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Corporate Governance and Banking Performance amid Covid-19 in Indonesia

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ABSTRACT

Purpose : This study aims to analyze the effect of good corporate governance on the performance of banking companies listed on the Indonesian Stock Exchange during Covid-19.
Method : This study used a purposive sampling method as a sample selection method. A final sample from banking companies listed on the Indonesia Stock Exchange in 2020-2021 was 38. We used Multiple linear regression to analyze data. The dependent variable of this research is Return on Assets (ROA) and Return on Equity (ROE), and the Board of Commissioners, Board of Directors, audit committee, and managerial ownership as independent variables.
Findings : The results of the research analysis prove that the variables of the Board of Commissioners, Board of Directors, audit committee, and managerial ownership have no significant effect on ROA. Then, the audit committee significantly and positively affects ROE; meanwhile, the Board of Commissioners, Board of directors, and managerial ownership have no significant effect. This finding implies that just the audit committee affects the ROE.
Novelty : This research differs from previous studies because it focuses on the effect of GCG on banking performance during the covid-19 outbreak in Indonesia.

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INTRODUCTION

Coronavirus (Covid-19) is the spread of the *SARS-CoV-2* bacteria that started in Wuhan at the end of 2019. This deployment has had a significant impact on various aspects of life. The government's implementation of social distancing policies and activity restrictions significantly impacts people's lives. The health and economic sectors experienced the most severe effects. The economic sector experienced a drastic decline in business activity, resulting in total paralyzed performance.

The Indonesian Central Bureau of Statistics recorded a decline in the economic growth of -2.07% in 2020. This condition disrupted many activities, including total household consumption falling from 5.04% to -2.63%, consumption of non-profit institutions serving households decreasing 10,62% to -4,29%, and government consumption initially 3.25% decreased to 1.94%. In addition, the decrease in investment from 3.25% to 1.94% resulted in reduced employment. The trade sector with foreign countries fell significantly from 0.87% to -7.70% for exports and -7.69% to -17.71% for imports (Hayati, 2022).

Unexpectedly, the pandemic has changed society and organizations' daily activities. Failure to cope with changing conditions led to a crisis. The outbreak of Covid-19 in Indonesia has, directly and indirectly, affected the economic activities of banking performance, especially financial stability, and commercial banks. Banking needed to improve in dealing with customer requests. The government has made various efforts to improve economic stability and banking performance, such as providing funds injections and credit guarantee facilities. However, these efforts have yet to stabilize economic performance and stability.

During the Covid-19 outbreak, the banking sector has played a crucial role in supporting the economy by acting as a distributor and collector of public funds. This role has been instrumental in promoting economic stability

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and improving people's living standards.

According to Law Number 10 of 1998, banking is related to banking, including institutions, business activities, and procedures and processes for conducting business activities. The activity of good corporate governance is actual proof of the economic stability of a company. Companies can also minimize agency problems. However, the situation can contrast when the Covid-19 pandemic occurs.

The importance of good corporate governance in the banking industry cannot be understated, especially during the Covid-19 pandemic. It helps ensure that banking institutions are managed effectively, transparently, and in the best interests of their stakeholders. Good corporate governance practices provide a framework for accountability, risk management, and ethical behaviours (The World Bank Group, 2020). This practice is vital for maintaining public trust in the banking system, essential for the industry's stability and long-term success. Despite its importance, the Covid-19 pandemic has presented significant challenges to implementing good corporate governance practices in the banking sector (Hopt, 2021).

Organization for Economic Cooperation and Development (OECD), corporate governance is an internal company process involving stakeholders, including company management, capital owners, and others (S. S. Rahardjo, 2018). The economic crisis in 1997, the collapse of the Enron and Worldcom companies in 2002, and the subprime mortgage crisis in the US in 2008 were some of the critical cases in building good corporate governance in business practice (Sudarmanto et al., 2021). In Indonesia, several cases have also occurred which indicate weak corporate governance, such as the embezzlement of funds by PT Lippo Bank Tbk and Century Bank regarding liquidity (Situmorang & Simanjuntak, 2019). The application of corporate governance is a reliable strategy to escape from the economic crisis that has occurred.

Rahman & Islam (2018) studied the influence of corporate governance on commercial banks listed on the Dhaka Stock Exchange (DSE) Bangladesh. Empirical evidence obtained by Rahman & Islam (2018) exposes the influence of the board of directors on the rate of return on assets, equity, and earnings per share. In Indonesia, Rahmawati & Kitrianti (2021) provided empirical evidence regarding the impact of governance on the financial performance of the agricultural sub-sector for the period 2015-2019 on the IDX. They found that the audit committee size significantly affected the financial performance proxied as return on assets. In contrast to these findings, Rahardjo & Wuryani (2021) found that the audit committee, board of commissioners, and board of directors had no impact on financial performance.

These findings show the existence of inconsistency-research results. These findings prompted the need for further studies related to company performance during the face of the Covid-19 pandemic, which caused the banking sector to experience shocks. Banks' implementation of corporate governance has fluctuated due to Covid-19, which has caused difficulties for banks in managing relationships with stakeholders. This situation can exacerbate the state of banking performance while experiencing instability in its viability. Based on these findings, there are research gaps related to the decline in company performance due to changes in corporate governance that occurred during the Covid-19 pandemic. Therefore, this research is a further study to understand the impact of such changes on company performance. The research on the relationship between good corporate governance (GCG) and the performance of banking institutions during the pandemic is essential because banks play a crucial role in driving the economy by financing businesses and collecting public deposits. GCG is also critical for ensuring that banks operate transparently, accountably, and ethically, enhancing their reputation and building trust among stakeholders. Therefore, this research can provide important insights into how GCG practices can influence the performance of banking institutions during the pandemic and help identify ways to improve their resilience and sustainability.

Based on the agency theory, the agency relationships involve principals and agents who carry out a contract to carry out work involving the delegation of authority from the principal as decision makers to agents as managers (Jensen & Meckling, 1976). As the main actors, principals and agents have bargaining positions in carrying out their roles and positions. The principal acts as a mandate giver, while the agent acts as a liaison between the principal and a third party to do a job. In carrying out their roles, principals and agents experience a conflict of interest because of their selfish nature (opportunistic). Therefore, a mechanism is needed to align the two parties through a corporate governance mechanism. Corporate governance is a set of rules, procedures, and relationships that all parties must understand to make decisions (Hisamuddin & Kusuma, 2020). GCG itself affects the company's performance. Company performance is the company's capability to carry out management activities by maximizing the performance of company resources in order to achieve targets. Usually, the company's performance refers to the company's financial activities as a picture of the good and bad conditions.

Good corporate governance (GCG) is crucial for companies to minimize the potential conflict of interest between principals and agents (Guluma, 2021). GCG is not only limited to compliance with regulations and laws but also includes ethical standards and corporate social responsibility (Mallika Tamvada, 2020). Effective GCG implementation reflects transparent and accountable decision-making processes and responsible risk management practices (Basria et al., 2017). In addition, GCG can promote a positive corporate culture that upholds the values of integrity and fairness, enhancing the company's reputation and trust among stakeholders. Therefore, GCG implementation is an essential aspect of company performance that can contribute to sustainable growth and competitiveness in the long term.

Implementing good corporate governance (GCG) requires the involvement of the Board of commissioners

to ensure transparent and accountable decision-making processes, responsible risk management practices, and the promotion of a positive corporate culture (Farman, 2022). The Board of Commissioners is crucial in monitoring the Board of Directors' performance, acting as a checks and balances mechanism for company management. By increasing the level of supervision and improving the quality of financial reports, the Board of Commissioners can contribute to sustainable growth and competitiveness in the long term. Furthermore, research has shown that the presence of the Board of commissioners has a positive effect on financial performance, highlighting the importance of their involvement in implementing effective GCG practices.

The role of the Board of Commissioners focuses on monitoring the Board of Directors' performance. The involvement of the Board of Commissioners in company performance is a checks and balances mechanism for company management. A board of commissioners brings the company to increase supervision and improve the quality of financial reports. In line with the research of Djazilah & Kurnia (2016), Hisamuddin & Kusuma (2020), and Rahmawati et al. (2021) prove that the Board of Commissioners affects financial performance.

H_{1a}: The Board of Commissioners has a positive effect on Return on Assets

H_{1b}: The Board of Commissioners has a positive effect on Return on Equity

Corporate governance is an essential aspect of managing a company. It is a system of rules, policies, and procedures that regulate and direct the actions of the company's management and stakeholders (The Chartered Governance Institute UK & Ireland, 2020). Corporate governance is essential in balancing stakeholders' interests, such as shareholders, employees, customers, and the community, and ensuring the company's success and sustainability. Good corporate governance practices can improve the company's reputation, reduce the risk of legal and financial issues, and increase its access to capital. On the other hand, poor corporate governance can lead to unethical and illegal practices, conflicts of interest, and poor performance. Therefore, implementing good corporate governance practices is crucial for a company's success.

In order to ensure good corporate governance practices, the Board of directors plays a critical role in regulating and directing the actions of a company's management and stakeholders. By establishing a clear division of tasks and responsibilities among each member, the Board can effectively coordinate with one another to make decisions that determine the direction and strategy of the company (Martins, 2022). Research has shown that the effectiveness of the Board of directors can significantly impact a company's financial performance. Therefore, companies need to prioritize implementing good corporate governance practices and ensure that their Board of directors fulfill their responsibilities in maintaining the balance between the interests of stakeholders and the success and sustainability of the company.

In general, the Board of Directors is the main control center responsible for the excellent progress of the company. They are a system that must implement good corporate governance and ensures that corporate performance can run effectively. The existence of a clear division of tasks and responsibilities among each member allows the directors to coordinate effectively in carrying out performance. This condition allows the directors to make decisions in determining the direction and strategy of the company by utilizing the property kept by business actors. Research by Wardhani (2016), Rahman & Islam (2018), Eksandy (2018), and Hisamuddin & Kusuma (2020) state that the Board of directors influences the company's financial performance.

H_{2a}: The Board of directors has a positive effect on the Return On Assets

H_{2b}: The Board of directors has a positive effect on the Return On Equity

Corporate governance is a crucial aspect for companies to maintain their sustainability in the long term. Implementing good corporate governance practices will not only maintain the company's stability but also improve the company's performance. Good corporate governance is a comprehensive concept necessary for the company's success in achieving its goals. Implementing good corporate governance can increase company value and profitability, reducing the risk of bankruptcy. Good corporate governance practices will ensure transparency, accountability, and fairness in the company's management (Ekasari & Noegroho, 2020). Therefore, good corporate governance practices can be implemented through the active involvement of the Board of Directors and the audit committee. The Board of Directors is responsible for making decisions that will determine the direction and strategy of the company. At the same time, the audit committee plays a role in supervising the company's overall performance, ensuring that the financial reports are transparent and comply with regulations. In addition, the audit committee's involvement can also minimize the risk of fraud and manipulation of financial data, which can improve the company's financial performance.

The audit committee plays a role in supervising the company's overall performance. The involvement of some audit committee members can minimize efforts to manipulate data to develop the performance of business actors. Research by Rahmawati et al. (2017) shows that management performance is largely unaffected by a number of audit committees because the tasks assigned are the same, namely reviewing accounting policies carried out, evaluating internal controls, reviewing external reporting systems, and complying with existing regulations. However, according to research conducted by Oktarina (2020), Hisamuddin & Kusuma (2020), and Rahmawati & Kitrianti

(2021), concluded that the audit committee had a positive impact on financial performance.

H_{3a}: Audit committee has a positive effect on Return On Assets

H_{3b}: Audit committee has a positive effect on Return On Equity

The ownership structure is an important aspect that can significantly impact a company's performance. It refers to how a company's shares are owned and distributed among its shareholders, including institutional investors, individual investors, and the company's management. One of the ownership structures that has gained increasing attention from scholars and practitioners is managerial ownership (Chaganti & Damanpour, 1991; Kirimi et al., 2022; Nguyen et al., 2021). This ownership refers to the ownership of shares by managers or shareholders who are actively involved in the company's decision-making processes. Such ownership can align the interests of managers with those of shareholders, thereby promoting better decision-making and ultimately leading to improved company performance. In this context, it is essential to investigate the relationship between managerial ownership and company performance to better understand the role of ownership structure in shaping a company's success.

Managerial ownership is the active participation of managers or shareholders in making decisions regarding the ownership of company shares. Managerial ownership helps unify the wishes of managers towards shareholders in decision-making and participation in bearing losses for the decisions taken. Managerial ownership represents a managerial ability, Aluy et al. (2017) and Rahmawati et al. (2021) found that a company's ability can influence the company's performance in managing its management activities.

H_{4a}: Managerial ownership has a positive effect on Return On Assets

H_{4b}: Managerial ownership has a positive effect on Return On Equity

RESEARCH METHODS

This study used a quantitative approach with secondary data sources. We accessed the secondary data through the Indonesia Stock Exchange, the company's official website, and the Bloomberg ESQ database. The research population is banking companies. We collected Data from the annual report issued and published by the companies 2020-2021. The study's final sample was 38 samples using the purposive sampling method.

The dependent variable of the research is company performance proxied through Return on Assets (ROA) and Return on Equity (ROE), whereas the Board of Commissioners, board of directors, audit committee, and managerial ownership as independent variables that refer to corporate governance.

This research involved descriptive statistical analysis, multiple linear regression, and classic assumption testing. Descriptive statistical analysis provides an overview of the data used in the study, including calculating the mean, median, and standard deviation of the observed variables. Next, multiple linear regression analysis evaluates the relationship between the independent and dependent variables in the study. This test helps to determine whether the independent variable significantly affects the dependent variable and how much influence it has. We tested the assumptions for regression analysis to ensure that the data used in the study met the basic assumptions of regression analysis, such as normality assumptions, homoscedasticity, and no multicollinearity. By conducting these steps, the research can ensure the validity and reliability of the results obtained. Multiple linear regression analyses the magnitude of an independent variable affecting the dependent variable.

Table 1. Research Sample Criteria

No.	Sample Criteria	Research Period	
		2020	2021
1	Companies in the banking sector listed on the IDX for the 2020-2021 period	46	46
2	Banking sector companies that issue and publish annual reports for the 2020-2021 period	46	46
3	Companies in the banking sector that have not issued and published annual reports in rupiah units	0	(1)
4	Banking sectors companies that do not have complete data required in research (ROA, ROE, Board of commissioners, Board of Directors, Audit Committee, Managerial Ownership)	(19)	(20)
5	Data outlier	(8)	(6)
6	Company sample per year	19	19
7	Final sample number (number of observations)	38	

Source: 2022 secondary data, processed

Table 2. Operational Definition and Measurements

No.	Variable	Definition	Measurement
1	Return on Assets (ROA)	ROA is a financial measurement scale used representing a company's financial result.	ROA = Net Profit After Tax / Total Assets Harahap quoted by (Rahardjo & Wuryani, 2021)
2	Return on Equity (ROE)	ROE, namely management competence, measures equity shareholders own to obtain a return on investment.	ROE = Net Profit After Tax / Equity (Brigham & Houston, 2018) (Brigham & Houston, 2018)
3	Board of Commissioners	The Board of Commissioners is part corporate that collectively works on monitoring management performance and provides recommendations to the directors in carrying out their duties and obligations in accordance with the intent corporate	BOC = ∑Board of Commissioners (Pradnyana, et al. 2021)
4	Board of Directors	The Board of Directors is an organ corporate obliged to manage management collectively by distributing duties and authority to each member.	BOD = ∑Board of Directors (Pradnyana, et al. 2021)
5	Audit Committee	The audit committee is an institute set up to help commissioners with separate duties in fulfilling the responsibility to perform monitoring.	AC = Independent Commissioner in The Audit Committe / Total Audit Committee Harahap quoted by (Rahardjo & Wuryani, 2021)
6	Managerial Ownership	Managerial ownership is a company's shares that are controlled by its management.	MO = Managerial Ownership / Outstanding Shares (Yuliarti & Yanto, 2017)

Sources: Various Previous Sources

The multiple linear regression model equation is as follows:

$$Y = a + \beta_1 BOC + \beta_2 BOD + \beta_3 AC + \beta_4 MO + e \quad \ldots\ldots 1$$

Information:

Y = Company Performance (ROA and ROE)
a = Constant of the Regression Equation
β = Regression Coefficient of the Variable in Question
BOC = Board of Commissioners
BOD = Board of Directors
AC = Audit Committee
MO = Managerial Ownership
e = Residual or Prediction Error

RESULTS AND DISCUSSIONS

Table 3 summarizes the descriptive statistical analysis results of the variables adopted in the study. The description includes the number of observation samples, maximum, minimum, mean, and standard deviation. Based on the result in Table 3, there were 38 research samples obtained. Board of Commissioners with a minimum score of 3 people, maximum of 12 people, mean of 5.92, and standard deviation of 2.572. Furthermore, a minimum value of 3 people, maximum of 12 people, means of 7.76, and standard deviation of 2.90 is obtained for the Board of Directors variable. The audit committee variable is measured through independent commissioners in the audit committee compared to the total audit committee obtaining the minimum and maximum with the proportion of 0.20 and 0.75, which means 0.42, and a standard deviation of 0.13. Then, managerial ownership with a minimum and maximum of 0.0006 and 1.00 means 0.10 while the standard deviation is 0.2551278. The dependent variable with the ROA proxy shows a minimum value of -2.58%, a maximum of 3.25%, a mean of 0.87%, and a standard deviation of 1.03%. Lastly, the ROE variable with the analysis results is a minimum value of -17.43%, maximum of 15.43%, means of 5.46%, and standard deviation of 6.49%. This condition indicates that banks can use shareholder equity to obtain profits.

The research model used in the study met all the classic assumptions of regression analysis. Data met the normality assumption using the statistical Shapiro-Wilk test. The assumption of homoscedasticity was met by

Table 3. Descriptive Statistical Test

	N	Minimum	Maximum	Mean	Std. Deviation
Board of commissioners	38	3	12	5.92	2.572
Board of directors	38	3	12	7.76	2.899
Audit committee	38	0.2000	0.7500	0.427832	0.1356581
Managerial ownership	38	0.0006	1.0000	0.102416	0.2551278
ROA	38	-2.5806	3.2508	0.876276	1.0296779
ROE	38	-17.4337	15.4284	5.464039	6.4900136
Valid N (listwise)	38				

Source: IBM SPSS 25 output, data processed in 2022

examining the scatterplot of the residuals against the predicted values and verifying a constant variance across the range of the predicted values. Finally, the assumption of no multicollinearity was met by checking the independent variables' correlation matrix and variance inflation factor (VIF) to ensure no high correlations among the predictors. Thus, We concluded that the research model satisfies all the classic assumptions required for regression analysis, which indicates that the findings are reliable and can be used to draw meaningful conclusions.

The regression analysis results is provided in Table 4. We determined the magnitude of the influence of the independent variables on the dependent variables probability ≤ 0.05. The results showed that just Audit committee positively affected the Return On Equity, because the Significant value is less than 0.05, so the H_{3B} is accepted, and the other hypothesis are rejected.

The Board of Commissioners does not affect both Returns On Asset and Equity because the empirical results showed that the sign is negative dan its value is more than 0.05. The effect of the Board of Commissioners on ROA is 0.081, whereas ROE is 0.15. So, the findings rejected H_{1a} and H_{1b}. The results of the effect of the Board of Directors on ROA is positive, but its sig. 0.070. In addition, the effect of the Board of Directors on ROE is 0.060. This value is more than 0.05, so H_{2a} and H_{2b} are rejected. Next, the effect of the audit committee on the ROA is 0.108, this sig. Value is more than 0.05, so H_{3a} is rejected, whereas the effect of the Board of Directors on ROE is 0.022, this value is less than 0.05, so H_{3b} is accepted. The last, the effect of Managerial Ownership on ROA is 0.477, and on ROE is 0. 509, and the sign is negative; the results showed that Managerial Ownership does not affect ROA and ROE. That is, the results rejected H_{4a} and H_{4b}. These findings indicate that the discussions:

The Effect of the Board of Commissioners on ROA

The effect of the Board of Commissioners on the ROA has a positive effect on ROA, resulting in a sig. of 0.081. It means that the H_{1a} hypothesis is not supported. Based on the Agency Theory of Jensen & Meckling (1976), this finding revealed that the Board of Commissioners, as the principal, advises the directors as agents in company management activities. In addition, the Board of Commissioners plays a role in monitoring the decision-making process by the directors. During the Covid-19 pandemic, the duties and responsibilities of the Board of Commissioners needed adjustments due to regulations related to work from home (WFH). This regulation requires the Board of commissioners to monitor remotely using information technology. Conditions like this are frightening because the process monitoring done remotely can result in miscommunication between members of the Board of commissioners. In addition, it can lead to information asymmetry. The number of members of the Board of Commissioners can only guarantee that management has the performance effectively and efficiently.

The result of this research analysis aligns with Wiariningsih et al. (2019) and Pradnyana et al. (2021), who describes that the Board of Commissioners does not affect ROA. The existence of a board of commissioners in a company cannot supervise and contribute to improving company performance. However, Rahmawati et al. (2017), Sarafina & Saifi (2017), and Eksandy (2018) show that the Board of commissioners has a positive effect on ROA. This finding means that the Board of Commissioners is effectively and efficiently carrying out its duties and responsibilities.

Table 4. Multiple Linear Regression Analysis

Variable	ROA		ROE	
	Coefficient	Sig.	Coefficient	Sig.
Board of commissioners	-0.223	0.081	-1.206	0.15
Board of directors	0.200	0.070	1.247	0.060
Audit committee	2.165	0.108	18.831	0.022
Managerial ownership	-0.484	0.477	-2.693	0.509

Source: IBM SPSS 25 output, data processed in 2022

Board of Commissioners on ROE

The formulation of the hypothesis that the Board of Commissioners has a positive effect on ROE shows different test results; namely, the Board of Commissioners is not significantly affected by ROE because the sig. 0.115 > 0.05. That is, the H_{1b} hypothesis is not supported. This finding aligns with Azmy et al. (2019) that the Board of Commissioners has no positive impact on ROE. However, these results contrast with Laila et al. (2017), Oktarina (2020), and Devilia & Prasetyo (2021) that the Board of Commissioners has a positive effect on company performance. The Board of Commissioners carries out its role to carry out the mechanism of checks and balances to process monitoring to minimize the executive's assumption that a corporation is private property.

The role of the Board of Commissioners in carrying out corporate governance emphasizes achieving the company's targets. However, many companies had difficulty obtaining profit from shareholder investment during the pandemic due to a decline in financial performance. This event proves that the GCG implemented by the company cannot survive the effects of the Covid-19 pandemic.

The Effect of the Board of Directors on ROA

The analysis results of the hypothesis that the Board of Directors affects ROA are not accepted, so the finding rejected hypothesis H_{2a}. This result proves that the Board of Directors does not positively affect ROA with sig. 0.070 > 0.05. The Board of Directors is responsible for the decision-making process and corporate strategy. However, the study's findings which showed no effect indicated no impact significantly of director total on the company's performance. During a pandemic, the decision-making process became difficult because banking operational activities to improve services to stakeholders were limited by the physical distancing policy. In addition, the occurrence of multiple positions due to the number of directors who need to be qualified interferes with decision-making and the determination of company strategy. The results of this study are in line with previous research by Rahmawati et al. (2017), Eksandy (2018), Azmy et al. (2019), Pradnyana et al. (2021), Rahardjo & Wuryani (2021) explains that the Board of directors has a positive effect on ROA. A large number of company boards of directors can facilitate the decision-making process effectively and can reduce the emergence of agency conflicts.

The Effect of the Board of Directors on ROE

Board of directors with sig. of 0.060 > 0.05 indicating the board of directors hypothesis has no positive and significant effect on ROE. The finding rejected H_{2b}. The results of this analysis support Situmorang & Simanjuntak (2019), which found that the Board of Directors did not have a beneficial impact on ROE. However, contradictory to previous studies by Azmy et al. (2019), who revealed that the Board of Directors has a positive impact on ROE.

The Board of Directors is fully committed to optimizing the company's performance. The composition of a large Board of directors can influence the activities of company management in coordinating and exchanging ideas. This Covid-19 exacerbated banking operations, and community activities experienced a decline in generating profits. The Board of Directors' role is distributing company information to investors and shareholders concerning company performance developments during a pandemic.

The Effect of the Audit Committee on ROA

The analysis results prove that the audit committee hypothesis has no significant and positive effect on ROA, meaning that this finding rejected hypothesis H_{3a}. The probability results obtained by the audit committee with sig. 0.108 > 0.05. Related to the agency theory, audit committees sometimes do not carry out their obligations in monitoring company activities which causes information asymmetry problems. This situation proves that the audit committee's performance has yet to be able to improve company performance. In addition, the Covid-19 pandemic caused conditions in the banking sector to experience a decrease in demand for credit.

Hisamuddin & Kusuma (2020) reveal that the minimum number of audit committees a company owns must consist of 3 people who serve as chairmen and independent commissioners. Based on the results of descriptive statistics in Table 3, the minimum number of audit committee members is two, with a maximum of 7 people. This empirical finding indicates that the minimum audit committee members do not comply with regulations. This condition is clear evidence that the audit committee cannot contribute to improving the company's performance to make a profit. The results of this research analysis align with Wiariningsih et al. (2019) and contrary to research by Sarafina & Saifi (2017) which shows that audit committees affect ROA.

The Effect of the Audit Committee on ROE

The following result showed that the audit committee significantly affected the ROE with a probability of 0.022 < 0.05. This finding exposes the audit committee to positively and significantly affect ROE so that hypothesis H_{3b} is accepted. Then, the results of statistical tests obtained a mean value of the audit committee of two people and did not meet the requirements of the company's minimum audit committee members. However, the duties and responsibilities of the audit committee in carrying out the monitoring process focused on internal performance

during Covid-19. The high independence of the audit committee helps the decision-making process, detect fraud, and communication between internal, external, and audit committees can run optimally so quality financial report audits can be guaranteed. This research aligns with Laila et al. (2017) but is contrary to Devilia & Prasetyo (2021) research, which suggests no influence between the audit committee on ROE.

The Effect of Managerial Ownership on ROA

Based on the formulated analysis, the result found that managerial ownership has no significant effect on ROA because a significant value obtained of 0.477 > 0.05, so hypothesis H_{4a} is rejected. This analysis's results align with the research of Wiariningsih et al. (2019). There is a difference in interest between the shares owned by managers and the other shareholders, causing agency problems in contrast to research by Pradnyana et al. (2021) which revealed that managerial ownership correlated with a positive direction toward ROA. A large proportion of managerial ownership reduces the chances of a conflict. Conversely, a small proportion of share ownership results in less than optimal company performance.

Table 3 above depicts that the share ownership of banking companies is 0.06% with a maximum of 100.0%, meaning that commissioners and directors can position themselves as owners and executors of company management activities but do not have decision-making authority. When the Covid-19 outbreak broke out in Indonesia, activities in the banking sector experienced disruptions, such as uneven information obtained by managerial parties compared to the information obtained by principals. This situation is a bridge for the occurrence of information asymmetry that interferes with the decision-making process.

The Effect of Managerial Ownership on ROE

Research analysis related to managerial ownership has no significant and positive effect on ROE. The tests carried out showed sig. 0.509 > 0.05 means that the H_{4b} hypothesis is rejected. The research results align with the analysis conducted by Djazilah & Kurnia (2016), arguing that managerial ownership failed to affect ROE. Theoretically, the higher the managerial ownership of business actors, the higher the responsibility for fulfilling shareholder ambitions. However, it differs from the research analysis results, which prove that managers' share ownership is limited to delegating shareholder authority and needs full decision-making power. This finding is based on the descriptive statistics of Table 3, which reveals a mean banking share ownership of 10.24%, classified as a minority share because it is less than 50%. This research's results differ from the study by Aluy et al. (2017). Managerial ownership has a significant and positive effect on ROE. Managerial ownership is intended to balance the interest of stakeholder principals and managers in corporate policy-making activities.

CONCLUSIONS

This research aims to investigate the impact of corporate governance on a company's financial performance, using Return on Assets (ROA) and Return on Equity (ROE) as indicators. The independent variables considered in the analysis are the Board of Commissioners, Board of Directors, audit committee, and managerial ownership. This study used Multiple linear regression to analyze the collected data. The results indicate that none of the independent variables, such as the Board of Commissioners, Board of Directors, audit committee, and managerial ownership, positively and significantly impact ROA. Similarly, the Board of Commissioners, Board of Directors, and managerial ownership variables have no significant effect on ROE. However, the audit committee has a positive and significant impact on ROE.

These findings suggest that future research should expand the research variables to include other factors that impact the relationship between corporate governance and financial performance. Moreover, the sample selection criteria could be modified to include more sectors affected by the Covid-19 pandemic. By considering these factors, future research can provide a more comprehensive understanding of the influence of corporate governance on a company's financial performance. Furthermore, this study highlights the challenges in measuring the impact of corporate governance during unprecedented events, such as the Covid-19 pandemic. The pandemic has disrupted companies' everyday operations, resulting in an unstable and unpredictable economic and financial climate. Consequently, the impact of corporate governance on financial performance may be more difficult to quantify during these challenging times.

Several things need to be considered and developed in this research. Firstly, the Covid-19 pandemic is a unique moment that affects all sectors, not just banking. The pandemic has impacted all aspects of business, including the economic and financial conditions of companies. These changes can cause instability and unpredictability, making it more challenging to measure the impact of corporate governance on ROA and ROE. In addition, the pandemic may cause regulatory changes that can affect corporate governance, resulting in unpredictable changes in its impact. This challenge can motivate future research studying the impact of corporate governance on other financial indicators, such as profitability and liquidity. Moreover, studies examining corporate governance's influence on financial performance in different industries and countries could provide valuable insights. By expanding the scope of research and considering the complex and dynamic nature of the business environment, we can better understand

the relationship between corporate governance and financial performance.

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