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# Good Corporate Governance and Profitability: Evidence the Banking Sector in Indonesia

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### ABSTRACT

*The research aims to determine empirically the influence of Good Corporate Governance on banking profitability in Indonesia. The method used in the study is a quantitative method with secondary data sources obtained from good corporate governance reports and financial statements from each bank. The sample was obtained using purposive sampling, namely banks that had participated in CGPI in 2019-2023. This hypothesis was tested with multiple linear regression analysis techniques. Data collection techniques through documentation and data are processed through SPSS 26 software. The results of this study show that in banking, Good Corporate Governance as measured by managerial ownership, commissioners and internal audit has a positive and significant effect on profitability. Meanwhile, the board of directors and audit committee have a negative and significant effect on profitability.*

### ABSTRAK

*Penelitian bertujuan untuk mengetahui secara empiris pengaruh Good Corporate Governance terhadap profitabilitas perbankan di Indonesia. Metode yang digunakan pada penelitian adalah metode kuantitatif dengan sumber data sekunder yang diperoleh dari laporan good corporate governance dan laporan keuangan dari setiap perbankan. Sampel diperoleh menggunakan purposive sampling yaitu perbankan yang pernah ikut serta CGPI pada tahun 2019-2023. Hipotesis ini diuji dengan Teknik analisis regresi linear berganda. Teknik pengumpulan data melalui dokumentasi dan data diolah melalui software spss 26. Hasil penelitian ini menunjukkan bahwa pada perbankan, Good Corporate Governance yang diukur dengan kepemilikan manajerial, komisaris dan audit internal berpengaruh positif dan signifikan terhadap profitabilitas. Sedangkan, direksi dan komite audit berpengaruh negatif dan signifikan terhadap profitabilitas.*

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## Introduction

Companies including banks are trying to achieve *profit* for the sake of smooth

operations (Hadinata, 2019). Profitability can be used as a benchmark for the success of a

company. When a company earns high profits, it indicates that good performance (*Nirawati et al.*, 2022). Companies that earn profits must have good financial performance that will encourage sustainability so that it makes it easier to combine, manage, and use resources sustainably (Carton & Parigot, 2021).

The financial crisis that hit Asia, especially Indonesia from 1997 to 1998, had a

tremendous impact on the companies that dominated the business world in Indonesia so many companies are liquidated because they cannot survive which results in unemployment rising and currency rates becoming fluctuations (*Shifa et al.*, 2022). This can be seen in the table of the Indonesian economy in 1997-1998 as follows:

**Table 1**  
**Indonesian Economic Indicators in 1997-1998**

Indicator	Year	
	1997	1998
Economic growth (%)	4,7	-13,1
Consumer price inflation (%)	6,2	58,5
Value exchange rate (Rp/US\$)	2.909	10.014
Net National Income per capita (%)	-13	-93
Total debt (%)	30,3	32,3

**Source: World Bank (2022)**

The event is in line with the importance of implementing *Good Corporate Governance*. Related to weak governance, *Asian Development Bank (ADB)* stated that the Asian Crisis in 1997 was the result of poor governance among companies in countries adversely affected by the crisis (Ghalib, 2018).

Application *Good Corporate Governance* need support by the organs in the company itself. First, managerial ownership as part of the company that has the authority to take part in determining the company's decisions and policies. The practice of methods by increasing managerial ownership to minimize problems between management and owners will provide space for managers to harmonize the interests of both parties. This happens because the manager acts as both the management and the shareholder (*Sari et al.*, 2021).

The Board of Directors as a leader who is responsible for running the company's operations properly including implementing

practices *GCG*. When the function of the Board of Directors is carried out well, able to increase healthy financial performance, marked by an increase in profitability, shareholders will feel happy with the management. Fraudulent practices that occur in companies carried out by the board of directors can be avoided if the principles of *GCG* such as transparency and accountability as a reference (Febrina & Sri, 2022).

The Board of Commissioners as the main key to the success of the practice *GCG* with its supervisory function to monitor the company's operational activities. The Board of Commissioners is expected to be an intermediary between managers and owners so that they can realize good financial performance. The Board of Commissioners works in the best interests of the company by avoiding personal interests. Based on the articles of association, the board of commissioners provides advice for the board of directors to supervise and be responsible

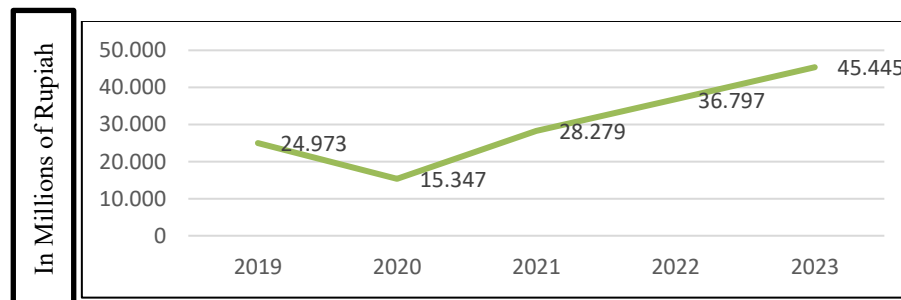
collegially in managing the company (Reza, 2021).

The Audit Committee as an internal organ of the company established by decision of the commissioner is responsible for supervising financial statements. The audit committee needs to hold regular meetings to ensure transparent and accountable financial statements based on the principles of *GCG*. This can avoid data manipulation practices and other frauds so that it can increase the company's profitability (Roviqoh & Khafid, 2021).

Internal audit is part of the four control organs in management other than management, audit committees and external auditors (Vadasi *et al.*, 2019). Internal auditors who do not take sides with any party and submit their reports systematically tend to strengthen the

detection, prevention for embezzlement of reports. Companies will have a good impact when they are able to implement the role of internal audit, compared to companies that do not have this organ (Darmayanti & Arigawati, 2023).

Proper management of the company by implementing the system periodically can support the company's needs in various ways. First, the increasing trust given by foreign and local investors, the company's growth which can be seen from the results of the increasing financial situation so that the practice *GCG* able to encourage the origin of financing that can be handled (Asghar *et al.*, 2021). Application *good governance* is precisely one of the supports for the company's high profitability (Alkurdi *et al.*, 2021). The following is the data on banking profitability in 2019-2023:



**Figure 1. *EBITDA* of CGPI Participants in 2019-2023**

Source: Banking Annual Report 2019-2023

Based on Figure 1, *EBITDA* in banking graphically fluctuates every year. In 2020 there was a decline because at that time the world was being affected by the Covid-19 phenomenon which resulted in a weak economy in almost all countries, including Indonesia. A year into the transition period, in 2021 *EBITDA* in banks began to increase and lasted until 2023 and increased until 2023. This indicates that banks that consistently follow *the CGPI* in 2019-2023 indicate that they perform well and tend to be stable in their profitability.

The company always controls financial conditions and can be maintained for the smooth operation of the company. Not only companies, banks also try to manage operational activities well and provide maximum service to customers. Companies are always required to increase profits and optimize their assets to maintain the company's survival to prevent financial difficulties (Rumin *et al.*, 2019).

The research that discusses similar topics includes research Harisa *et al.* (2019) Sharia Commercial Banks in Indonesia and Malaysia which revealed that *Corporate Governance*

*Index* have a positive and significant influence on the company's profitability, Mukhtaruddin *et al.* (2019) conducted a study on banks listed on IDX in 2011-2015 which said that *Good Corporate Governance* have a positive and significant influence on the company's financial performance, Buallay (2019) conducted a study on 127 banks in the Mena countries, revealing the results that *Corporate Governance Index* has a positive and significant influence on the company's financial performance, Calen *et al.* (2024) who conducted research through a questionnaire to 590 government managers revealed that *Good Corporate Governance* have a positive and significant influence on financial performance and Silvians *et al.* (2024) who conducted a study on companies listed in CGPI in 2017-2021 said there was a significant positive influence *Corporate Governance Index* to financial performance.

Other opinions by Audria & Susan (2019) who conducted a study on companies listed in CGPI in 2012-2016 which revealed that there was no influence *Good Corporate Governance* to profitability, Aslam & Haron (2020) conducted a study with a sample of companies in 29 Islamic countries (Middle East, South Asia, and Southeast Asia) stating that *Corporate Governance* with indicators of board size and risk management having no influence on financial performance, Almashhadani & Almashhadani (2022) conducted research on companies listed on the Stock Exchange (TSE) in 2012-2022 revealed that there was no influence *Good Corporate Governance* to profitability, Sulbahri *et al.* (2023) who conducted research on companies listed on IDX in 2017 and 2019 *Good Corporate Governance* to financial performance and Luthfillah *et al.* (2024) conducted research on 12 CGPI participating companies in 2019-2023, the results did not have an effect on GCG on *Financial Performance*

Based on the above events, the author is interested in researching a thesis entitled *The Influence of Good Corporate Governance* which is measured by managerial ownership, commissioners, directors, audit committees and internal audit which is measured by profitability as measured by NIM in Banking in Indonesia. Several of the company's internal organs that are the key to the implementation of this program are expected to be able to increase the company's financial performance, especially profitability and can be a solution or minimize agency problems (agency theory) that usually occur among these organs.

## Literature Review

### Agency Theory

This theory was first introduced by Jensen & Meckling (1976) namely agency bonds that arise if the owner of the capital (*Principal*) assign to the management (*Agent*) by delegating its responsibility and authority to the agent to make the right decision. The owner in this relationship delegates decision-making responsibilities to management. Furthermore, the owner will hand over his position to the management in managing his company with the understanding that the management will handle it correctly.

Managerial ownership who has shares in the managed company as well as being the management party will adjust the goals as the owner's. Managers who also act as shareholders will work to increase value and acquire *Profit* company that the owner also wants. Research conducted by Hikmah & Fitria (2019) , Alviani & Sufyani (2020), Angraini & Fasridon (2021), Sanjaya & Cahyonowati (2022) and Alfariz & Asmara (2024) found that there is a positive influence of managerial ownership on profitability. So:

**H<sub>1</sub>: managerial ownership has a significant effect on Profitability**

The commissioner can act as a mediator between the conflict between the owner and the manager. This is in line with one of its

functions, namely supervision so that the company can run well accompanied by goals that both provide the responsibility of both parties. Research carried out by Khoosyi *et al.* (2019), Lumbanraja (2021), Rahayu & Kartika (2021), Snoop Doggy *et al.* (2022) and Novia & Meythi (2022) mentioned that there is a positive and significant influence of the Commissioner on profitability. So:

**H<sub>2</sub>: Commissioners have a significant influence on Profitability**

The Board of Directors as the management will try to use its authority to determine decisions and policies for the company so that the owner also gets the desired profits. In addition, the board of directors also representing the shareholders will be responsible for the company's condition so that it runs well and the company's financial performance increases. Research conducted by Petchsakulwong & Jansakul (2018), Pratiwi & Bahari (2020), Rumapea & Silitonga (2020), Stuart (2021) and Shirley & Shirley (2023) said that there is a positive and significant influence of the Board of Directors on Profitability. So:

**H<sub>3</sub>: The Board of Directors has a significant effect on Profitability**

An audit committee is required to ensure that financial reporting is made appropriately, transparently and in line with applicable accounting standards. Management abusing its power to manipulate financial statements for personal gain can trigger conflicts with the

owners can be avoided. As a result, it can trigger setbacks for the company. Research carried out by Alabdullah & Ahmed (2020), Ahmed *et al.* (2020), Roviqoh & Khafid (2021), Febrina & Sri (2022) and Primary *et al.* (2022) conveyed that there is a positive influence of the Audit Committee on Profitability. So:

**H<sub>4</sub>: The Audit Committee has a significant impact on Profitability**

The Company positions Internal Audit as systematic which aims to avoid misunderstanding of information that can trigger new problems. In addition, internal audits can limit the scope of management's power to benefit from personal gain. This controlled situation can improve the company's performance by increasing the profitability ratio. Research carried out by Tobing *et al.* (2019), Meidiana & NR (2020), Suharti & Priyadi (2020), Pious *et al.* (2022) and Darmayanti & Arigawati (2023) said that there is a positive influence of Internal Audit on Profitability.

**H<sub>5</sub>: Internal Audit has a Significant Effect on Profitability**

**Research Methods**

The researcher used a quantitative method. According to Kuncoro (2021) is a method with data that can be directly assessed regarding information or descriptions presented in the form of statistics or numbers.

**Table 2.**  
**Variable Operational Definitions**

Variable	Definition	Measure	Source
<b>Managerial Ownership</b>	The percentage of shares owned by management	Saham dimiliki manajemen Saham beredar	(CGPI, 2023)
<b>Commissioner (X<sub>2</sub>)</b>	Organs that are positioned to carry out general and specific monitoring tasks based on the articles of association, as well as submit input to the Board of Directors	$\Sigma$ Members of the Board of Commissioners	(CGPI, 2023).



Variable	Definition	Measure	Source
<b>Board of Directors (X3)</b>	Organs that have obligations and play a role in the operation of banking sustainability based on common targets and become representatives of banks in accordance with the provisions of the articles of association	$\sum$ Members of the Board of Directors	(CGPI, 2023)
<b>Komite Audit (X4)</b>	An independent body established by the board of commissioners eases them when conducting monitoring activities	$\sum$ Audit Committee Members	(CGPI, 2023)
<b>Audit Internal (X5)</b>	Organs that carry out assessment activities carried out in banking independently on financial reporting	$\sum$ Internal Audit Member	(Darmayanti & Arigawati, 2023)
<b>Profitability (Y)</b>	Achievements of all Decisions that the agency has passed	$\frac{NIM}{Rata - rata\ total\ aset\ penghasilan}$	(Brigham & Houston, 2019)

The collection technique used through documentation is in the form of Good Corporate Governance reports and Financial Statements on the website of each bank. The population in this study is all banks registered in the CGPI program as many as 26 banks with sampling using purposive samples, which have criteria or characteristics that are tied to the population because there are certain standards and not just any object can be used

as a sample, namely banks that have participated in CGPI in the 2019-2023 implementation year totaling 11 banks.

The data analysis used was multiple linear regression. This method can describe the influence between several variables X and one variable Y. To make it easier, it is assisted in the form of *SPSS 26 Software*.

## Results and Discussion

### Statistics Descriptive

**Table 3.**  
**Descriptive Statistical Results of Research Variables**

	N	Min	Max	Mean	Standard deviation
KM	55	.000	.023	.001	.004
K	55	2	11	7.05	2.368
D	55	3	13	7.77	3.003
KA	55	3	10	5.43	1.659
TO	55	13	2156	186.42	334.456
BEFORE	55	.03	8.05	4.81	2.012

*Source: analysis results, 2025*

Based on table 1, it can be seen that the smallest value of Managerial Ownership (KM) is 0.000 while the largest value is 0.023. Then, the mean value is 0.001 while the standard deviation is 0.004 or greater than the mean which indicates a relatively wide diversity of data. Commissioner (K) with the smallest score of 2 and the greatest score of 11.

Then, the mean value of 7.05 is greater than the standard deviation of 2.368, indicating a relatively small diversity of data. The Board of Directors (D) with the smallest score of 3 and the largest score of 13. Then, the mean value is 7.77 or greater than the standard deviation of 3.003 which indicates a small diversity of data. The Audit Committee (KA) has the

smallest score of 3 and the largest score is 10. Then, the mean value was 5.43 or a large deviation of the standard deviation of 1.659 which indicates a small diversity of data. Internal Audit (AI) has the smallest score of 13 and the largest score is 2,156. Then, the mean value was 186.42 or smaller than the

standard deviation of 334.456 which indicates a wide diversity of data. NIM with the smallest value of 0.03 and the largest value of 8.05. Then, a mean value of 4.81 or greater than its standard deviation of 2.012 indicates a small diversity of data.

**Table 4.**  
**F Test Results**

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	164.432	5	32.886	29.701	.000b
	Residual	54.255	49	1.107		
	Total	218.688	54			

*Source: analysis results, 2025*

Based on table 3, the Sig. value of 0.000 or less than 0.05 and F-statistic of 29.701 were obtained. This indicates that the Good Corporate Governance variable as measured by managerial ownership, the board of

commissioners, the board of directors, the audit committee and the internal audit together have a positive and significant influence on the Profitability Variable.

**Table 5.**  
**t Test Results**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	6.963	.730		11.996	.092 (*)
KM	58.902	32.294	.123	.941	.000 (**)
K	.494	.073	.581	-1.459	.000 (**)
D	-.321	.061	-.479	.403	.000 (**)
KA	-.686	.091	-.566	-4.912	.000 (**)
TO	.003	.000	.460	4.456	.092 (*)

*Source: analysis results, 2025*

Based on table 4 of the results of data management, the Sig. value of managerial ownership (KM) is 0.092 or this value < 0.1 which indicates that managerial ownership has a significant effect on profitability. This is in accordance with the hypothesis put forward by the researcher that managerial ownership has a significant effect on profitability is declared acceptable. The value of the commissioner's sig. is 0.000, which means that this value is <0.05 which indicates that the commissioner

has a significant influence on profitability. This is in accordance with the hypothesis put forward by the author, namely that the commissioner (K) has a significant effect on profitability is declared accepted. The Sig. value of the board of directors is 0.000, which means that this value is <0.05 which indicates that the board of directors has a significant effect on profitability. This is in accordance with the hypothesis put forward by the researcher that the board of directors (D) has a

significant effect on profitability is declared accepted. The audit committee's Sig. value is 0.000 or  $< 0.05$  which indicates that the audit committee has a significant effect on profitability. This is in accordance with the hypothesis put forward by the researcher that the audit committee (KA) has a significant effect on profitability is declared accepted.

The value of the internal audit sig. is 0.000 or  $< 0.05$  which indicates that the internal audit has a significant effect on profitability. This is in accordance with the hypothesis put forward by the researcher, namely that internal audit (AI) has a significant effect on profitability is declared accepted.

**Table 6.**  
**Hypothesis Testing Results**

No	Variabel	Coeffisient	Sig.	Information
1	KM	.123	.092 (*)	H <sub>1</sub> Accepted
2	K	.581	.000 (**)	H <sub>2</sub> Accepted
3	D	-.479	.000 (**)	H <sub>3</sub> Accepted
4	KA	-.566	.000 (**)	H <sub>4</sub> Accepted
5	TO	.460	.000 (**)	H <sub>5</sub> Accepted

*Source: analysis results, 2025*

### Multiple Linear Regression Equation Analysis

The regression equations obtained are:

$$Y = 6,963 + 58.902X_1 + 0.494X_2 - 0,321X_3 - 0,686X_4 + 0,003X_5$$

The value of the Constant is known to be 6.963, so it can be assumed that if the value of the independent variable is 0 (constant) then the dependent variable is 6.963.

The value of the Regression Coefficient X1 has a positive value (+) of 58.902. Managerial Ownership is obtained as a result of having a significant effect on profitability, so every increase in the number of Managerial Ownership is worth one with the assumption that other variables are constant. So, there will be an increase in profitability measured by *NIM* of 5,890%.

The value of the Regression Coefficient X2 is positive (+) of 0.494 for each increase in the number of members of the Board of Commissioners worth one assuming that other variables are constant. Thus, there is an increase in Profitability as measured by *NIM* of 49%.

The value of the Regression Coefficient X3 is positive (-) of -0.321, meaning that every increase in the number of members of the Board of Directors is worth one assuming that

other variables are constant. Thus, there is a reduction in Profitability measured by *NIM* of 32%.

The value of the Regression Coefficient X4 is positive (-) of -0.686, meaning that any increase in the number of members of the Audit Committee is worth one with the assumption that other variables are constant. Thus, there is a reduction in Profitability as measured by *NIM* of 68%.

The value of the Regression Coefficient X5 is positive (+) of 0.003, meaning that any increase in the number of Internal Audit Units is worth one with the assumption that other variables are constant. Thus, there is an increase in Profitability as measured by *NIM* of 0.3%.

### Discussion

#### The Influence Managerial Ownership on Profitability

The results of the calculation of the T test that have been carried out are known to have a Sig. value of 0.092. The result means that it is



qualified because  $<0.1$  which means that managerial ownership has a significant effect on profitability. So, the hypothesis of this research is declared accepted. The value of the regression coefficient is 58,902, which means that the direction of the effect is positive. Every increase in the percentage of shares owned by the management will increase the amount of banking profits. The value of R Square seen in table 4 is 0.012 or 1.2%, this variable is able to affect profitability and the rest is 98.8% apart from this study variable such as liquidity, *leverage* and *sustainability report disclosure* (Sonia & Khafid, 2020). The number of shares that are increasingly owned by banking management which directly plays the role of 2 parties at once, namely the owner and management, is able to increase the efficiency and accuracy of communication when there is an assignment to avoid misunderstandings with other shareholders (Sartika *et al.*, 2024).

In line with the theory of agency that explains the relationship between agents and owners, the achievement of the implementation of Good Corporate Governance in the company will minimize the occurrence of agency conflicts and avoid information asymmetry so as to increase shareholder trust. This is because in this theory it is stated that agents have the right and responsibility to make a decision for the smooth operation of the company so that through this guideline it becomes a basic reference for agents to think carefully so as not to harm or benefit themselves and the company.

The results of this test are supported by research conducted by Hikmah & Fitria (2019), Alviani & Sufyani (2020), Angraini & Fasridon (2021), Sanjaya & Cahyonowati (2022), Alfariz & Asmara (2024) found that there was a positive and significant influence of managerial ownership on profitability,

#### **The Influence of Commissioners on Profitability**

The results of the calculation of the T test that have been carried out are known to have a significance value of 0.000. This value is qualified because  $<0.05$  means that the commissioner has a significant influence on profitability. So, hereby the hypothesis is declared accepted. The value of the regression coefficient is 0.494, meaning that the direction of the effect is positive. This means that when the number of commissioners increases, profitability will also increase.

Then, the R Square value is 0.240 or 24% of this variable can affect the profitability variable while the remaining 76% is other than the variables in this study such as the variable *Environment Management Accounting* implemented by Luthfillah *et al.* (2024), variabel *E-goverment* and *Human Resource Competency* Implemented by Calen *et al.* (2024) and the variable *Firm Value, Capital Adequacy Ratio dan Non-Performing Loans* implemented by Sulbahri *et al.* (2023). The large proportion of the number of commissioners will have a good impact on the profitability of the Bank. As with the task of the board of commissioners to monitor and guarantee and advise the board of directors so that banking operational activities run well, including in the proper implementation of GCG (Novia & Meythi, 2022).

The results of this calculation were strengthened by the Khoosyi *et al.* (2019) and Lumbanraja (2021) which says that the commissioner has a positive and significant effect on profitability. Similar to that done by Rahayu & Kartika (2021), Snoop Doggy *et al.* (2022) and Novia & Meythi (2022) who find that the commissioner has a positive and significant effect on profitability.

#### **The Influence of the Board of Directors on Profitability**

The results of the calculation of the T test that have been carried out produce a sig value. worth 0.000. This value is qualified because  $<0.05$  means that the board of directors has a significant effect on profitability. So, with this

result, the hypothesis is declared accepted. The value of the regression coefficient is -0.321, which means that the direction of the influence is negative. This can be interpreted that the greater the number of directors, the profitability of banks will decrease.

Then, with the value of R square is 0.001 or 0.1%, this variable can affect profitability and the rest is 99.9% in addition to the variables of this research such as the leverage variable and the size of the company carried out by the Harisa *et al.* (2019), variabel *Earnings Management* in the research carried out by Mahrani & Soewarno (2018) and the variable *Intellectual Capital* implemented by Anik *et al.* (2021). The Board of Directors as the top manager of the company plays an important role in running and managing the company so that competent people are needed. The increasing number of the Board of Directors tends to be difficult to produce healthy finances and can result in a decline. This is due to the lack of good coordination among the members who have too many. Not only that, a large number of members will actually be less likely to maximize their duties than each board member, and this can even be used as a personal benefit for each (Amelia, 2024).

The results of this test were strengthened by the Prayanthi & Laurens (2020), Yopie & Andriani (2021), Fajri *et al.* (2022), Bancin & Harmain (2022) and Teak & Arif (2024) which says that the board of directors has a negative and significant effect on profitability.

### **The Influence of the Audit Committee on Profitability**

The results of the calculation of the T test that have been carried out produce a value of sig. worth 0.000. The calculation is qualified because  $<0.05$  which is interpreted as the audit committee has a significant effect on profitability. Hereby the hypothesis is declared accepted. The value of the regression coefficient of -0.686 means that the direction of the influence is negative, meaning that

every increase in the number of members of the Audit Committee will decrease the level of banking profitability in this study.

The R Square value is 0.316 or 31.6% of the audit committee variables can affect the profitability variable and the remaining 68.4% is outside of this study such as the variables *Corporate Social Responsibility* implemented by (A. Rahmawati *et al.* (2021), environmental management variables accounting and environmental performance implemented by Luthfillah, Andriana, Bashir, *et al.* (2024), variabel *leverage* and the size of the company implemented by Harisa *et al.* (2019). Banks that have large audit committee members will generate many ideas. Thus, a company that has a large number of Audit Committees will also cause a lot of control and supervision to be carried out. This will give rise to various considerations to determine the decision of the Audit Committee plus each member who comes from different educations, thus influencing the supervision of the financial statements (Irma, 2019).

The results of this calculation are strengthened by research Islami (2018) and Katutari & Yuyetta (2019) which revealed that the audit committee had a negative and significant effect on profitability. Similar to that done by Fatimah & Rahman, (2021), Febrina & Sri (2022) and S. Rahmawati & Nazmel (2024) stated that the audit committee had a negative and significant effect on profitability.

### **The Effect of Internal Audit on Profitability**

The results of the calculation of the T test that have been carried out produce a value of sig. Worth 0.000. The score is eligible because  $<0.05$  which is interpreted as an internal audit has a significant effect on profitability. With this, the research hypothesis is declared accepted. The regression coefficient value of 0.003 indicates a positive direction of influence, meaning that every increase in the number of internal audit members will

increase the level of banking profitability in this study.

The R Square value is 0.069 or 6.9%, this variable can affect profitability and the remaining 93.1% is outside of this study such as the variables of company value, risk management, intellectual capital and sustainability reports in the research carried out by Dewi et al. (2023), variabel *Investment Decision* In research conducted by Wahyudi & Chairunesia (2019), variabel *Islamic Social Reporting, Growth Opportunity and Firm Value* research conducted by Azizah & Rahman (2023), variabel *CSR* implemented by Nadia et al. (2020) Internal audits, which are organs formed by top managers for adequate and objective insurance activities, are designed to generate added value and strengthen the company's operational activities. This organ is needed so that the company's situation can be controlled and avoid fraudulent acts. Internal audits also provide suggestions and criticism to improve organizational performance and for each level of management (Aini et al., 2023). Therefore, the need for experience and knowledge for auditors is the key to success in conducting the audit process.

The results of this calculation are strengthened by Tobing et al. (2019), Meidiana & NR (2020), Suharti & Priyadi (2020), Saleh et al. (2022) and Darmayanti & Arigawati (2023) said that there is a positive influence of Internal Audit on Profitability.

## Conclusions and Suggestions

The purpose of this study is to see the Influence of *Good Corporate Governance* as measured by the ownership of managers, commissioners, directors, audit committees and internal audit on the profitability of Banking in Indonesia as measured by *Net Interest Margin (NIM)*. Based on the results of the research, it can be concluded that the following can be concluded: Managerial Ownership, Commissioners and Internal Audit have a positive and significant effect on

the profitability of the bank while the Board of Directors and Audit Committee have a negative and significant effect on the profitability of the bank. The suggestion of this research is for investors and banking management to pay attention to the practice of *implementing Good Corporate Governance* by utilizing the functions of managerial ownership, commissioners, board of directors, audit committees and internal audits that can affect profitability. This is because *GCG* has a significant influence on banking profitability which can increase the company's performance so that the trust of shareholders and the public increases. Then, the next research is hoped to be improved by choosing other objects such as manufacturing and service companies. The addition of more total samples and the latest time span so that it can be more generalized. Not only that, the next research can choose other variables that can affect the profitability of banks in Indonesia.

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