Jurnal Ilmu Manajemen Volume 14, issue 2
Juni 2025,
Page 245-260

JURNAL ILMU MANAJEMEN
Published every June and December
e-ISSN: 2623-2081, p-ISSN: 2089-8177
Journal homepage: https://ojs.um-palembang.ac.id/index.php/JIM

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

Septa Fidriansyah[a*], Isni Andriana[b], Fida Muthia[c]
[a,b,c] Sriwijaya University, Indonesia
** Corresponding author e-mail: septapidrik@gmail.com*

A R T I C L E I N F O

DOI: 10.32502/jim.v14i2.589

Article history:
Received:
24 Maret 2025

Accepted:
01 June 2025

Available online:
15 June 2025

Keyword:
Good Corporate Governance; *Profitability*

A B S T R A C T

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.

A B S T R A K

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.

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:

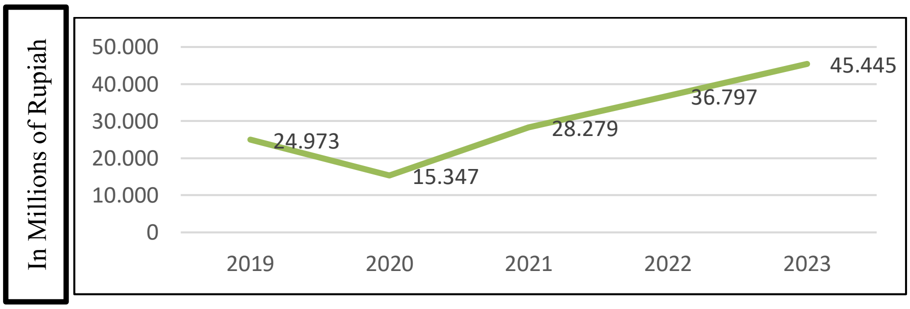

Figure 1. *EBITDA* of CGPI Participants in 2019-2023
Source: Banking Annual Report 2019-2023

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 Silviants *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 Perfomance*

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_1: 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:

H2: 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:

H3: 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:

H4: 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.

H5: 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
Managerial Ownership	The percentage of shares owned by management	$\frac{\text{Saham dimiliki manajemen}}{\text{Saham beredar}}$	(CGPI, 2023)
Commissioner (X2)	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	∑Members of the Board of Commissioners	(CGPI, 2023).

Variable	Definition	Measure	Source
Board of Directors (X3)	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	∑Members of the Board of Directors	(CGPI, 2023)
Komite Audit (X4)	An independent body established by the board of commissioners eases them when conducting monitoring activities	∑Audit Committee Members	(CGPI, 2023)
Audit Internal (X5)	Organs that carry out assessment activities carried out in banking independently on financial reporting	∑Internal Audit Member	(Darmayanti & Arigawati, 2023)
Profitability (Y)	Achievements of all Decisions that the agency has passed	***NIM*** $\frac{\text{Pendapatan Bunga Bersih}}{Rata - rata\ total\ aset\ penghasilan}$	(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	0,000	0,023	0,001	0,004
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	0,03	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	0,000
	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	0,730		11,996	0,092 (*)
	KM	58,902	32,294	0,123	0,941	0,000 (**)
	K	0,494	0,073	0,581	-1,459	0,000 (**)
	D	-0,321	0,061	-0,479	0,403	0,000 (**)
	KA	-0,686	0,091	-0,566	-4,912	0,000 (**)
	TO	0,003	0,000	0,460	4,456	0,092 (*)

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	Coefisient	Sig.	Information
1	KM	0,123	0,092 (*)	H_1 Accepted
2	K	0,581	0,000 (**)	H_2 Accepted
3	D	-0,479	0,000 (**)	H_3 Accepted
4	KA	-0,566	0,000 (**)	H_4 Accepted
5	TO	0,460	0,000 (**)	H_5 Accepted

Source: analysis results, 2025

Multiple Linear Regression Equation Analysis

The regression equations obtained are:

$$\mathbf{Y = 6{,}963 + 58{,}902X_1 + 0{,}494X_2 - 0{,}321X_3 - 0{,}686X_4 + 0{,}003X_5}$$

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 X_1 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 X_2 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 X_3 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 X_4 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 X_5 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 *sustainbility 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 *Evironment 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.

References

Ahmed, E. R., Alabdullah, T. T. Y., Hottoli, M. M., & Maryanti, E. (2020). Does Corporate Governance Predict Firm Profitability? An Empirical Study in Oman. *The International Journal of Accounting and Business Society*, *28*(1), 127–143.

Aini, D. N., Ningsih, P. A., & Rahma, S. (2023). Analisis Kinerja Keuangan Pengelolaan Alokasi Dana Desa Berdasarkan Rasio Efektivitas Dan Rasio Pertumbuhan Pada Kantor Desa Jati Mulyo Tanjung Jabung Timur. *Jurnal Riset Ekonomi Dan Akuntansi*, *1*(1), 125–140. https://doi.org/10.54066/jrea-itb.v1i1.177

Alabdullah, T. T. Y., & Ahmed, E. R. (2020). Audit Committee Impact on Corporate Profitability in Oman Companies: an

Auditing and Management Accounting Perspective. *Jurnal Riset Akuntansi Dan Keuangan Indonesia*, *5*(2), 121–128. https://doi.org/10.23917/reaksi.v5i2.11836

Alfariz, R., & Asmara, R. Y. (2024). Company Size , Managerial Ownership , Sustainability Report on Financial Performance with Operational Efficiency as an Intervening. *Asian Journal of Social and Humanities*, *2*(12), 3125–3135.

Alkurdi, A., Hamad, A., Thneibat, H., & Elmarzouky, M. (2021). Ownership structure's effect on financial performance: An empirical analysis of Jordanian listed firms. *Cogent Business & Management*, *8(1)*, 1–21. https://doi.org/https://doi.org/10.1080/23311975.2 021.1939930

Almashhadani, M., & Almashhadani, H. A. (2022). Does Corporate Governance Improve Corporate Profitability: Reviewing the Role of Internal Corporate Governance Mechanisms. *International Journal of Business and Management Invention (IJBMI) ISSN*, *11*(6), 7–11. https://doi.org/10.35629/8028-1106030711

Alviani, T., & Sufyani, A. (2020). Peluang Tumbuh, Struktur Modal, Kepemilikan Manajerial Terhadap Profitabilitas Dan Nilai Perusahaan. *Jurnal Riset Bisnis Dan Manajemen*, *13*(1), 41–51. https://doi.org/10.23969/jrbm.v13i1.3941

Amelia, R. (2024). Jumlah Rapat Komite Audit, Jumlah Dewan Direksi, dan Jumlah Dewan Komisaris terhadap Pengaruh Penerapan GCG pada Perusahaan Sektor Garmen dan Tekstil yang Terdaftar di Bursa Efek Indonesia (BEI) pada Tahun 2020-2021. *El-Mal: Jurnal Kajian Ekonomi & Bisnis Islam*, *5*(4), 2579–2592. https://doi.org/10.47467/elmal.v5i4.1127

Angraini, Y., & Fasridon. (2021). Pengaruh Kepemilikan Manajerial, Modal intelektual, Struktur Modal Terhadap Nilai Perusahaan dengan Profitabilitas sebagai Variabel Intervening. *Kompak :Jurnal Ilmiah Komputerisasi Akuntansi*, *14*(1), 219–230. https://doi.org/10.51903/kompak.v14i1.261

Anik, S., Chariri, A., & Isgiyarta, J. (2021). The Effect of Intellectual Capital and Good Corporate Governance on Financial Performance and Corporate Value: A Case Study in Indonesia. *Journal of Asian Finance, Economics and Business*, *8*(4), 391–402. https://doi.org/10.13106/jafeb.2021.vol8.no4.0391

Asghar, M. J. e K. A., Anwar, Z., Usman, M., & Khan, H. (2021). Better Corporate Governance Leads to Better Performance: Evidence from Asian Countries. *Argumenta Oeconomica*, *46*(1), 183–204. https://doi.org/10.15611/aoe.2021.1.09

Aslam, E., & Haron, R. (2020). Does corporate governance affect the performance of Islamic banks? New insight into Islamic countries. *The International Journal of Logistic Management*, *20*(6), 1073–1090. https://doi.org/10.1108/CG-11-2019-0350

Audria, U., & Susan, M. (2019). the Influence of Corporate Governance and Intellectual Capital on Profitability in Companies That Participated in the 2012-2016 Corporate Governance Perception Index (Cgpi). *International Journal of Business, Economics and Law*, *19*(3), 12–27.

Azizah, S. N., & Rahman, T. (2023). Good Corporate Governance, Islamic Social Reporting, Growth Opportunity and Firm Value: The Mediating Role of Financial Performance. *Annual International Conference on Islamic Economics and Business*, *3*(2), 175–187.

Bancin, K. A., & Harmain, H. (2022).

Pengaruh Good Corporate Governance Terhadap Kinerja Keuangan Perusahaan Terdaftar Di BEI Tahun 2016-2020. *Owner*, *6*(4), 3714–3723. https://doi.org/10.33395/owner.v6i4.1124

Brigham, & Houston. (2019). *Dasar-Dasar Manajemen Keuangan* (Edisi 15). Salemba Empat.

Buallay, A. (2019). Corporate Governance, Shariha'ah Governance and Performance: A Cross-Country Comparison in Mena Region. *International Journal of Islamic and Middle Eastern Finance and Management*, *12*(2), 216–235. https://doi.org/10.1108/IMEFM-07-2017-0172

Calen, Theng, B. P., & Toni, N. (2024). The role of e-government, human resource competency and good corporate governance on the financial performance of the government companies. *International Journal of Data and Network Science*, *8*, 1873–1882. https://doi.org/10.5267/j.ijdns.2024.2.002

Carton, G., & Parigot, J. (2021). Resource-based view and natural Resources: Propositions for Sustainability. *XXXème Conférence de l'AIMS*, 1–18.

Darmayanti, E., & Arigawati, D. (2023). Pengaruh Audit Internal Dan Good Corporate Governance Terhadap Kinerja Keuangan Perusahaan. *Jurnal Locus Penelitian Dan Pengabdian*, *2*(9), 898–916. https://doi.org/10.58344/locus.v2i9.1660

Dewi, I. G. A. R. P., Dewi, C. I. R. S., & Yamawati, N. K. S. (2023). Financial Performance and Corporate Value With Good Corporate Governance As a Moderation of High and Low Profile Companies. *International Journal of Social Science*, *3*(2), 129–142. https://doi.org/10.53625/ijss.v3i2.6297

Fajri, F., Akram, & Mariadi, Y. (2022). Influence Of Good Corporate Governance On Financial Sector Soe Companies Financial Performance. *Risma*, *2*(2), 307–320.

Fatimah, D., & Rahman, T. (2021). Peran ukuran perusahaan dalam hubungan antara dewan direksi, komite audit dan likuiditas dengan profitabilitas. *Journal of Accounting and Digital Finance*, *1*(2), 153–162. https://doi.org/10.53088/jadfi.v1i2.168

Febrina, V., & Sri, D. (2022). Pengaruh Dewan Komisaris, Dewan Direksi, Komite Audit, Dan Kepemilikan Manajerial Terhadap Kinerja Keuangan. *Jurnal Informasi Akuntansi (JIA)*, *1*(1), 77–89. https://doi.org/10.32524/jia.v1i1.478

Ghalib, S. (2018). Good corporate governance rating and bank profitability in Indonesia: Evidence from panel data. *International Journal of Business and Society*, *19*(3), 570–586.

Hadinata, S. (2019). Islamic Social Reporting Index Dan Kinerja Keuangan Pada Perbankan Syariah Di Indonesia. *EkBis: Jurnal Ekonomi Dan Bisnis*, *2*(1), 72. https://doi.org/10.14421/ekbis.2018.2.1.1099

Harisa, E., Adam, M., & Meutia, I. (2019). Effect of Quality of Good Corporate Governance Disclosure, Leverage and Firm Size on Profitability of Isalmic Commercial Banks. *International Journal of Economics and Financial Issues*, *9*(4), 189–196. https://doi.org/10.32479/ijefi.8157

Hikmah, & Fitria, N. L. (2019). The Effect of Managerial Ownership, Institutional Ownership, and Independent Board of Commissioners on Return On Assets (Study in Bnaking Companies Listed in The Indonesia Stock Exchange 2013 - 2017). *IOSR Journal of Economics AndFinance*, *10*(4), 43–48. https://doi.org/10.9790/5933-1004034348

Irma, A. D. A. (2019). Pengaruh Komisaris, Komite Audit, Struktur Kepemilikan, Size Dan Leverage Terhadap Kinerja Keuangan Perusahaan Properti, Perumahan Dan Konstruksi 2013-2017. *Jurnal Ilmu Manajemen*, *7*(3), 697–712.

Islami, N. W. (2018). Pengaruh Corporate Governance terhadap Profitabilitas Perusahaan. *Jurnal JIBEKA*, *12*(1), 54–58.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: managerial behavior, agency Costs and oenership structure. *Journal of Financal Economic*, *3*(4), 305–360.

Katutari, R. A., & Yuyetta, E. N. A. (2019). Pengaruh Kepemilikan Institusi, Karakteristik Dewan Komisaris Dan Komite Audit Terhadap Profitabilitas. *Diponegoro Journal of Accounting*, *8*(3), 1–12. http://ejournal-s1.undip.ac.id/index.php/accounting

Khoosyi, M. N., Suhendro, S., & Samrotun, Y. C. (2019). Pengaruh Good Governance Terhadap Kinerja Keuangan pada Perusahaan Perbankan yang terdaftar Di Bursa Efek Indonesia. *EBA Journal: Journal Economics, Bussines and Accounting*, *5*(2), 20–28. https://doi.org/https://doi.org/10.32492/eba.v5i2.842

Kuncoro. (2021). *Metode Kuantitatif Teori dan Aplikasi Untuk Bisnis dan Ekonomi*. UPP STIM YPKN.

Lumbanraja, T. (2021). Pengaruh Good Corporate Governance (Dewan Direksi, Dewan Komisaris, Dan Komite Audit) Terhadap Profitabilitas. *Jurakunman (Jurnal Akuntansi Dan Manajemen)*, *14*(2), 159–180. https://doi.org/10.48042/jurakunman.v14i2.80

Luthfillah, M. T., Andriana, I., & Bashir, A. (2024). Dampak Environmental Management Accounting dan Good Corporate Governance terhadap Financial Performance. *Journal of Economic, Business and Accounting*, *7*(5), 2597–5234. https://doi.org/10.1057/9780230353275

Luthfillah, M. T., Andriana, I., Bashir, A., Susetyo, D., & Mukhtaruddin. (2024). Determinants of Financial Performance of Companies Listed on the Indonesian Institute For Corporate Governance. *Indonesian Journal of Business Analytics*, *4*(4), 1380–1393. https://doi.org/10.55927/ijba.v4i4.10259

Mahrani, M., & Soewarno, N. (2018). The effect of good corporate governance mechanism and corporate social responsibility on financial performance with earnings management as mediating variable. *Asian Journal of Accounting Research*, *3*(1), 41–60. https://doi.org/10.1108/AJAR-06-2018-0008

Meidiana, A., & NR, E. (2020). Pengaruh Audit Internal, Struktur Modal, Dan Good Corporate Governance Terhadap Kinerja Keuangan. *Jurnal Eksplorasi Akuntansi*, *2*(1), 2001–2019. https://doi.org/10.24036/jea.v2i1.192

Mukhtaruddin, M., Ubaidillah, U., Dewi, K., Hakiki, A., & Nopriyanto, N. (2019). Good Corporate Governance, Corporate Social Responsibility, Firm Value, and Financial Performance as Moderating Variable. *Indonesian Journal of Sustainability Accounting and Management*, *3*(1), 55. https://doi.org/10.28992/ijsam.v3i1.74

Nadia, M. A., Rokhmawati, A., & Halim, E. H. (2020). The Effect of Corporate Social Responsibility and Good Corporate Governance on Firm Value with Financial Performance as the Mediation Variable. *International Journal of Economic, Business and Applications*, *5*(1), 83–97. https://doi.org/https://doi.org/10.53625/ijss.v3i2.6297

Nirawati, L., Samsudin, A., Stifanie, A., Setianingrum, M. D., RyanSyahputra, M., Khrisnawati, N., & Saputri, Y. (2022). Profitabilitas dalam Perusahaan. *Jurnal Manajemen Dan Bisnis*, *5*(1), 60–68.

Novia, T. S., & Meythi, M. (2022). Profitability: The Impact Of Corporate

Social Responsibility And Corporate Governance Implementation. *International Journal of Innovative Technologies in Economy*, *2*(38), 1–13. https://doi.org/https://doi.org/10.31435/rsglobal_ijite/30062022/7845

Petchsakulwong, P., & Jansakul, N. (2018). Board of Directors and Profitability Ratio of Thai Non-Life Insurers. *Kasetsart Journal of Social Sciences*, *39*(1), 122–128. https://doi.org/https://doi.org/10.1016/j.kjss.2017.11.005

Pratiwi, A. R., & Bahari, A. (2020). Pengaruh Good Corporate Governance Terhadap Profitabilitas Perusahaan Dengan Corporate Social Responsibility Sebagai Variabel Moderasi Pada Perusahaan Peserta Corporate Governance Perception Index Pada Tahun 2013-2017. *Jurnal Akuntansi Keuangan Dan Bisnis*, *13*(1), 11–20. https://doi.org/10.35143/jakb.v13i1.3425

Prayanthi, I., & Laurens, C. N. (2020). Pengaruh Dewan Direksi, Komisaris Independen, Dan Komite Audit Terhadap Kinerja Keuangan Pada Sektor Makanan Dan Minuman. *Klabat Journal of Management*, *1*(1), 66–89. https://doi.org/10.60090/kjm.v1i1.450.66-89

Rahayu, R. S. A., & Kartika, A. (2021). The Effect of Good Corporate Governance on Banking Profitability. *East Asian Journal of Multidisciplinary Research*, *1*(5), 753–770. https://doi.org/10.55927/eajmr.v1i5.488

Rahmawati, A., Roekhudin, R., & Prastiwi, A. (2021). Effect of good corporate governance and corporate social responsibility on firm value moderate by profitability. *International Journal of Research in Business and Social Science*, *10*(4), 59–66. https://doi.org/10.20525/ijrbs.v10i4.1194

Rahmawati, S., & Nazmel, N. (2024). Pengaruh Proporsi Komisaris Independen , Komite Audit Dan Kepemilikan Korporat terhadapa Kinerja Keuangan. *Jurnal Ekonomi Trisakti*, *4*(1), 93–102.

Reza, M. S. (2021). Mitigasi Risiko Tanggung Jawab Secara Tanggung Renteng Dewan Komisaris Atas Kerugian Perusahaan Perseroan Dalam Perspektif Prinsip – Prinsip Tata Kelola Perusahaan Yang Baik (Good Corporate Governance). *Jurnal Ilmiah Ilmu Hukum*, *3*(2), 313–325. https://doi.org/10.28946/lexl.v3i2.1103

Roviqoh, D. I., & Khafid, M. (2021). Profitabilitas dalam Memediasi Pengaruh Kepemilikan Institusional, Komite Audit, dan Ukuran Perusahaan terhadap Pengungkapan Sustainability Report. *Business and Economic Analysis Journal*, *1*(1), 14–26. https://doi.org/10.15294/beaj.v1i1.30142

Rumapea, M., & Silitonga, I. M. (2020). Pengaruh Karakteristik Dewan Komisaris, Karakteristik Dewan Direksi, Dan Size Perusahaan Terhadap Nilai Perusahaan Melalui Profitabilitas Sebagai Variabel Intervening Pada Perusahaan Perbankan Bumn Yang Terdaftar Di Bursa Efek Indonesia (Bei). *METHOSIKA: Jurnal Akuntansi Dan Keuangan Methodist*, *4*(1), 49–65. https://doi.org/10.46880/jsika.vol4no1.pp49-65

Saleh, A. M., Rukmana, R., & Aprilia, F. (2022). Pengaruh Audit Internal terhadap Kinerja Keuangan Perbankan pada Perusahaan Perbankan di Bursa Efek Indonesia Periode 2015-2019. *Jurnal Mirai Management Jurnal Mirai Management Volume 7 Issu*, *7*(3), 56–66.

Sanjaya, O. A. P., & Cahyonowati, N. (2022). Pengaruh Kepemilikan Manajerial Terhadap Return Saham Dengan Profitabilitas Sebagai Variabel Intervening Pada Perusahaan Manufaktur Di Bursa Efek Indonesia. *Diponegoro Journal of Accounting*, *11*(4), 1–9. https://ejournal3.undip.ac.id/index.php/accounting/article/view/36392

Sari, D. Y., & Purwaningsih, E. (2023). Pengaruh Dewan Direksi, Dewan Komisaris, Dan Kepemilikan Institusional Terhadap Profitabilitas. *Neraca Manajemen, Akuntansi Ekonomi*, *1*(9), 1–16.

Sari, N. A., Amin, M., & Sari, A. F. K. (2021). E-JRA Vol. 10 No. 07 Februari 2021 Fakultas Ekonomi dan Bisnis Universitas Islam Malang. *E-JRA*, *10*(07), 100–111.

Sartika, D., Anshari, R., & Wahyuni Jamal, S. (2024). Pengaruh Struktur Kepemilikan Manajerial Terhadap Kemungkinan Kesulitan Keuangan Perusahaan Sektor Industri Barang Konsumsi. *Manajemen: Jurnal Ekonomi*, *6*(2), 271–281. https://doi.org/10.36985/n8e3je35

Shifa, M., Amalia, A., Abd.Majid, M. S., & Marliyah, M. (2022). Penggunaan Mata Uang Dinar Dan Dirham Sebagai Solusi Prediksi Krisis Moneter Di Indonesia. *Fair Value: Jurnal Ilmiah Akuntansi Dan Keuangan*, *4*(6), 2321–2338. https://doi.org/10.32670/fairvalue.v4i6.992

Sonia, D., & Khafid, M. (2020). The Effect of Liquidity, Leverage, and Audit Committee on Sustainability Report Disclosure with Profitability as a Mediating Variable. *Accounting Analysis Journal*, *9*(2), 95–102. https://doi.org/10.15294/aaj.v9i2.31060

Suharti, E. A., & Priyadi, M. P. (2020). Pengaruh Audit Internal, Intellectual Capital dan Good Corporate Governance terhadap Kinerja Keuangan. *Jurnal Ilmu Dan Riset Akuntansi*, *9*(8), 17.

Sulbahri, R. A., Fuadah, L. L., Saftiana, Y., & Sidiq, S. (2023). How Capital Adequacy Ratio, Non-Performing Loans and Good Corporate Governance Affect Company Value with Financial Performance as Intervening Variables (Empirical Study of Commercial Banks Registered On the Idx for the 2017-2019 Period). *International Journal of Economics and Management Research*, *2*, 1–21.

The Indonesian Institute for Corporate Governance. (2023). *Laporan Program Riset Dan Pemeringkatan Corporate Governance Perception Index (CGPI) 2022*. The Indonesian Institute for Corporate Governance: Jakarta.

Tobing, R. A., Zuhrotun, & Rusherlistyani. (2019). Pengaruh Kinerja Keuangan, Ukuran Perusahaan, dan Good Corporate Governance Terhadap Pengungkapan Sustainability Report pada Perusahaan Manufaktur yang Terdaftar dalam Bursa Efek Indonesia. *Reviu Akuntansi Dan Bisnis Indonesia*, *3*(1), 102–123. https://doi.org/10.18196/rab.030139

Vadasi, C., Bekiaris, M., & Andrikopoulos, A. (2019). Corporate governance and internal audit: an institutional theory perspective. *Corporate Governance (Bingley)*, *20*(1), 175–190. https://doi.org/10.1108/CG-07-2019-0215

Wahyudi, S. M., & Chairunesia, W. (2019). The Effect of Good Corporate Governance on Investment Decisions and Profitability and Its Impact on Corporate Value. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, *9*(3), 140–149. https://doi.org/10.6007/ijarafms/v9-i3/6353

Yopie, S., & Andriani, E. (2021). Analisis Pengaruh Karakteristik Dewan Direksi dan Struktur Kepemilikan Terhadap Kinerja Keuangan Perusahaan Keluarga. *Jesya (Jurnal Ekonomi & Ekonomi Syariah)*, *4*(2), 1137–1146. https://doi.org/10.36778/jesya.v4i2.469