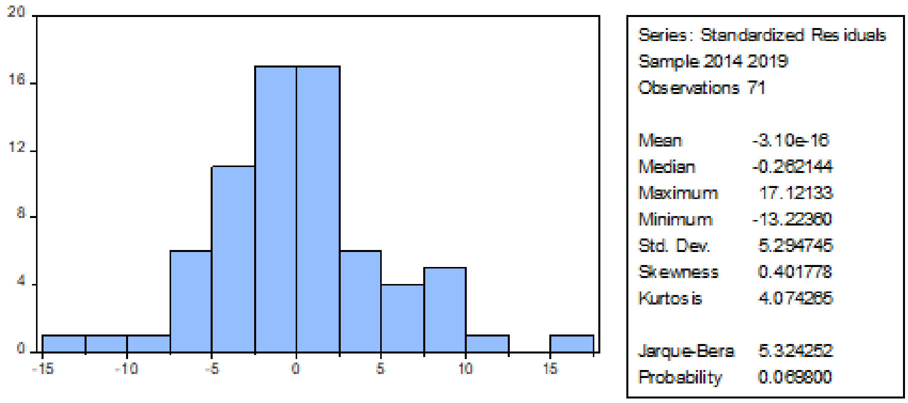
According to table 4.3 heteroscedasticity test results show the value of the multiplication of Obs with the R-squared of 6.593171 and the probability value F ie 0.2624 shows a value greater than the 5% error rate (0.05), thus the conclusion is that no heteroscedasticity symptoms can be found in the regression model.

Normality test

Jarque-Bera method (JB Test) is utilized in this research to test normality. Furthermore, the value of JBcount = X2 count compared to X2 table. The criteria in Jarque-Bera are listed below:

- If JB count > X2 table, then the residuals are not normally distributed.
- If JB count <X2 table, then the residuals are normally distributed.

Eviews 10 software is also utilized as a help, below are the following results:



Source: Output Eviews 10, 2020

Figure 5.1
Jarque-Bera Normality Test

According to output above's results, that Jarque-Bera (JB) value is 5.324252 and a probability value of 0.069800. Because the probability value> 0.05, thus the conclusion is that the residuals exist are distributed normally.

Table 4.4
Panel Data Regression Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-7.412259	9.085163	-0.815864	0.4176
ISO	0.137456	0.062496	2.199431	0.0314
MSO	-0.020992	0.087315	-0.240412	0.8108
BOD	0.331559	0.605364	0.547702	0.5858
IBOC	0.086851	0.120537	0.720539	0.4738
AC	-0.086851	1.472896	-0.119167	0.9055

R-squared	0.228151	Mean dependent var	7,649,437
Adjusted R-squared	0.168778	SD dependent var	8.639154
SE of regression	7.876435	Akaike info criterion	7.046349
Sum squared resid	4032,485	Schwarz criterion	7.237562
Log likelihood	-244.1454	Hannan-Quinn criter.	7.122388
F-statistic	3.842677	Durbin-Watson stat	1.227931
Prob (F-statistic)	0.004119		

Source: Output Eviews 10, 2020

Panel Data Regression

To measure how strong the influence of GCG-forming variables represented by Institutional Share Ownership, Managerial Shares Ownership, Board of Directors, Independent Commissioner and Audit Committee on profitability, panel data regression analysis is utilized.

According to the data processing results that are acquired from panel data regression between Institutional Share Ownership, Managerial Share Ownership, the Board of Directors, the Board of Independent Commissioners as well as the Audit Committee and Return On Equity in the Real Estate and Property sub-sectors that are available on the list which belongs to Indonesia Stock Exchange from year 2014 - 2019. By using Eviews 10 program application as a help, the estimated results of panel data regression parameters are as follows:

Based on the panel data regression equation, the constant value and regression coefficient, so that the panel data regression equation can be formed as follows:

$$\mathbf{Y = -7.412259 + 0.137456\ (X1) - 0.020992\ (X2) + 0.331559\ (X3) + 0.086851\ (X4) - 0.086851\ (X5) + e}$$

Where:
X1 = Institutional Share Ownership
X2 = Managerial Share Ownership
X3 = Board of Directors
X4 = Independent Board of Commissioners
X5 = Audit Committee
Y = Return On Equity

The equation can be interpreted as follows:

1. Institutional share ownership, managerial share ownership, independent board of commissioners, board of directors as well as audit committee are worth zero (0), so the Return On Equity variable has a constant value of -7.412259 in which case Return On Equity will decrease by 7.412259 if it is not influenced by them.
2. The regression coefficient of panel data regression results for institutional share ownership is equal to 0.137456 and is positive, meaning that every change in institutional share ownership and other independent variables are assumed to be constant, it is predicted that the Return On Equity will increase by 0.137456.
3. Regression results of panel data regression coefficients for managerial share ownership is equal to -0.020992 and has a negative sign, meaning that every increase in managerial share ownership and other independent variables are assumed to be constant, it is predicted that the Return On Equity will decrease by -0.020992.

4. The result of the regression coefficient for the board of directors is equal to0.331559 and is positive, meaning that every increase in the board of directors and other independent variables are assumed to be constant, it is predicted that the Return On Equity will increase by 0.331559.
5. The result of the regression coefficient for the independent board of commissioners is equal to0.086851 and is positive, meaning that every decrease in the independent board of commissioners and other independent variables are assumed to be constant, it is predicted that the Return On Equity will decrease by 0.086851.
6. The result of the regression coefficient for the audit committee is -0.086851 and has a negative sign, meaning that every time an increase in audit committee as well as other independent variables are assumed to be constant, it is predicted that the Return On Equity will decrease by -0.086851.

Coefficient of Determination (R2)

Coefficient of determination’s test resulted in 0.228151 or 22.8% this means that the variable good corporate governance affects profitability by 22.8%.

Hypothesis Testing Test t

Institutional share ownership offers positive impact on return on equity because the value of tcount 2.199 is greater than t table 1.994, a value of significance of 0.0314 <0.05. Managerial share ownership has no negative effect on return on equity because the t-count value -0.240, smaller than t-table -1.994 and significance value is 0.8108> 0.05.

The Board of Directors possess no positive impact on return on equity because the value of t-count 0.5477 is lesser than the t-table 1.994 and the significance value is 0.5858> 0.05. The Independent Board of Commissioners possess no positive impact on return on equity because the value of t-count 0.720 is lesser than t-table 1.994 and the value of significance 0.4738> 0.05. 1.994 and a value of significance 0.9055> 0.05.

Hypothesis Testing Test F

Simultaneous hypothesis test results show good corporate governance affects profitability because Fcount is 3.842677 > Ftable is 2.35 with a significance value of 0.004119 <0.05.

Effect of Good Corporate Governance on Profitability

As results have showed, simultaneously, good corporate governance affects profitability with Fcount value of 3.842677 > Ftable is 2.35 with a significance value of 0.004119 <0.05. Good corporate governance has a relationship involving shareholders, company managers, employees and other internal and external stakeholders that have relations to rights and obligations that they own, or a system that is regulating as well as controlling strategic direction and performance of a company so that this is expected to increase profitability.

The research findings show that good GCG implementation level in a company is not seen from the amount of share ownership by certain parties. The sample companies show that their shares are controlled more by institutions or institutions, but this does not guarantee that the company will run well in its operating activities. The research results are in line with Arlita, Bone and Kesuma (2019) and research by Asitalia and Trisnawati (2017).

The Effect of Institutional Share Ownership to **Profitability**

The results of simple regression and testing of the coefficient of determination and statistical t test prove that institutional share ownership offers positive impact to Return On Equity in sub-sector of Real Estate and Property from year 2014-2019. The results are in line with this hypothesis because the ownership structure is a composition of shareholders in a company which is calculated based on the amount of shares possessed by other institutions divided by the amount of shares outstanding. This proportion in holding will determine the extent to which a company uses its resources to be able to provide a return on equity. The amount of share ownership by an institution will encourage companies to increase supervision of company performance. In general, institutional investors have more capabilities and also have sufficient resources to supervise company performance.

With large share ownership from the institution existing, the increase in monitoring (monitoring) will be encouraged, that is more optimal and effective on management performance, so in order to minimize agency conflicts and increase the value of a company. This research’s results does not fit the research conducted by Sianipar et al. (2018), but it fits with Saputra, Nuraini and Rafiqa’s research (2017).

Effect of Managerial Share Ownership on Profitability

This research indicated in its result that managerial share ownership posesses no negative impact on Return On Equity in sub-sector of Real Estate and Property from year 2014-2019, this shows thatthe size of the proportion of managerial ownership will not affect the net income generated by the company. Generally, managers who has their shares in the company as well tend to take policies to manage earnings from the perspective of investors' desires, one example is the increased reported earnings so that they can lure a handful of investors to invest that can increase the stock price of its company. Failure of the management who is also the owner of the company's capital in terms of quality and process of financial reporting improvement is due to the fact that it is relatively small compared to the total capital owned by general investors.

The manager as a controlling mechanism in preparing the earnings report has less influence on the market through earnings information in the financial statements so that the company value does not increase. Very small share ownership makes managerial not work in accordance with company goals, so they tend to be selfish. This research's result fits with the research that was conducted by Kusumandari (2016) but does not fit with Candradewi and Sedana (2016)'s.

The Influence of the Board of Directors on Profitability

The board of directors possess no positive effect on Return On Equity in sub-sector of Real Estate as well as Property from year 2014-2019, as it was indicated by the results of this research, the board of directors have responsibility in decisions making for the company and determining important policies required by the company. The GCG guidelines state that the board of directors' composition must be in accordance with the company's complexity. This shows that the size of a board of directors in the company cannot affect the company's financial performance because the possibility of a large number of boards of directors allows new problems to arise.

The problems that can arise are poor communication among directors, ineffective coordination, and long actions in overcoming management problems within the company. This research's result fits with the research that was conducted by Wicaksono and Raharja's (2014) research, but not in line with Arifani's (2013) research.

Effect of the Independent Board of Commissioners on Profitability

There are no positive effect on Return On Equity from Independent board of commisioners in sub-sector of Real Estate as well as Property from year 2014-2019. These results indicate, a huge number of independent commissioners is thought to only fulfill the formalities in implementing the regulations regarding GCG so that the supervision conducted by independent board of commissioners haven't been able in reducing the risks that occur in company management besides the costs incurred. The number of company obligations to them is not small so that the addition or size of the independent commissioner board does not necessarily improve the financial performance of company.

The research conducted by Wicaksono and Raharja (2014) showed there is no impact from board of commissioners that can be found on ROE (Return on Equity) in the participants of the 2012 CGPI.Bradbury, ME, YT Mak and Tan, SM (2014) Audit committee is considered to be effective when processing financial report through reducing the income level which increases abnormally. It is shown as well, audit committee is only effectual if it consists of independent directors.

The Effect of the Audit Committee on Profitability

No negative impact from audit committee can be found on Return On Equity in sub-sector of Real Estate as well as Property from year 2014-2019, because the increasing amount of audit committees will not increase the financial performance or profit of said company. Audit committee's existence is less effective because a huge amount of audit committees in the company has not been able to maximize its function in the practices of accounting. Role of the audit committee itself is not supervising so that it cannot boost the company's financial reports's quality.

Therefore, audit committees, no matter how many are there in the company does not have an impact and the role of supervision and control over the financial performance of said. The research conducted by Sari et al (2016) and (Dewi & Tenaya, 2017) and research Bradbury, ME, YT Mak and Tan, SM (2014) do fit with this research.

5. Conclusions and suggestions

Conclusion

1. Therre is significant impact from Good Corporate Governance on company profitability.
2. Institutional share ownership have impact the company's profitability, partially.
3. No partial impact from Managerial share ownership can be found on company profitability.
4. The board of directors partially has no effect on company profitability.
5. Partially independent board of commissioners has no effect on company profitability.
6. The audit committee has no impact on company profitability, partially.

Suggestion

1. For the company

Real Estate and Property sector companies should be able to maintain institutional share ownership because it affects the company's profitability, besides that composition's function of board of commissioners as well as board of directors should be improved again by carrying out effective supervision and control.

2. Investors

Investors and potential investors in companies listed on the IDX should be more careful and pay attention to aspects of Good Corporate Governance as a consideration in investing, because based on research results only institutional ownership has an effect on profitability.

3. Future researchers are expected to continue to conduct research on Good Corporate Governance against profitability by taking a sector other than Real Estateand Property, considering that until now this research's results showed that they are different from foregoing studies. As well as using other variables such as company size.

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