Jurnal Keuangan dan Perbankan, 23(1):109–122 , 2019
http://jurnal.unmer.ac.id/index.php/jkdp

Sophie Tiara Adriaty (Indonesia), Budi Purwanto (Indonesia), Wita Juwita Ermawati (Indonesia)

A Determinant of State-Owned Enterprises Profitability With an Independent Board of Commissioners as Moderation Variables

Article history:
Received: 2018-09-29
Revised: 2018-12-28
Accepted: 2019-01-19

Abstract

Corporate governance drives the control function so that management could manage the corporate more effective. Good corporate governance could be the factor that boosts financial management to enhance profitability. This study examines the moderated effect of the independent commissioner proportion to the interaction between liquidity, capital structure, and sales growth to profitability. This study using purposive sampling technique, there are four state-owned enterprises (SOEs) which fit the criteria. The analysis method used in this research is moderated regression analysis on panel data. The results of the study show that liquidity and the proportion of independent commissioners influence the profitability of the company. SOEs needs to reduce the allocation of funds to current assets. Optimizing the performance of the SOEs board of commissioners also needs to be improved. The supervisory function carried out by the board of commissioners will affect operational activities so that managers will be more motivated to utilize current assets for operational investment and the company's current assets can be used optimally. Increasing the proportion of independent commissioners will also increase oversight of debt so that the condition of the company's capital structure can be optimized through the reduction of debt from SOEs.

Keywords: Financial Performance; Good Corporate Governance; Profitability

JEL Classification: G31, G34

Citation: Adriaty, S. T., Purwanto, B., & Ermawati, W. J. (2019). A determinant of state-owned enterprises profitability with an independent board of commissioners as moderation variables. *Jurnal Keuangan dan Perbankan, 23*(1), 109-122. https://doi.org/10.26905/jkdp.v23i1.2519

Sophie Tiara Adriaty, Budi Purwanto, Wita Juwita Ermawati
Department of Management Science, Faculty of Economics and Management
IPB Graduate School (Bogor Agriculture University)
Kampus IPB Dramaga, Jl. Raya Dramaga, Bogor, 16680, Indonesia

Corresponding Author:
Sophie Tiara Adriaty:
Tel +62 251 8622986
E-mail: sophieadriaty@gmail.com

Abstrak

Penerapan GCG *berperan dalam fungsi pengawasan, sehingga manajemen seharusnya dapat mengelola perusahaan dengan lebih efektif. Oleh karena itu* GCG *dapat menjadi faktor yang mendorong kinerja keuangan perusahaan untuk dapat meningkatkan profitabilitas. Penelitian ini bertujuan untuk menguji pengaruh moderasi dari proporsi dewan komisaris independen terhadap hubungan antara likuiditas, struktur modal, dan pertumbuhan penjualan terhadap profitabilitas. Melalui teknik* purposive sampling *didapatkan empat perusahaan dengan kriteria BUMN* go public *yang pernah mengalami kerugian tahun 2011-2016. Metode analisis yang digunakan adalah analisis regresi moderasi (MRA) data panel. Hasil penelitian menunjukkan bahwa likuiditas dan proporsi dewan komisaris independen berpengaruh terhadap profitabilitas perusahaan. BUMN perlu mengurangi alokasi dana pada aktiva lancar. Optimalisasi kinerja dewan komisaris BUMN juga perlu ditingkatkan. Fungsi pengawasan yang dilakukan dewan komisaris akan memengaruhi aktivitas operasional sehingga manajer akan lebih terdorong untuk memanfaatkan aset lancar untuk investasi operasional dan aset lancar perusahaan dapat digunakan dengan optimal. Peningkatan proporsi dewan komisaris independen juga akan meningkatkan pengawasan terhadap utang, sehingga kondisi struktur modal perusahaan dapat lebih optimal melalui pengurangan utang BUMN.*

Kata Kunci: *Kinerja Keuangan;* Good Corporate Governance; *Profitabilitas*

This is an open access article under the CC–BY-SA license

ISSN: **2443-2687** (Online)
ISSN: **1410-8089** (Print)

1. Introduction

State-owned enterprises (SOEs) is a business entity that the state/government owns all or most of the capital through direct investment derived from the separated wealth of the country (UU No. 19 of 2003 Article 1). As a government-owned organization, SOEs have a duty as a provider of public facilities and contribute to the development of the national economy. In addition, SOEs as a business unit is also required to be able to earn profit from its business activities. SOEs are expected to have a good performance of the company in order to achieve these goals. But in reality, some poorly performing SOEs can even be said to be a loss. Although the number of loss companies is reduced each year, losses in some SOEs are still not able to overcome. In 2013, there were 30 SOEs that suffered a loss with total losses of IDR 34.68 billion (Sutianto, 2015). In the year 2014, the total losses of SOEs dropped to IDR 11.7 trillion by 26 SOEs. Then, in 2015 the number of SOEs that loses fall back to 18 companies with total losses amounting to IDR 5.8 trillion (Rachman, 2016).

The case of the losses suffered by the SOEs related to the profitability of the company. Sartono (2001) define profitability as the company gained profitability in sales, total assets as well as its own capital. Profitability became one of the company's performance, where the level of profitability is high, the company's performance will be said to be good, and vice versa. Not only influenced by the company's ability to obtain revenues, but the loss of SOEs also deals with funding management in financing the company's activities. Company funds can come from private equity and loans. Besides the sources of funds, it is important to pay attention to the use of funds in business activities. According to Wibowo & Wartini (2012), profitability is closely related to the management of assets owned by the company, so that it can be said that profitability is related to the company's liquidity. Liquidity associated with the company's ability to meets short-term obligations (Hery, 2015). Problems also faced by SOEs related losses is the level of company sales. In some SOEs, the decline in sales causes the company cannot earn a profit properly.

Research on the determinants of profitability has been widely performed. A financial performance which empirically affects profitability including working capital, capital structure, liquidity, company growth, and the size of the company (Raheman & Nasr, 2007; Samiloglu & Demirgunes, 2008; Yusralaini, Hasan, & Helen, 2009; Nanda & Panda, 2017). The results on the influence of liquidity against profitability are still not consistent. Raheman & Nasr (2007) found a negative influence between liquidity towards profitability. While Nanda & Panda (2017) and Jana (2018), found a positive influence between liquidity towards profitability. Similarly, the relationship between capital structures with profitability. Research of Yusralaini, Hasan, & Helen (2009) and Kusumajaya (2011) show a positive relationship between capital structures with profitability. While Shubita & Alsawalhah (2012), Hamidah (2016), Nanda & Panda (2017), and Mulyono, Djumahir, & Ratnawati (2018), showed a negative relationship between the capital structure with profitability.

Based on the results of previous research, it is still uncertain what factors affect the profitability of SOEs related to the case of the losses. Another aspect that can be alleged to be the cause of SOEs loss is companies management that not effective. It is contrary to the obligation of SOEs to implement good corporate governance (GCG). Regulation of The Minister of SOEs No. PER-01/MBU/2011 about the implementation GCG in SOEs stated that compulsory SOEs are implementing GCG consistently and sustainably. Forum for corporate governance in Indonesia (FCGI), defines corporate governance as the order of the rules that define the relationships between the shareholders, managers, internal, and external stakeholders by rights and responsibilities.

GCG implementation in the company based on the corporate governance mechanism aims to be able to supervise and control the management of the company. The internal mechanism in the form of supervi-

sion through the structure of the board of commissioners, managerial ownership, and executive compensation, while the external mechanism in the form of a market for corporate control, institutional ownership and the level of funding (Sudarti, 2013). The manager as the party in charge of managing the company will carry out their duties better so that the decisions taken by the manager will be more optimal by paying attention to the interests of all parties. The effectiveness of the management of the company can increase, then increase profitability as well.

Darwis (2009) provide empirical evidence that corporate governance affects the financial performance of the company. A financial performance which consists of various aspects will ultimately affect the profit obtained by the company. Meanwhile, Ararat, Black, & Yurtoglu (2016) provide evidence that the higher implementation of GCG will increase the profitability of the company. In addition, the research of Iqbal & Javaid (2017) examined the moderation influence of corporate governance relationship capital structure and profitability at 173 manufacturing companies listed on the Karachi Stock Exchange (KSE). The results showed that corporate governance as a moderation variable is able to strengthen the relationship between capital structure and profitability. It can be concluded from the study that the application of GCG makes companies use the optimal capital structure, resulting in the financial performance of the company. But different from other studies, research Aggrawal (2013) did not show a significant relationship between corporate governance and corporate profitability.

It can be said that the implementation of GCG can indirectly affect profitability. Corporate governance mechanisms will control manager behavior so that it will affect the company's financial performance. Through improved financial performance, the company's profitability will also increase. Therefore, the corporate governance mechanism should be able to overcome the SOEs problem of losses. But in fact, the obligation of implementing GCG on SOEs could not affect the performance of SOEs either. In this case, the implementation of GCG also does not affect financial performance or profitability as a result of empirical research that exists.

Agency theory is a concept that describes the contractual relationship between principals and agents. Agency theory arises due to the separation of interests between the principal and the agent. The purpose of the separation system is to create efficiency and effectiveness by hiring a professional agent in the managing company (FCGI, 2011). According to Arifin (2005), the agency relationship is contractual, whether implicit or explicit where one or more persons (principal) requesting another person (agent) to take action on behalf of the principal. In this case, the principal is the owner or holder of the shares, while the agent. Management was authorized by the stockholders to manage the company, decisions relating to the operations and strategy of the company. Shareholders as owners of the company certainly expect a decision and the actions of the manager can increase the company's value through welfare increased. Agency problem arises when there are conflicting interests between shareholders and managers. Decisions taken managers often are not in line with the objective to improve the value of the company. Many decisions are taken thus more profitable managers and put aside the interests of the shareholders. There are two ways to reduce the chance of adverse action management shareholders (Jensen & Meckling, 1976). First, outside investors to conduct surveillance (monitoring) and the latter's managers do the restrictions on his actions (bonding).

Corporate governance is the mechanism by which the effectiveness to minimize the agency conflict — through the supervision mechanism of good corporate governance, considered to be able to reduce the problem of agency. Therefore, the efforts of the opportunistic behavior of managers and a tendency to hide information for the sake of personal gain can lead to a level of disclosure companies.

Based on existing problems as well as the results of previous research, the purpose of this research is to gain empirical evidence of the factors that affect the

profitability of any go public SOEs in 2011-2016. This research will also analyze the moderating influence of the implementation of GCG towards the interaction between financial performance and the profitability of SOEs. The results of this study are expected to provide benefits information and knowledge regarding the SOEs, so it can be used as consideration in the decision-making process for the company as well as potential investors as well as the runway in formulating corporate strategies. This research is also expected to use the government as a material consideration in the determination of the regulation concerning GCG implementation as well as evaluation had been conducted. In addition, the results of this research are expected to add to the knowledge in academic fields as well as used as a reference and comparison of materials for research.

2. Hypotheses Development

Liquidity of the company can be seen from the number of liquid assets in the current assets. The company's liquidity could affect the profit obtained. The higher amount of current assets, more liquid the company, raises the possibility of unused assets. High level of current assets can bring up the alleged existence of agency problem, where managers feel safe holding abundant cash without using it efficiently for company investment activities. The company is considered not able to optimize the use of the company's cash that can be used for the benefit of business expansion and investment, a good investment of short, medium and long term (Hery, 2015). So higher liquidity will have an impact on decreasing of company profitability. Raheman & Nasr (2007) found a significant negative influence between working capital and liquidity towards profitability. The findings of this research show that the current ratio is a measurement of liquidity which is most important in affecting profitability. Therefore, the hypothesis proposed is:

$H_{1:}$ liquidity effect negatively towards the profitability

Capital structure related to the proportion of funds sources used by the company. Funds obtained by the company can come from internal or private equity funding and also external funding internal or self-financing as well as external funding. The use of debt as an optimal external funding source can maximize the benefits provided by such debt. However, the excess debt levels could lead to the benefits of the debt used to decline and become a burden to the detriment of the company. According to Brigham & Houston (2001), capital structure policy involves the existence of exchange between risks and returns, where the use of more debt would increase the risks borne by shareholders.

Modigliani & Miller's trade-off model (1963) assume that the capital structure of a company is determined by considering the benefits of tax deductions when debt rises on one side and the rising cost of debt increases by the agency on the other hand (Arifin, 2005). The interest of the debt which the routinely paid by the company is tax deduction because the interest would reduce the profit so that the company tax payment obligations will also be reduced. When the benefits of the tax reduction are still higher compared to the estimated cost of the agency, the company could still increase its debt. But after reaching the maximum point, the use of debt by the company being unattractive, because the company must bear the costs of the agency, the bankruptcy as well as interest charges which caused the stock value down (Mulianti, 2010). In other words, the more debt a company used, the greater the costs that must be borne by the company. Therefore, the higher the level of debt owned by the company, will decrease the level of company profitability. Thus, the hypothesis proposed is:

H_2: capital structure effect negatively towards the profitability

Sales are one of the most important resources in obtaining the profit of the company. By knowing how big the sales growth, the company can predict how

big the profit would be obtained. The sale is also required to cover the costs that the company is running its activities. Sales growth information is very important in drawing up corporations strategies of production resources or financial resources. The higher sales growth of a company, the more profit the company can be obtained. Therefore, the hypothesis that form is:

H_3: sales growth effect positively towards the profitability

Agency theory by Jensen & Meckling (1976) in the concept of corporate governance states that there are two ways to reduce the chance of adverse management action to the shareholders, through the supervision and restriction of manager's action. The internal mechanism through the supervision carried out by the board of commissioners. The board of commissioners as an organ of the company in charge of and is responsible collectively for supervising and providing advice to the board of directors and ensure that companies implement GCG (KNKG, 2006). According to Detthamrong, Chancharata, & Vithessonthi (2017), the board of commissioners is one of the most important elements on corporate governance mechanisms in overseeing the operations of the company, responsible for monitoring the main activities and approve strategic decisions. Other studies indicate that the board of commissioners increase the independence of the oversight of risk (Manurung & Kusumah 2016), dividend payment (Mai, 2014), performance and the value of the company (Zabri, Ahmad, & Wah, 2016; Javeed, Yaqub, & Aslam, 2017), as well as improving disclosure (Huafang & Jianguo, 2007).

Meanwhile, the independent commissioner is a member of the board of commissioners who do not have any associated relationship management company. The supervisory board of commissioners conducted will hopefully be more objective with the board of commissioners are independent. The supervisory board considered the independent commissioner would be a more consistent aim to maximize shareholder value. So, with a growing number of independent commissioners in an enterprise, the effectiveness of the company's management against surveillance will be increased, and the profit gained can also be increased. Therefore, the hypothesis that form is:

H_4: the proportion of independent commissioners effect positively towards profitability

The company's high liquidity could allow the incidence of a problem where the manager does not utilize company assets efficiently. An abundance of funds in current assets make managers feel safer and less look at the efficiency of the use of the asset. It will affect the rising operational costs, thereby affecting the profitability of the company. The functions of the supervisory board of commissioners do control the manager does the operational management. By the increasing proportion of independent commissioners, supervision is increasingly optimal, and the decision to use assets is more controlled. Managers will use the appropriate assets for investment so that the company's liquidity can be decreased and more optimal. Then it will affect the profitability of the increasingly improved.

H_5: the proportion of independent commissioners moderate significantly by weakening negative influences of liquidity towards the profitability

A capital structure consisting of private equity and corporate debt can affect profitability. The higher level of debt owned by the company, the cost on the debt will be increased so that the effect on the profit obtained by the company. The negative relationship between the capital structure with the profitability can be influenced by the presence of the board of commissioners. Supervision by the board of commissioners on corporate funding decisions can affect the capital structure. By the increasing proportion of independent commissioners, the board of commissioners' supervisory tasks will be more objective and favors the interests of the shareholders. So the company will appropriate funding decision choosing internal funding or through

the capital on its own. It will affect the company's debt levels are declining, and the company's profitability can be increased.

H_6: the proportion of independent commissioners moderate significantly by weakening negative influences between capital structure towards the profitability

Sales as one of the main sources of income of the company strongly influenced the profit obtained by the company. With a high level of sales, the cost can be handled properly. So high sales growth may reflect the increased profits anyway. Warsono, Rahajeng, & Amalia (2009) describe one of the duties of the board of commissioners is to drive corporate strategy. Sales growth to become one of the important information in the preparation of the strategy of the company. In other words, the board of commissioners also needs to monitor the sales growth to can drive corporate strategy. The higher the proportion of independent commissioners, the scrutiny of the more optimal, so the scrutiny against sales growth also increases. It can increase the effectiveness of the management of the company so that sales growth can be increased and the effect on the increase in the profit of the company. Thus the hypothesis proposed is:

H_7: the proportion of independent commissioners moderate significantly by strengthening positive influence between sales growth towards profitability

3. Method, Data, and Analysis

This research was conducted to analyze the factors that affect profitability as well as the influence of the implementation of corporate governance moderation towards the interaction between financial performance and profitability in go public SOEs. The population in this research is go public SOEs in the Indonesia Stock Exchange totaling 20 companies. The sampling technique used was purposive sampling technique criteria of nonfinancial go public SOEs that have experienced losses in the year 2011-2016. So based on the criteria, obtained four SOEs research samples are shown in Table 1.

Table 1. Research Samples

Code	Company Name
ANTM	PT. Aneka Tambang Tbk
INAF	PT. Indofarma Tbk
KRAS	PT. Krakatau Steel Tbk
GIAA	PT. Garuda Indonesia Tbk

This study uses secondary data in the form of an annual report and financial statements of the company which include the balance sheet and income statement of the period 2011-2016 — the annual report used to examine the conditions of company corporate governance. Secondary data is sourced from the official website of the Indonesia Stock Exchange at idx.go.id.

The dependent variable is the variable that is affected by other variables or depending. The dependent variable in this study is that profitability is measured by the return on assets (ROA). ROA viewed the extent of the investments being implanted to provide a refund (Fahmi, 2014). The following is the formula used to calculate ROA:

$$ROA = \frac{Earn\ After\ Tax}{Total\ Assets} x100\% \quad (1)$$

The independent variable is the variable that changes the dependent variable was the cause. The independent variable in this study is the company's financial performance as measured by the ratio-financial ratio in the form of a current ratio (CR), debt to equity ratio (DER), and sales growth.

CR shows the company's liquidity measured by comparing current assets against debt smoothly (Keown et al., 2009). The following is the formula CR used:

$$CR = \frac{Current\ Assets}{Current\ Liabilities} x100 \quad (2)$$

DER is a ratio used to measure the degree of leverage (debt usage) to the total shareholder's equity owned company. The following is the formula used to calculate DER:

$$DER = \frac{Total\ Liabilities}{Total\ Equity} x100\% \quad (3)$$

Sales growth (Growth) is one of the growth ratio considering the sale of the company of the 2nd period. To measure sales growth, use the formula:

$$Growth = \frac{Sales_t - Sales_{t-1}}{Sales_{t-1}} x100\% \quad (4)$$

The moderation variable is variable that the alleged moderation can affect the dependent variables related to the independent variable, either weaken or strengthen the relationship. Moderation variable in this research is the application of corporate governance as measured by the proportion of the board of commissioners is independent. Based on the regulation of The Minister of SOEs No. Per/MBU/01/2011, the board of the independent commissioner is a member of the board of commissioners who have no financial ties, management, ownership and/or family relations with other members of the board of commissioners, the board of directors, and/or shareholders controllers that can affect their ability to act independently. The formula can measure the proportion of independent commissioners:

$$DKI = \frac{Independent\ Commissioner}{Total\ Board\ of\ Commissioner} x100\% \quad (5)$$

This research method using moderated regression analysis (MRA) data panel with E-views. MRA uses methods of the analytical approach to maintaining the integrity of the sample and provide the basis for controlling the influence of variable moderator (Ghozali, 2013).

4. Results

Descriptive statistics

The goal of SOEs is not only limited to prosper the interests of shareholders but also responsible for the welfare of the people and the development of Indonesia economics. Up to the year 2015, there are 20 BUMN registered in BEI and four of them have experienced losses in the year 2011-2016, namely, PT Indofarma Tbk, PT Krakatau Steel, PT Aneka Tambang Tbk, and PT Garuda Indonesia Tbk. Losses experienced the company can be reflected through the ROA ratio describes the returns of investment in company assets. Table 2 shows that the average ROA of the research sample is still low, approximately 0.329. In addition, there is still a value negative, which means that the company suffered a loss.

Based on the results of a descriptive statistic, the use of current assets in the sample companies is high. This is reflected in the company's liquidity ratio. CR as one of the company's liquidity measurement tool, reflects how much current assets owned by the company, compared to its current liabilities. Table 2 shows that the average SOEs CR is quite high at 171.5607. The highest CR value is 1064.233 while the lowest value is 61.25. The high value of CR indicates that funds are allocated to high current assets. It can be the cause of the company's losses due to the high value of current assets. The value of high current assets can be said to be excessive and not used efficiently.

Results also showed that the average DER of SOEs is quite high at 125.835. High debt is supposed to be able to increase the profitability of the company, but the actual circumstances which occurred in the sample company are not. The high value of the DER is not accompanied by the high profits obtained by the company. It is supposedly because the amount of debt that the company already used too much so that the debt that the company has is not optimal. In addition, the average sales growth of the companies stud-

ied shows a low value, which is equal to 6.91 percent. The lowest value of sales growth even shows a negative number, which is equal to -29.27 percent. This can also be thought to be the cause of the loss of SOEs.

Based on Table 2, the average number of independent commissioners of SOEs is by SOEs Minister Regulation No. PER/01/MBU/2011 article 13 concerning the composition of the board of commissioners. Base on the regulation, SOEs must have at least 20 percent of the board members are independent commissioners in the organs of the company.

The selection of the best models

Panel data regression model has three approaches, the common effect model or pooled least square, fixed effect model (FEM), and random effect models (REM) (Juanda & Junaidi, 2012). Before doing the regression testing, firstly we need to determine which model will be selected through a test of Chow, Hausman test, and a test of the Lagrange Multiplier.

The Chow test results indicate that the Common Effect Model is more appropriate to use in this study because the values of p (p-value) is smaller than 0.05 alpha.

Meanwhile, the Hausman test and Lagrange Multiplier test cannot be done. Establishment of the model of the Random Effect terms, i.e. a number of the cross section should be more of a variable cannot be fulfilled. Therefore, in this study, the approach of the best methods is a Common Effect Model or Pooled Least Square.

A Classic Assumption Test

Before panel data regression analysis, first performed a classic assumption test as a condition of doing the analysis. Based on a classic assumption test results in Table 4, the model has survived the entire test distributed data, i.e. normality, heteroscedasticity, autocorrelation, and multicollinearity.

Table 2. Descriptive Statistics

	CR	DER	DKI	GRWTH	ROA
Mean	171.5607	125.8354	36.66666	6.915131	0.328619
Median	123.6138	116.5517	33.33333	3.957791	0.233357
Maximum	1064.233	270.0940	60.00000	73.12620	15.18690
Minimum	61.25089	41.11747	20.00000	-29.27059	-11.99603
Std. Dev.	199.1798	60.89772	7.801896	19.95618	5.985729

Table 3. Test Results Selection of Panel Data Regression Model

Redundant Fixed Effects Tests			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.340901	(3,16)	0.7961
Cross-section Chi-square	1.487022	3	0.6853

Table 4. Classic Assumption Test

Test	Result	Explanation
Normality	Jarque-Bera Test: p-value 0.2234 > 0.05	Normaly distribute
Multicollinearity	CR (1,402 < 10) DER (1,321 < 10) Growth (1,071 < 10) DKI (1,035 < 10)	Multikolinearity free
Heteroscedasticity	Breusch-Pagan Test: *p-value* 0.8134 > 0.05	Heteroscedastisity free
Autocorrelation	Durbin Watson value betweem du and 4-du 1,6556 < 2,126 < 2,344	Autocorrelation free

Normality test results show that the value of the Jarque-Bera of 2.99 with p-value 0.223 where greater than 0.05. Residuals are normally distributed, and the model passes the normality test. Multicollinearity test results show that the value of tolerance in Table 4 is worth more than 0.10 and the variance inflation factor (VIF) < 10. Therefore, the data in the model to be tested independently of multicollinearity. Heteroscedasticity test results show that the value of the p-value using the Breusch-Pagan test of 0.8134 where greater than 0.05. Therefore, the model can be expressed independently of the problem heteroscedasticity. The last classic assumption test is a test for autocorrelation. Autocorrelation test results in Table 4 show that DW values between du and 4-du ($1.6556 < 2.126 < 2.344$), so the data is independent of autocorrelation.

Moderated Regression Analysis

According to Ghozali (2013), the moderated regression analysis performed three multiple linear regression. Then a comparison is made between the three multiple linear regression equations to determine the type of moderator variable. The following is the equation of regression results the data panel:

$$ROA = -0.238 + 0{,}021\,(CR) + 0{,}0764\,(Growth) - 0{,}016\,(DER) \quad (6)$$

$$ROA = -2{,}255 + 0{,}012\,(CR) + 0{,}08\,(Growth) - 0{,}016\,(DER) + 0{,}05\,(DKI) \quad (7)$$

$$ROA = 80{,}67 - 0.276\,(CR) - 0{,}134\,(Growth) - 0{,}340\,(DER) - 2{,}442\,(DKI) + 0{,}008\,(CR^*DKI) + 0{,}009\,(DER^*DKI) + 0{,}006\,(Growth^*DKI) \quad (8)$$

By comparing the regression, obtained that b2 (moderator variable coefficient) and b3 (variable interaction coefficient) is not equal to zero. Then it is also known that the moderator variables as DKI and interactions between variables CR with DKI and DER with DKI have significant effects against ROA, so it can be inferred that DKI variable is a quasi-moderator. This signifies that the DKI variable serves as a predictor (independent variable) and simultaneously interact with variable CR and DER so being able to moderate the relationship between CR with ROA or DER with ROA.

To analyze the influence of financial performance against profitability with a moderation factor of corporate governance, we used the results of the regression data panel with pasting a variable interac-

Table 5. Moderated Regression Analysis

Hipotesis	Influence	Coefficients	Std. Error	t Statistic	Prob.	Explanation
1	C	80.67888	38.16158	2.114139	0.0506	
2	CR →ROA	-0.275624	0.083877	-3.286028	0.0047	Significant
3	Growth →ROA	-0.133730	0.189118	-0.707123	0.4897	Not significant
4	DER →ROA	-0.339195	0.197763	-1.715158	0.1056	Not significant
5	DKI →ROA	-2.442459	0.983679	-2.482983	0.0245	Significant
6	DKI_CR →ROA	0.008673	0.002391	3.626862	0.0023	Significant
7	DKI_Growth →ROA	0.006557	0.006793	0.965258	0.3488	Not significant
8	DKI_DER →ROA	0.009722	0.005055	1.923407	0.0724	Significant
F Test (Simultan)						
F		2.253559				Significant
Sig		0.084553				
Determination Coefficient Test						
R Square		0.496458				
Adjusted R Square		0.276158				

Note: $f_{tabel} = 2.208$; $t_{tabel} = 1.894$; & sig. 10 percent

tion. The regression equation shows that the value of the constant is 80.678. The value of a constant is an intercept that describes the value of Y when all variables X are zero. This means that if the value of the independent variable and the interaction variable is zero and does not change, each increase in one unit of constant will cause the value of ROA to increase by 80.667 percent. The equation also explains that the variables CR, DER, Growth, and DKI have a negative influence, meaning that if CR, DER, Growth, and DKI increase by one unit, ROA will decrease.

The test results in Table 5 produce an R^2 value of 0.4964. This means that the value of 49.64 percent ROA can be explained by variable Growth, CR, DER, and variable interactions while other factors outside the model explain the rest (50.36 percent). F test results show that simultaneously throughout the influential variables significantly to ROA.

5. Discussion

The effect of liquidity on profitability

The results showed that liquidity has significant negative effects on company profitability. This indicates that the magnitude of the expenditure on current assets is able to affect the profitability of the company. Expenditure on current assets can reduce business opportunities in gaining profit. The funds should be used for investment, functioned as current assets to meet liquidity the company, so the company obtained profit is not optimal. The allocation of funds in current company assets can still cause harm is alleged to be SOEs. The condition of the SOEs suffered losses of liquidity appropriate to decline from the year 2011-2016. It should be able to increase profitability. However the average value of current SOEs still belongs to the ratio is high, that is always above 100 percent. It is alleged to be the cause of the decline of the ROA, that is because the expenditure on current assets are redundant but not used optimally.

The results of this study by Raheman & Nasr (2007) showed that the negative effect of liquidity significantly to profitability. However, this result is not in accordance with the research conducted by Nanda & Panda (2017) and Jana (2018), stating that there is a significant positive relationship of liquidity to profitability. In the meantime, research by Wibowo & Wartini (2012), Hamidah (2016), and Roni, Djazuli, & Djumahir (2018), stated that there was no significant relationship between liquidity and profitability.

The effect of capital structure on profitability

The results showed that capital structure does not have a significant influence on the profitability of the company. Large or small debts owned will not affect the profit of the company. SOEs with high liquidity caused the company to gains the trust of more than creditors because it is considered able to meet his debts. Although the number of SOEs increased debt, it does not affect the profitability of the company. This means that the debt burden of companies not owned and not to be the cause of harm in SOEs. Suspected, sources of funding SOEs depends not only on the company's debt and equity, but it can also come from the country's capital participation (*Penyertaan Modal Negara/PMN*). This finding is in accordance with the results of the research of Hansen & Juniarti (2014) stating there was no significant relationship between DER with ROA. But the results of this research were not in line with the results of the research of Yusralaini, Hasan, & Helen (2009) and Kusumajaya (2011) stating that DER gave positive influence may against ROA. So researched by Shubita & Alsawalhah (2012), Hamida (2016), Nanda & Panda (2017), and Mulyono, Djumahir, & Ratnawati (2018), stating that there is a negative influence on the capital structure with profitability.

The effect of independent commissioners on profitability

The proportion of independent commissioners have significant negative effects against ROA. This shows that the more independent the board of com-

missioners in corporations, the lower the profitability of the company. Achmad (2012) shows that the proportion of independent commissioners not quite effective in running the supervision because its existence with little thought to amount only to meet the specified requirements of the government (30 percent). Meanwhile, according to the Kharis & Suhardjanto (2012), the election of Board commissioners on Indonesia companies does not consider integrity and competency so that the quality of the board of commissioners is not good enough. It's related to the percentage of the salary of the board of commissioners. The greater proportion of independent commissioners will increase the cost of the company. However, because supervision is done not optimal, the costs increase was not accompanied by an increase in the company's performance. So that the received profit the company declined. The results of this study fit with research from Rimardhani, Hidayat, & Dwiatmanto (2016) that indicates that the proportion of independent commissioners have a negative influence on the company's profitability significantly to Indonesia SOEs.

The negative influence of the proportion of independent commissioners to profitability means that by increasing the proportion of independent commissioners can decrease company performance. The board of commissioners serves as the overseer of the company's activities so that the company run more effectively and efficiently. However, the appointment of the independent board of commissioners are ineffective oversight tasks performed allows the board of commissioners is not optimal, so that causes a decrease in performance of the company. SOEs as a whole has been complying with the Regulation of the Minister of SOEs No. Per/MBU/01/2011, with the proportion of independent commissioners over 20 percent in the organs of the company. Therefore, it can be presumed that the selection and appointment of an independent commissioner on the board of SOEs, done only to comply with the legislation in force resulting in optimal supervisory tasks have not done the council commissioner on SOEs. It can conclude that the application of corporate governance in SOEs are not good yet. The company is then burdened with the high commissioner's salary. So the high costs incurred are not comparable with the results obtained by the company. The company provides a large salary at the board of commissioners, but the performance is shown to the board of commissioners has not been optimized yet resulting in the decline of the company's performance. It became one of the causes of the occurrence of a loss in SOEs.

The effect of sales growth on profitability

Meanwhile, sales growth or Growth variables did not have significant effects on ROA. That is, high low sales do not affect the profit obtained by the company. It can be presumed due to changes in the company's sales growth is not great, so that growth does not give a significant impact on the profitability of the company. The results of this research are consistent with research done Hansen & Juniarti (2014) stating that sales growth may not affect the achievement of corporate profits. However, the results of Samiloglu & Demirgunes (2008) research indicated different state, where sales growth has a significant influence on profitability.

The effect of the interaction between the independent board of commissioners and liquidity on profitability

Interaction variable between CR with DKI showed a significant positive influence against ROA. This means that the proportion of independent commissioners are able to moderate the influence of liquidity (CR) towards profitability (ROA). Directly the relationship between CR with ROA is inversely proportional, whereby if the CR increases then the ROA will decrease. The influence of the moderation of DKI weakens the negative relationship between CR and ROA. Through the role of supervision of DKI, liquidity can be pressed so that the company can increase profitability. The functions of the supervisory board of commissioners done will affect the operational ac-

tivity. Supervision of the board of commissioners makes better operational management of the company so that the company's performance increases. Managers will be more compelled to utilize assets for investment operations smoothly, so smoothly the company assets can be used with optimal. So it can be said that indirect supervision of the board of commissioners affects liquidity.

The proportion of independent commissioners proved to be able to moderate the influence of liquidity toward profitability. Board of commissioners of the independent proportion optimization will improve oversight of the operational management of the company's activity against by the manager so that the condition of the SOEs high liquidity can be more controlled. The high level of liquidity that is utilized to gain profit through the efficiency of operational activities.

The effect of the interaction between the independent board of commissioners and capital structure on profitability

Interactions variable between DER and DKI showed significant effects against ROA. This means that the proportion of independent commissioners can moderate the influence of capital structure (DER) towards profitability (ROA). Directly the relationship between DER with ROA is inversely proportional, whereby when DER is increased then the ROA will decrease. The influence of moderation from DKI will weaken the negative relationship DER with ROA. This means that the capital structure of the company can be further controlled through the supervision of independent commissioners will increase the profitability of the company. The supervisory function of the board of commissioners is conducted primarily by the independent board of commissioners can affect management activities related to the funding decision. Capital structure that is the result of a funding decision is directly related to its own capital consisting of shares shareholders. It explains the duties of the board of commissioners as the supervisor's performance management focused on company goals to maximize shareholder wealth. This finding is by the results of the study of Iqbal & Javaid (2017) stating that GCG as moderation variables can affect the relationship between capital structure and profitability.

Results also showed that the proportion of independent commissioners proved to be able to moderate the influence of capital structure towards profitability. The SOEs debt that could be said to affect the profit obtained high company. An increasing proportion of independent commissioners will increase surveillance against the debt, so the condition of the capital structure of the company can be optimized through SOEs debt reduction.

6. Conclusions, Limitations, and Suggestions

Conclusions

Liquidity, capital structure, sales growth, and independent Commissioners simultaneously have a significant influence on profitability. Partially obtained that variable liquidity and independent Commissioners has negative effects, while variable capital structure and sales growth does not affect profitability.

Based on the results of the MRA, the variable interactions between liquidity and independent Commissioners has a significant positive influence against profitability. This means that independent Commissioners are able to moderate by weakening the negative influence of liquidity towards profitability. In addition, variable interactions between capital structure and independent Commissioners also has significant positive against profitability. This means that independent Commissioners are able to weaken the negative influences of capital structure towards profitability.

Limitations and suggestions

This study only identifies three factors that affect the profitability of SOE. Further study may consider more factors that might affect losses to SOE. The role of implementing GCG in this study is only seen from independent commissioners; further study may

consider more role of corporate governance. For example, the board of directors, audit committee, ownership structure, or GCG score can be used for representing the corporate governance mechanism. This research was conducted only in losses companies with a fairly short period. Further research can be done in other sectors with longer research periods in order to provide more general conclusions.

References

Achmad, T. (2012). Dewan komisaris dan transparansi: Teori keagenan atau teori stewardship. *Jurnal Keuangan dan Perbankan, 16*(1), 1-12. Retrieved from: http://jurnal.unmer.ac.id/index.php/jkdp/article/view/1041

Aggrawal, P. (2013). Corporate governance and corporate profitability: Are they related? – A study in Indian context. *International Journal of Scientific and Research Publication*, *3*(12), 1-8.

Arifin, Z. (2005). *Teori Keuangan dan Pasar Modal*. Yogyakarta: Ekonisia.

Ararat, M., Black, B. S., & Yurtoglu, B. B. (2016). The effect of corporate governance on firm value and profitability: Time series evidence from Turkey. *Emerging Markets Review, 30,* 113-152. https://doi.org/10.1016/j.ememar.2016.10.001

Brigham, E. F., & Houston J. F. (2001). *Manajemen Keuangan*. Edisi Kedelapan. Buku 2. Jakarta: Erlangga.

Darwis, H. (2009). Corporate governance terhadap kinerja perusahaan. *Jurnal Keuangan dan Perbankan*, *13*(3), 418-430. Retrieved from: http://jurnal.unmer.ac.id/index.php/jkdp/article/view/1090

Detthamrong, U., Chancharata, N., & Vithessonthi, C. (2017). Corporate governance, capital structure, and ûrm performance: Evidence from Thailand. *Research in International Business and Finance, 42*, 689-709.

Fahmi, I. (2014). *Pengantar Manajemen Keuangan*. Bandung: Penerbit Alfabeta.

Ghozali, I. (2013). *Aplikasi Analisis Multiverate dengan Program SPSS*. Semarang: Badan Penerbit Universitas Diponegoro.

Hansen, V., & Juniarti. (2014). Pengaruh family control, size, sales growth, dan leverage terhadap profitabilitas dan nilai perusahaan pada sektor perdagangan, jasa, dan investasi. *Business Acounting Review*, *2*(1), 121-130. Retrieved from: http://publication.petra.ac.id/index.php/akuntansi-bisnis/article/view/1370

Hamidah. (2016). Analysis of factors affecting the capital structure and profitability in Indonesian's manufacturing company year 2009–2013. *Jurnal Keuangan dan Perbankan, 20*(2), 167-175. Retrieved from: http://jurnal.unmer.ac.id/index.php/jkdp/article/view/1473

Hery. (2015). *Analisis Laporan Keuangan Edisi 1*. Yogyakarta: Center for Academic Publishing Services.

Huafang, X., & Jianguo, Y. (2001). Ownership structure, board composition, and corporate voluntary disclosure evidence from listed companies in China. *Managerial Auditing Journal, 22*(6), 604-619. https://doi.org/10.1108/02686900710759406

Iqbal, M., & Javaid, F. (2017). The moderating role of corporate governance on the relationship between capital structure and financial performance: Evidence from manufacturing sector of Pakistan. *International Journal of Research in Business and Social Science, 6*(1), 89-105.

Jana, D. (2018). Impact of working capital management on profitability of the selected listed FMCG companies in India. *International Research Journal of Business Studies*, *6*(1), 21-30. https://doi.org/10.21632/irjbs.11.1.21-30

Javeed, A., Yaqub, R. M. S., & Aslam, M. A. (2017). Revisiting capital structure and firm value: moderating role of corporate governance: Evidence from Pakistan. *European Journal of Business and Management*, *9*(16), 39-48.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency cost, and ownership structure. *Journal of Financial Economics, 3*(4), 305-360. https://doi.org/10.1016/0304-405X(76)90026-X

Juanda, B., & Junaidi. (2012). *Ekonometrika Deret Waktu Teori dan Aplikasi*. Bogor: IPB Press.

Keown A. J., Martin, J. D., Petty, J. W., & Scott, D. F. Jr. (2011). *Dasar-dasar Manajemen Keuangan*. Edisi ke-10. Jilid 1. Jakarta: PT. Indeks.

Kharis, A., & Suhardjanto, D. (2012). Corporate governance dan ketaatan pengungkapan wajib pada Badan Usaha Milik Negara. *Jurnal Keuangan dan Perbankan, 16*(1), 37-44. http://jurnal.unmer.ac.id/index.php/jkdp/article/view/1044

Komite Nasional Kebijakan Governance (KNKG). (2006). *Pedoman Umum Good Corporate Governance di Indonesia*. Jakarta.

Kusumajaya, D. K. O. (2011). Pengaruh struktur modal dan pertumbuhan perusahaan terhadap profitabilitas dan nilai perusahaan pada perusahaan manufaktur di Bursa Efek Indonesia. *Tesis*. Universitas Udayana Bali.

Mai, M. U. (2014). Corporate governance dan interdependensi antara leverage, profitabilitas, serta kebijakan dividen dalam mencapai nilai perusahaan. *Jurnal Keuangan dan Perbankan*, *19*(2), 213-225. Retrieved from: http://jurnal.unmer.ac.id/index.php/jkdp/article/view/844

Manurung, D., & Kusumah, R. (2016). Telaah enterprise risk management melalui corporate governance dan konsentrasi kepemilikan. *Jurnal Akuntansi Multiparadigma*, *7*(3), 335-348.

http://dx.doi.org/10.18202/jamal.2016.12.7025

Modigliani, F., & Miller, H. (1963). Corporate income taxes and the cost of capital: A correction. *American Economic Review, 5*, 443-453.

Mulyono, S., Djumahir, & Ratnawati, K. (2018). The effect of capital working management on the profitability. *Jurnal Keuangan dan Perbankan, 22*(1), 94-102. https://doi.org/10.26905/jkdp.v22i1.1332

Mulianti, F. M. (2010). Analisis faktor-faktor yang mempengaruhi kebijakan hutang dan pengaruhnya terhadap nilai perusahaan. *Tesis*. Universitas Diponegoro Semarang.

Nanda, S., & Panda, A. K. (2017). The determinants of corporate profitability: An investigation of Indian manufacturing firms. *International Journal of Emerging Markets*, *13*(1), 66-86. https://doi.org/10.1108/IJoEM-01-2017-0013.

Rachman, T. (2016). *Rini: Tinggal 18 BUMN yang Masih Merugi*. Republika. Retrieved from: http://www.republika.co.id/berita/ekonomi/korporasi/16/01/19/o17jq0219-rini-tinggal-18-bumn-yang-masih-merugi

Raheman, A., & Nasr, M. (2007). Working capital management and profitability-Case of Pakistani firm. *International Review of Business Research Papers, 3*(1), 279-300.

Rimardhani, H., Hidayat, R. R., & Dwiatmanto. (2016). Pengaruh mekanisme good corporate governance terhadap profitabilitas perusahaan (Studi pada perusahaan BUMN yang terdaftar di BEI tahun 2012-2014). *Jurnal Administrasi Bisnis, 31*(1), 167-175.

Roni, H., Djazuli, A., & Djumahir. (2018). The effect of working capital management on profitability of state-owned enterprise in processing industry sector. *Journal of Applied Management*, *16*(2), 293-299. http://dx.doi.org/10.21776/ub.jam.2018.016.02.12

Samiloglu, F., & Demirgunes, K. (2008). The effect of working capital management on firm profitability: Evidence from Turkey. *The International Journal of Applied Economics and Finance, 2*(1), 44-50. http://dx.doi.org/10.3923/ijaef.2008.44.50

Sartono, A. (2001). *Manajemen Keuangan: Teori dan Aplikasi*. Yogyakarta: BPFE-Yogyakarta.

Sutianto, F. D. (2015). *26 BUMN Rugi Rp11,7 Triliun, Ini Daftarnya*. Retrieved from: http://finance.detik.com/ekonomi-bisnis/2924875/26-bumn-rugi-rp-117-triliun-ini-daftarnya

Sudarti. (2013). Pengaruh good corporate governance, profitabilitas, dan kepemilikan pemerintah terhadap harga saham pada perusahaan yang tergabung dalam CGPI 2005-2010. *Tesis*. Universitas Esa Unggul Jakarta.

Shubita, M. F., & Alsawalhah, J. M. (2012). The relationship between capital structure and profitability. *International Journal of Business and Social Science, 3*(16), 104-112.

Warsono, S., Rahajeng, D. K., & Amalia, F. (2009). *Corporate Governance Concept and Model*. Yogyakarta: Center of Good Corporate Governance Fakultas Ekonomi dan Bisnis Universitas Gadjah Mada.

Wibowo, A., & Wartini, S. (2012). Efisiensi modal kerja, likuiditas, dan leverage terhadap profitabilitas pada perusahaan manufaktur di BEI. *Jurnal Dinamika Manajemen*, *3*(1), 49-58. Retrieved from: https://journal.unnes.ac.id/nju/index.php/jdm/article/view/2459

Yusralaini, Hasan, A., & Helen, I. (2009). Pengaruh perputaran modal kerja, struktur modal, umur perusahaan, dan ukuran perusahaan terhadap profitabilitas pada perusahaan automotive and allied product di Bursa Efek Jakarta. *Jurnal Ekonomi, 17*(3), 35-48. Retrieved from: https://ejournal.unri.ac.id/index.php/JE/article/view/733

Zabri, S. M., Ahmad, K., & Wah, K. K. (2016). Corporate governance practices and firm performance: Evidence from top 100 public listed companies in Malaysia. *Procedia Economics and Finance*, *35*, 287-296. https://doi.org/10.1016/S2212-5671(16)00036-8