SJIF Impact Factor 2022: 8.197| ISI I.F. Value: 1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online)
EPRA International Journal of Research and Development (IJRD)
Volume: 7 | Issue: 6 | June 2022 - Peer Reviewed Journal

THE EFFECT OF GOOD CORPORATE GOVERNANCE IMPLEMENTATION ON COMPANY PERFORMANCE IN THE DISRUPTION ERA OF THE COVID-19 PANDEMIC

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Article DOI: https://doi.org/10.36713/epra10634
DOI No: 10.36713/epra10634

ABSTRACT

The paper entitled "The Effect of Good Corporate Governance Implementation on Company Performance in the Disruption Era of the Covid-19 Pandemic" is the result of research that seeks to answer the problem of whether the implementation of Good Corporate Governance has a significant effect on financial performance in the era of disruption of the Covid 19 pandemic. By using EViews 10 for statistical analysis which is a computational tool for time series econometrics. The results of data processing show that the independent variable, namely Good Corporate Governance (X1/KA, X2/KI, X3/DKI and X4/DD), has a significance value of 1.622977 with a significance level greater than 0.05 (0.199646). Thus, the results of the analysis in this study indicate that the independent variable, namely Good Corporate Governance (X1, X2, X3 and X4) together, does not affect the company's performance (Y/ROA). However, based on the results of the regression output, it is known that Institutional Ownership (X2) shows a probability value of 0.0541 > 0.05 so that it has a positive effect (coefficient 0.034231). The regression coefficient of X2 is 0.034231, which means that every 1% increase will increase the Company's Performance (Y) by 3% assuming other variables are constant, and vice versa.

KEYWORDS: *company performance, corporate governance. the era of disruption of covid 19.*

I. INTRODUCTION

Company performance is the result of management activities that have been carried out in a corporate entity. Usually, the parameters used in measuring or assessing the performance of a corporate entity are to approach it through financial information taken from the financial statements of the company. Financial ratios are important things that need to be considered in running a company. The disruption of the Covid-19 pandemic has brought major changes in the business world so that every company manager must adapt and have new strategies to keep their business sustainable. Companies that are not able to adapt will experience a decrease in their financial performance and even a few will go bankrupt. Company managers are also challenged to make various breakthroughs to be able to meet increasingly dynamic customer demands as well as to win business competitions. Strategies for dealing with disruption are like walking on fire. In addition to the need to have the ability to move quickly, it is also necessary to maintain balance in walking up it. The disruptive era requires changes, including changes in corporate governance. Clayton as the originator of the disruption theory believes that systems, paradigms, and corporate models will change and continue to change forms, and the old form will inevitably be abandoned by the new form that is more promising and provides efficiency, effectiveness, and accuracy. Companies that do not want to adapt in the era of disruption to the Covid-19 will experience difficulties, while competitors who are able to present new models and provide fulfillment of effectiveness, efficiency, and accuracy will get the market's attention, so that they are able to maintain their financial performance.

Today, the implementation of Good Corporate Governance (GCG) has become an urgent matter for every company, both on a large and medium scale, although the implementation will be different. GCG is understood as a set of mechanisms and institutions intended to provide efficient monitoring and control over the strategy and operations of a company. The phenomenon of the Covid 19 pandemic has significantly affected the joints of the economy. With this pandemic, every company has its own challenges to be able to continue the sustainability of the company. Each company also undergoes a change in strategy in order to achieve the company's goals. The company's strategy by implementing effective and efficient GCG is expected to be able to realize the company's vision and mission in a good, effective and efficient manner. Basically, the GCG implementation strategy covers the activities of the board of directors and their relationship with shareholders and with those who manage the company, as

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well as external auditors, regulators, and other stakeholders. With the implementation of good corporate governance, the board of directors tries to ensure that the company is managed in the right direction and carried out properly. With the implementation of good corporate governance, it is hoped that it will provide a balance between the economic and social objectives of the company, so that the company will become more transparent and facilitate monitoring for shareholders and outsiders.

The concept of Good Corporate Governance (GCG) is a concept that it is time to implement in companies in Indonesia. Sir Adrian Cadbury states that "Corporate governance is concerned with maintaining a balance between economic and social goals and between individual and communal goals.... The aim is to align as closely as possible the interests of individuals, companies and society". Therefore, good corporate governance makes the company more transparent and makes monitoring easier for shareholders and outsiders. Better monitoring and transparency should increase the accountability of managers, leading to better or more efficient investment decisions and ultimately to higher shareholder value (Boubaker, et al. 2014: p. 30).

Theoretically, the implementation of GCG can increase the value of the company which is marked by an increase in financial performance (Hery, 2017: 22). GCG is carried out as an effort to ensure that company managers always take appropriate and unselfish actions (Hery, 2017: 23). The existence of good corporate governance practices in a company is expected to reduce the risk that is detrimental to the company itself. GCG is one of the keys to a company's success to grow and be profitable in the long term, while winning global business competition (Hery, 2017: 29). GCG is a system that regulates and controls the company to create added value for all stakeholders. There are two things that are emphasized in this GCG concept, first, the importance of the right of shareholders to obtain correct and timely information and second, the company's obligation to make accurate and transparent disclosures of all company performance information. ownership and stakeholders.

Theoretically, the implementation of GCG will be able to increase the value of the company which is marked by an increase in financial performance. The company's financial performance is an achievement achieved by the company in a certain period that reflects the level of health of the company. Company performance is a description of the financial condition of a company which is analyzed with financial analysis tools, so that it can be known about the good and bad financial condition of a company that reflects work performance in a certain period. This is very important so that resources are used optimally in the face of environmental changes. For investors, information about the company's financial performance can be used to see whether they will maintain their investment in the company or look for other alternatives. If the company's performance is good, business value will be high. The ability to generate a return on invested capital is a major determinant of the overall value of a company and the value of the securities it issues. As a result, many equity analysts will regard profitability as the primary focus of their analytical efforts. Profitability reflects the company's competitive position in the market, and furthermore, the quality of its management (Henry, Elaine et al. 2019: 308).

This short paper seeks to answer the problem of whether the implementation of Good Corporate Governance has a significant effect on financial performance in the era of disruption to the Covid 19 pandemic.

II.LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

1. Good Corporate Governance (GCG)

The concept of Good Corporate Governance (GCG) arises because it is based on agency theory which expects information disclosure so that conflicts of interest between agents and principals can be minimized. Actually, corporate governance or, as defined in ISO FDIS 26000, organizational governance is the system by which an organization makes and implements decisions in pursuit of its objectives. Simply put, “governance” means: the decision-making process and the process by which decisions are implemented (or not implemented). And according to ISO FDIS 26000, it is the most important factor in enabling an organization to be responsible for the impact of its decisions and activities and to integrate social responsibility across the organization and its relationships (David Crowther and Shahla Seifi, 2011:10). Corporate governance can be thought of as an environment of trust, ethics, moral values and self-confidence – as a synergistic effort of all constituent parts – i.e., stakeholders, including government, the general public etc., professionals, service providers, and the corporate sector (David Crowther). and Shahla Seifi, 2011: 11).

In its implementation, effective and efficient use to realize the concept of Good Corporate Governance (GCG), there are at least 5 GCG pillars set by the National Committee on Governance Policy (KNKG), which we usually known as the concept of Tariff (Transparency, Accountability, Responsibility, Independence) and Fairness), this concept will be widely discussed in the implementation of GCG in an organization or company. Briefly, the concept of the Tariff will be described as follows:

(1) Transparency, this concept is needed in maintaining the objectivity of an organization or company in running a business by providing clear, accurate, easily accessible and understandable information and can be accounted for by all stakeholders in the organization or company. With the development of technology today, there is no reason for an organization or company not to be able to take the initiative to disclose various information related to the decision-making process or policy that is needed by stakeholders.

(2) Accountability, this concept is needed to see how far the performance that has been produced by an organization and company. In this case a performance must be managed appropriately and measurably to see how far the continuity between the planning, organizing, implementation and evaluation processes carried out with the goals of the organization orcompanyitself.Inthis concept, organizations and companies must be able to answer all questions that will be asked by stakeholders regarding what has been

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done and the results achieved by the organization or company itself.

(3) Responsibility, this concept reflects the responsibility of each individual or organization or company in complying with all tasks at work, rules and government policies relating to the business activities of an organization or company. In this case, it is not only limited to the responsibility in carrying out work between superiors and subordinates, but the responsibility of the organization or company to stakeholders in the surrounding community. So, in this concept, the organization or company must be able to take responsibility for all matters relating to the rules, laws and regulations that apply as a contribution to the relationship between the company's internal hierarchy, stakeholders, the community, and other stakeholders.

(4) Independence, this concept can be used as self-actualization for organizations and companies that can stand alone and have competitiveness with their business environment. In this case, the organization or company must have effective and efficient governance and be able to do it themselves without any domination or intervention from other parties, and be able to use and utilize the values that exist in the organization or company itself to be able to use as a unique point among other organizations and companies, so that they can compete in similar business fields.

(5) Fairness, this concept is needed to maintain company stability by maintaining fairness and equality for each member, stakeholder and other stakeholders in an organization or company with their respective portions. In essence, every part of the organization or company has the same opportunity to develop and contribute to the organization or company. Thus, this concept becomes very important to gain trust or as motivation for every part of the organization or company, because they will have the same taste and opportunity in contributing to the organization or company, so that it will spur every individual in competing to give their best to the organization or company. the organization or company.

GCG is a structure that regulates the pattern of harmonious relationships regarding the roles of the board of commissioners, directors, shareholders, and other stakeholders. In addition, it is also a system of checking and balancing authority over company control that can limit the emergence of two opportunities: mismanagement and misuse of company assets. Require transparency on the determination of company goals, achievements, and performance measurement (Bob Tricker, 2015: 30). In principle, the purpose of implementing GCG is in order to be able to develop and increase company value. To be able to manage resources and risks more effectively and efficiently. To be able to increase the discipline and responsibility of the company's organs in order to protect the interests of the company's shareholders and stakeholders. In addition, that the responsibility of corporate governance, (Bob Tricker, 2015: 31-32). namely:

• Ensure effective and efficient company operations
• Ensure compliance with laws and regulations
• Always make continuous improvements with good capital planning.
• Ensure that the accountability of the board of directors and management is carried out effectively to achieve the goal of creating shareholder value
• Creating trust and confidence in the company by creating good relationships between shareholders and the community.

2. Financial performance

Return on Assets (ROA) shows the company's ability to generate profits from each asset used by the company and shows a measure of management effectiveness in managing the funds invested by investors. Return on assets (ROA) is a form of profitability ratio which is intended to measure the company's ability to total funds invested in the company's operating activities with the aim of generating profits by utilizing its assets. Return on Assets (ROA), is a comparison between net income and average assets or a comparison of profit before tax to total assets which can be formulated as follows:

$$\text{ROA} = \frac{\text{Profit before tax}}{\textit{Total aset}} x\ 100\%$$

3. Hypothesis

The hypothesis in this study was developed using relevant theories and with logic and the results of previous studies related to the effect of the implementation of Good Corporate Governance on company performance. The hypothesis in this study was developed using theory because to verify the theory described above, it was faced with existing phenomena. This hypothesis needs to be developed with a logical explanation and also refers to the theoretical basis that can be used for the purpose of this research, namely to develop an existing theory. The hypothesis of this study is that the application of Good Corporate Governance has a positive and significant effect on financial performance in the era of disruption to the Covid 19 pandemic.

III. RESEARCH METHODS

In this article, the research is causal research, namely a causal relationship research. In this case, there are independent variables (influence) and dependent variables (influenced). This researcher explains about the influence of Good Corporate Governance on financial performance in this case Return on Assets.

In this study, the sampling technique used purposive sampling, namely the sampling technique by applying certain criteria. The criteria applied are as follows:

1) Companies listed on the Indonesia Stock Exchange consecutively during 2019-2021.
2) Companies that have published an annual report for 2019-2021.
3) The company's annual report has data related to research variables.

A. Data Analysis Techniques

(i) Descriptive Analysis

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Descriptive analysis is a method used to analyze data by describing or describing the data that has been collected as it is. According to (Ghozali, 2016), descriptive statistical analysis is used to explain the data description of all variables to be included in the research model seen from the minimum value, maximum value, average (mean), and standard deviation intended to provide an overview of the distribution and sample data behavior.

(ii) Classical Assumption Test

The data in this study were analyzed using regression analysis, so it is necessary to conduct a preliminary test in the form of a classical assumption test. In this study, the classical assumption test includes multicollinearity, heteroscedasticity and autocorrelation tests.

a. Multicollinearity Test

The multicollinearity test was conducted to determine whether there was a correlation between the independent variables in the regression model. Several ways to detect multicollinearity are as follows:

1) High R2 value, but only a few significant independent variables.
2) The correlation between the two independent variables exceeds 0.80.
3) Auxiliary regression. Multicollinearity arises because one or more independent variables are linearly correlated with other independent variables.
4) Multicollinearity can also be seen from the value of tolerance and variance inflation factor (VIF). Commonly used values to indicate the presence of multicollinearity are Tolerance < 0.10 or VIF > 10.

b. Heteroscedasticity Test

A Heteroscedasticity test was carried out to find out whether there was an inequality of variance from the residuals of one observation to another observation. One of the methods to test heteroscedasticity is using the Glejser test. If the independent variable statistically affects the dependent variable, then there is an indication of heteroscedasticity. This can be seen from the significance probability, that is, if the significance is above 0.05 then the regression model does not contain heteroscedasticity and if the significance is below 0.05 then the regression model contains heteroscedasticity. (Ghozali, 2016:56).

c. Hypothesis testing

The data analysis technique used to test the hypothesis in this study is multiple regression analysis. Multiple regression analysis is an analysis that connects more than two variables that is used to determine the magnitude of the effect of changes in one variable on other variables (Gujarati, 2012). The steps of multiple regression analysis in this study include:

a. Regression Model

(i) Common Effect Model (CEM)

The Common Effect Model (CEM) is a panel data regression model that combines time series and cross section data with the least squares approach and can use the pooled least square method (Ghozali, 2017). The assumptions of the common effect model are:

$$Yit = \alpha + \beta Xit + eit$$

Information:
Y = dependent variable
α = constant
β = regression coefficient
X = independent variable
i = cross section
t = time series
e = error

(ii) Fixed Effect Model (FEM)

Fixed effect model is a panel data regression model that has different effects between individuals and individuals are unknown parameters and can be estimated using the least square dummy technique (Ghozali, 2017). The assumptions of the fixed effect model are as follows:

$$Yit = \alpha + \beta 1Xit + \beta 2Xit + \beta 3Xit + \beta 4Xit + eit$$

(iii) Random Effect Model (REM)

The random effect model is a panel data regression model which differs from the fixed effect model, the use of the random effect model can save the use of degrees of freedom so that the estimation is more efficient. Random effect model using generalized least square as parameter estimation (Ghozali, 2017). The assumptions of the random effects model are as follows:

$$Yit = \alpha + \beta 1Xit + \beta 2Xit + \beta 3Xit + ...t + \beta nXit + eit$$

b. Panel Data Regression Model Selection Test

i. Chow test

The Chow test is a test to determine the type of model to be chosen between the common effect model or the fixed effect model. The hypothesis in determining the panel data regression model is that if the value of the chi-square cross section < significant value (0.05), then the fixed effect model will be selected. On the other hand, if the chi-square cross section value is > significant, then the common effect model will be used and the Hausman test is not needed (Ghozali, 2017).

ii. Hausman test

The Hausman test is a test to determine the type of model to be chosen between the fixed effect model and the random effect model. The hypothesis in determining the panel data regression model is if the random cross section value < significant value (0.05), then the fixed effect model. On the other hand, if the random cross section value is > a significant value (0.05), then the random effect model is chosen (Ghozali, 2017).

iii. Lagrange Multiplier (LM) Test

The Lagrange Multiplier test is a test to determine the type of model to be chosen between the common effect model and the random effect model. The Lagrange Multiplier test was developed by Breusch Pagan, this test is based on the residual value of the common effect model method. The Lagrange Multiplier test is based on a Chi-Squares distribution

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with degrees of freedom equal to the number of independent variables. If the Lagrange Multiplier value is greater than the Chi-Squares critical value, then the right model is a random effect model, on the other hand, if the Lagrange Multiplier value is less than the Chi-Squares value, the right model is the common effect model (Ghozali, 2017).

c. Statistic test

Statistical testing in this study was carried out with the t statistic test, the F statistical test, and the coefficient of determination (R2).

i. t-Statistical Test (Individual Parameter Significance Test)

This test is conducted to prove how far the influence of an independent variable on the dependent variable. The criteria in the t-test are:

- If the probability value is less than the significance value (Sig. < 0.05), then Ho is rejected and Ha is accepted, meaning that the independent variable has an effect on the dependent variable.
- If the probability value is greater than the significance value (Sig. > 0.05), then Ho is accepted and Ha is rejected, meaning that the independent variable has no effect on the dependent variable.

ii. F Statistical Test (Simultaneous Significance Test)

This test is conducted to determine whether all independent variables have an influence on the dependent variable together. The test criteria in the F test are as follows:

- If the probability value is less than the significance value (Sig. < 0.05), the hypothesis is rejected. This means that the independent variables above simultaneously affect the dependent variable.
- If the probability value is greater than the significance value (Sig. > 0.05), the hypothesis is accepted. This means that the independent variables above simultaneously have no effect on the dependent variable.

j. Coefficient of Determination (R2)

The coefficient of multiple determination (R2) is used to measure the influence of the independent variable on the dependent variable. The coefficient of determination is able to interpret the extent of the relationship between the independent and dependent variables. The amount of R2 is between 0 and 1 or 0 < R2 < 1. If the R2 obtained from the calculation results is close to one, then the contribution of the independent variable to the dependent variable is getting bigger. Conversely, if R2 is getting smaller (closer to zero), then the contribution of the independent variable to the dependent variable is getting smaller or its ability to explain is very limited.

IV. RESEARCH RESULTS AND DISCUSSION

A. Descriptive Statistical Analysis

	Y/ROA	X1/KA	X2/KI	X3/DKI	X4/DD
Mean	0.949778	0.584667	0.676556	0.459444	1.058222
Median	0.960000	0.610000	0.660000	0.500000	1.000000
Maximum	0.980000	0.840000	0.970000	0.720000	2.030000
Minimum	0.870000	0.260000	0.350000	0.220000	0.410000
Std. Dev.	0.028912	0.172914	0.149585	0.119666	0.409767
Skewness	-1.144678	-0.155487	0.118958	-0.146609	0.778441
Kurtosis	3.238576	1.833065	2.246411	2.191675	2.764102
Jarque-Bera	19.86777	5.469157	2.341877	2.772623	9.298226
Probability	0.000049	0.064921	0.310076	0.249996	0.009570
Sum	85.48000	52.62000	60.89000	41.35000	95.24000
Sum Sq. Dev.	0.074396	2.661040	1.991432	1.274472	14.94392
Observations	90	90	90	90	90

B. Classical Assumption Test

1) Multicollinearity Test

The multicollinearity test has the aim of seeing whether there is a correlation between variables in the model. Multicollinearity can be seen from the tolerance value and variance inflation factor (VIF). Commonly used values to indicate the presence of multicollinearity are Tolerance < 0.10 or VIF > 10.

Table 4.2
Multicollinearity Test

Variables	VIF
X1 / KA	1,987905
X2/KI	1,130944
X3/DKI	1,500996
X4/DD	2,020898

Source: Secondary data processing EViews 10

The value used to indicate the presence of multicollinearity is Tolerance < 0.10.

2) Heteroscedasticity Test

The heteroscedasticity test is a test in the regression model where there is an inequality of several variants of the residuals in all observations. Glesjer test is used in testing heteroscedasticity. The variable is said to not contain heteroscedasticity if the significance number of the independent variable is > 0.05.

Table 4.3
Heteroscedasticity Test

Prob.Chi-Square	0,3456

Source: Secondary data processing EViews 10.

The results of the heteroscedasticity test stated that the probability value of Prob.Chi-Square was 0.34> 0.05. Based on the results, it can be concluded that there is no heteroscedasticity problem in the variable.

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C. Panel Data Regression Model
1) Variable X to Y
a) Chow test
To find the best fixed effect model or common effect model to be applied in eliminating panel data, it can be done through the Chow test. Based on the provision that if probability < 0.05 states that H1 is accepted and applies the fixed effect model or probability > 0.05 then H0 is accepted, and indicates the common effect model to be applied. The test results can be seen as follows:
1) Variable X to Y
Table 4.4
Chow Test Variable X to Y

Cross-section F	1,329807	0,2963
Cross-section Chi-square	16,754446	0,05

Source: Secondary data processing using EViews 10.

The results in the table above state that the probability value in the cross-section F = 0.05 = 0.05 applying the fixed effect model is better applied when compared to the common effect model.
b) Hausman test
The Hausman test is a test to determine the type of model to be chosen between the fixed effect model and the random effect model. The hypothesis in determining the panel data regression model is if the random cross section value < significant value (0.05), then the fixed effect model. On the other hand, if the random cross section value > significant value (0.05), then the random effect model is chosen.
Table 4.5
Hausman Test Variable X to Y

Prob (F-statistic)	0,2611

Source: Secondary data processing using EViews 10.

The hypothesis in determining the panel data regression model is if the random cross section value < significant value (0.05), then the fixed effect model. On the other hand, if the random cross section value > significant value (0.05), then the random effect model is chosen. The value shows 0.2611 > 0.05 then the random effect model is selected.
c) Regression Test
Based on the fixed effect model test the results are as follows:
Table 4.6
Random Effect Model Results

Independent Variable	Dependent Variable		
	Company performance		
	Coefficient	Probability	Conclusion
constant	0,024001		-
X1/KA	0,034231	0,2834	No effect
X2/KI	-0,030099	0,0541	Take effect
X3/DKI	-0,000841	0,1242	No effect
X4/DD	0,936903	0,9316	No effect
R-Square	0,206145		
Adjusted R-Square	0,079128		
S.E of regression	0,009091		
F-statistic	1,622977		
S.D. dependent var	0,009474		

Source: Secondary data processing using views 10

Based on the results of the regression output, the following results are known:

a. X1 shows a probability value of 0.2834 > 0.05. This indicates that there is no effect between X1 and Y. The regression coefficient for X1 is 0.024001, which means that every 1% increase in X1 will increase Y by 2% assuming other variables are constant, and vice versa.
b. X2 shows a probability value of 0.0541 > 0.05 so that it has a positive effect (coefficient 0.034231). The regression coefficient for X2 is 0.034231, which means that every 1% increase will increase Y by 3% assuming other variables are constant, and vice versa.
c. X3 shows a probability value of 0.1242 > 0.05 so it has no effect. This indicates that there is no effect between X3 and Y. The regression coefficient of the Audit Committee is -0.030099, which means that every 1% increase will decrease Y by 3% assuming other variables are constant, and vice versa.
d. X4 shows a probability value of 0.9316 > 0.05 so it is significant. This indicates that there is no effect between X4 and Y. The regression coefficient of X4 is -0.000841, which means that every 1% increase will decrease Y by 0% assuming other variables are constant, and vice versa.

The coefficient of multiple determination in EViews 10 is the same as in other applications, which is labeled R-Square. In the table above, it can be seen that the R-Square is 0.206145, which means a set of dependent variables in the model can explain the independent variable by 20%. while the rest is explained by other variables outside the model that are not studied.

The results of data processing show that the independent variables (X1, X2, X3 and X4) have a significance F count of 1.622977 with a significance level greater (0.199646) than 0.05. Thus, the results of the analysis in this study indicate that not together the independent variables (X1, X2, X3 and X4) have an effect on Y.

The adjusted R Square value means the R Square value that has been corrected by the standard error value. In the table above, the adjusted R Square is 0.206145. while the standard error value of the regression model is 0.009091 indicated by the label S.E Of regression.

V. CONCLUSION

As shown in the results of data processing above, it can be seen that the independent variable, namely Good Corporate Governance (X1/KA, X2/KI, X3/DKI and X4/DD) the significance of the calculated F is 1.622977 with a greater level

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of significance (0.199646) of 0.05. Thus, the results of the analysis in this study indicate that not together, the independent variables, namely Good Corporate Governance (X1, X2, X3 and X4) have an effect on company performance (Y/ROA). However, based on the results of the regression output, it is known that Institutional Ownership (X2) shows a probability value of 0.0541 > 0.05 so that it has a positive effect (coefficient 0.034231). The regression coefficient of X2 (Institutional Ownership) is 0.034231, which means that every 1% increase will increase the Company's Performance (Y) by 3% with the assumption that other variables are constant, and vice versa.

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