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The Influence of Corporate Governance and Corporate Funding Decisions Againts Performance and Profitability Implications for Return on Stock

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Abstract: This research was to determine and analyze the effect of profitability performance to audit committee on Stated-owned enterprises (BUMN) listed on the stock exchange Indonesia. To determine and analyze the effect of audit committee, public owner, number of commissioner, independence commissioner, debt equity ratio, dividend payout ratio and return on equity simultaneously to stock return on Stated-owned enterprises (BUMN) listed on the stock exchange Indonesia. Population in this research is 13 (thirteen) State-owned enterprises (BUMN) listed on the stock exchange Indonesia. The method used in this research is a descriptive survey method and explanatory with regression data panel to determine and analyze hypothesis the influence the independent variable to dependent variable. Based on the research results, these following research findings, are treired Audit Committee have a significant positive effect on profitability performance, The public owner influence significant negative on profitability performance. The number of board of commissioner influence the profitability performance as a positive effect but not significant. Independence commissioner influence negative profitability performance and significant. Debt to equity ratio (DER) influence performance as a negative but not significant. Dividend payout ratio (DPR) influence profitability performance as a negative but not significant. Variable corporate governance consist of audit committee, public owner, the number of commissioner, and independence commissioner, variable od Fund Company's decision proximate with debt to equity ratio (DER), and dividend policy proximate with dividend payout ratio (DPR) simultaneously profitability performance positively and significant. The GCG implementation through independence commissioner, audit committee, fund policy and profitability performance significantly influence the stock return.

Keywords: Corporate governance, Profitability Performance, Debt to Equity Ratio, Dividend Payout Ratio and Stock Return.

1. Introduction

Corporate governance is a process and structure that is used to improve the performance and accountability of the company to realize shareholder value in the long term by taking into account the interests of other stakeholders, based on the rules and regulations of ethical values Therefore in the exercise of the activity of the economic need to follow market mechanisms and oriented to profit. The emergence of state-owned enterprises act No.19 of 2003, because the role of state-owned enterprises in realizing the welfare of society not yet optimal, management and control needs to be done professionally and the management of state-owned enterprises need to adapt to development of the economy and the business world that is increasingly rapidly, both nationally and internationally.

1.1 Formulation of the problem

Based on the background above, some of the problem can rise from it might enhance the perspective of this study such as:

1) What of the audit committee are partial influence on the performance of STATE-OWNED companies on profitability recorded in Indonesia stock exchange?

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2) Is the public ownership in the partial influence on the performance of STATE-OWNED companies on profitability which is listed on the Indonesia stock exchange?
3) 3.Iis the size of the Board of Commissioners in a partial influence on the performance of STATE-OWNED companies on profitability which is listed on the Indonesia stock exchange?
4) Estimation and analyze the effect of partially independent Commissioner against STATE-OWNED companies on profitability performance recorded in Indonesia stock exchange.
5) Estimation and analyze the influence of partial debt equity ratio (DER) against the performance of STATE-OWNED companies on profitability which is listed on the Indonesia stock exchange.
6) Estimation and analyze the influence of partial divident payout ratio (DPR) performance against profitability at the company-OWNED ENTERPRISES listed on the Indonesia stock exchange.
7) Estimation and analyze the influence of the audit committee, the public ownership, the size of the Board of Commissioners, independent Commissioner, debt equity ratio and divident payout ratio together have an effect on the performance of STATE-OWNED companies on profitability which is listed on the Indonesia stock exchange.
8) Estimation and analyze the effect of audit committee is partially against the return on the company's stock STATE-OWNED ENTERPRISES listed on the Indonesia stock exchange.
9) Estimation and analyze the effect of partially public ownership against the return on the company's STATE-OWNED shares are listed on the Indonesia stock exchange.
10) Estimation and partially analyse the influence of the size of the Board of Commissioners against the return on the company's stock STATE-OWNED ENTERPRISES listed on the Indonesia stock exchange.
11) Estimation and analyze the effect of partially independent Commissioner against STATE-OWNED companies on stock return listed on the Indonesia stock exchange.
12) Estimation and analyze the influence of partial debt equity ratio (DER) against the return of shares in STATE-OWNED companies listed on the Indonesia stock exchange.
13) Estimation and analyze the influence of partial divident payout ratio (DPR) against the return of shares in STATE-OWNED companies listed on the Indonesia stock exchange.
14) Estimation and analyze the effect of partially return on equity (ROE) against the return of shares on the company's STATE-OWNED ENTERPRISES listed on the Indonesia stock exchange.
15) Estimation and analyze the influence of the audit committee, the public ownership, size independent Commissioner Commissioners, dwan, debt equity ratio (DER), divident payout ratio (DPR) and return on equity (ROE) jointly against the return of shares on the company's STATE-OWNED ENTERPRISES listed on the Indonesia stock exchange.

2. Review of the theory

a. Profitability

Profitability is the end result of a variety of policy and management decisions. This ratio also gives answers about the effectiveness of the management of a company (Sawir, 2001:12). While according to Sugiyarso and Winarni (2005:118), who said that profitability shows the company's ability to obtain profits in hubungannnya with the sales, total assets, nor with his own.

From a number of the above notions concerning the profitability ratio, then it can be concluded that the ratio of the banking companies or used to measure the level of effectiveness of management by comparing profit (after tax) and capital (core capital) or with a total asset of a certain period related to the sale or investment.

b. Corporate Governance and Good Corporate Governance

The concept of corporate governance can be defined as a set of mechanism that directs and controls a company so that the company's operations run in accordance with the expectations of stakeholders (stakeholders). in (Corporate Governance Perception Index, 2008) Good Corporate Governance can be defined as structures, systems, and processes used by the organs of the company as an effort to add value to the company on an ongoing basis in the long term, by remaining attentive to the interests of other stakeholders, based on legal regulations and norms in force.

The definition above can be concluded that the GCG are:

- a structure regulating the relationship harmonious patterns about the roles of the Board of Commissioners, Board of Directors, shareholders and other stakeholders.
- A system of supervision and control authority balances the company can limit the emergence of two opportunities, i.e. the wrong management.
- A process which is transparent over the determination of goals, achievement, and performance measurement.

c. Capital Structure Theory

Capital structure theories with regards to the costs of the Agency (Agency Cost) are actually only refers to the Agency theory developed by Jensen and Meckling (1976). One of the proposed mechanisms Jensen and Meckling (1976) is to increase the share of debt. The goal of capital structure is a unique blend of funding sources used by the company to maximise the value of the company by way of maximise share price, minimising the capital costs (cost of capital). Low debtg high equity ratio (which is the output of the capital structure) will affect the level of achievement of the return on equity (ROE) achieved by the company. If the cost of the loan is less than the capital itself then the source of the funds derived from loans or debt will be more effective in generating profits (increase return on equity), likewise.

d. Signaling Theory

Cue or signal is an action taken that company management gave guidance for investors about the company's prospects (Brigham and Houston, 1999:36). With the prospect of profitable companies will try to avoid selling stocks and lobbies for each new capital needed by other means, including the use of debt that exceeds a normal capital structure target. The company with the prospect of less profitable will be appropriate to sell its shares. The announcement of the emission of shares by a company in General is a cue (signal) that the management of the company's prospects looked bleak. If a company offers the sale of new shares, more often than usual, then its stock price will decrease due to publish new stock means negative hinted then can hit the share price of the company's prospects even brighter.

Ross (1997) as well as Leland and Pyle (1977) developed the capital signaling that explains the company's capital structure based on the problem of asymmetric information between the well-informed managers and outside investors that poorly-informed. The model was developed based on the idea that managers who have good information about the company will try to convey such information to outside investors in order to increase the company's share price.

One of the solutions that can be used by managers who indeed has good information about perusahaannnya is to give a signal to investors by performing an action that cannot be imitated by

companies that do not have the information as good as the information of the company. The signal according to the literature finance is action that would overload the signal giver company a large fee (deadweight costs) to be able to make an uninformed outsider became of what was delivered. The signals become credible if another company who does not have a performance like the one owned by the company dividend to the signal difficult to emulate.

e. Teory of Multi-Factor Model

Multiple-Factor Model is the financial model uses a number of factors in the process of calculations to explain the phenomenon of market and asset price equilibrium conditions. Multi-factor model is used to establish a portfolio with certain characteristics, such as risk, or estimate a index. In forming a multiple factor index, it is very difficult to determine how the number of factors and factor anything included therein. For example, Fama and French model (1993) using the three (3) factors, namely the size of the company, the book to market values and market excess return. The model also does not determine the amount of historical data, so the accuracy in predicting the value that will be less accurate.

f. Research hypothesis

Based on the statement and framework description refers to model the research above, the research hypothesis is as follows:

- H1: the audit committee of the positive effect on the company's profitability performance against STATE-OWNED COMPANIES listed on the Indonesia stock exchange during the period 2009-2012
- . H2: public Ownership of the positive effect on the company's profitability performance against STATE-OWNED COMPANIES listed on the Indonesia stock exchange during the period 2009-2012.
- H3: the size of the Board of Commissioners of the positive effect on the company's profitability performance against STATE-OWNED COMPANIES listed on the Indonesia stock exchange during the period 2009-2012.
- H4: independent Commissioner against the positive effect on the company's profitability performance of STATE-OWNED ENTERPRISES listed on the Indonesia stock exchange during the period 2009-2012.
- H5: Debt equity ratio (DER) negative effect on performance profitability at the company's STATE-OWNED ENTERPRISES listed on the Indonesia stock exchange during the period 2009-2012.
- H5: Debt equity ratio (DER) negative effect on performance profitability at the company's STATE-OWNED ENTERPRISES listed on the Indonesia stock exchange during the period 2009-2012.
- H6: Dividend payout ratio (DPR) negative effect on performance profitability at the company's STATE-OWNED ENTERPRISES listed on the Indonesia stock exchange during the period 2009-2012.
- H7: the audit committee, the public ownership, the size of the Board of Commissioners, independent Commissioner, DER HOUSE together, positive effect on the company's profitability performance against STATE-OWNED COMPANIES listed on the Indonesia stock exchange during the period 2009-2012.
- H8: audit committee the positive effect against the STATE-OWNED company shares on the return that is listed on the Indonesia stock exchange during the period 2009-2012.

- H9: positive effect against public ownership of the return on the company's shares are STATE-OWNED ENTERPRISES listed on the Indonesia stock exchange during the period 2009-2012.
- H10: the size of the Board of Commissioners of the positive effect against STATE-OWNED companies on stock return listed in Indonesia stock exchange during the period 2009-2012.
- H11: positive influential independent Commissioner against STATE-OWNED companies on stock return listed in Indonesia stock exchange during the period 2009-2012.
- H12: Debt to equty ratio (DER) effect negatively to the return on the company's stock STATE-OWNED ENTERPRISES listed on the Indonesia stock exchange during the period 2009-2012.
- H13: Dividend payout ratio (DPR) a positive effect against STATE-OWNED companies on stock return listed in Indonesia stock exchange during the period 2009-2012
- H14: Return on Equity (ROE) a positive effect against STATE-OWNED companies on stock return listed in Indonesia stock exchange during the period 2009-2012.
- H15: the audit committee, the public ownership, the size of the Board of Commissioners, independent Commissioner, DER, House and berpengaruhberpengaruh together against ROE return on company stock STATE-OWNED ENTERPRISES listed on the Indonesia stock exchange during the period 2009-2012.

3. Research Method

The object of the research be free variables in this study are the audit committee, the public ownership, the size of the Board of Commissioners, independent Commissioner, capital structure (DER), the dividend policy (HOUSE of REPRESENTATIVES). While being bound variable is the performance of the profitability and the return of shares. In this study used is the hipotesi test test t (partially), the F-test (simultaneously), and test the R2 (coefficient of determination). The object of this study using the company's State-owned enterprises (SOEs) since the company is a group company that made a pilot implementation of the policies of the Government as well as the application of corporate governance. Based on selection criteria samples, then selected 13 companies are PT samples. Adhi Karya, Tbk, PT Aneka Tambang Tbk, PT Bank BNI Tbk, PT Bank BRI, Tbk, PT Bank Mandiri, Tbk, PT Indosat Tbk, PT Jasa Marga Tbk, PT, Kimi Farma, Tbk, PT Perusahaan Gas Negara, Tbk, PT. Tambang Batubara Bukit Asam, Tbk, PT. Timah, Tbk, PT. Telekomunikasi Indonesia, Tbk, PT.Wijaya Karya, Tbk.

a. Estimation Analysis of Panel Data Regression Model

Based on testing using the criteria of determiners coefficient R2, then the panel data regression model used in estimation the influence of corporate governance, decision funding, and dividend policy on performance profitability in this study is a model of the effects of remains. The fixed effect model applied in this research is a model that eliminates the problem of heteroskedastisitas with mengkonstankan residualnya using the white-heteroskedasticity, autocorrelation problem while not required in the fixed effect model so that the test of autocorrelation can be ignored (Nachrowi 2006). The results of the estimation of regression model using panel data effects stick with white-heteroskadesticity shown in the table above.

The results of the estimation of the influence of the audit committee, the public ownership, the size of the Board of Commissioners, independent Commissioner, DER, and the HOUSE of REPRESENTATIVES against the performance of a fixed effects model using profitability as shown in the table above can be written in the form of the following equation:

ROE [Ci 59.03822] 0.344104 K_AUDIT 0.329098 RK_PBLK 0.135491 – U_DKOM – 0.284683 – RK_INDP – 0.054534 DER 0.370278 HOUSE

Ci Constants Fixed Effects company to-i, i, 1 , ... 13.

The equation then we do the testing against the respective regression coefficient panel data partially affecting the performance of the STATE-OWNED company using ROE profitability test-t. T-test was conducted to determine whether each of the free variables used in this study can affect the performance of the STATE-OWNED company profitability partially as a variable is bound (the dependent variable) significantly with the level of certain 5 percent alpha (α of 0.05).

b. Estimation of Panel Data Regression Models for Each Company

The use of the fixed effect model for panel data regression method can show the difference in the constant company of STATE-OWNED ENTERPRISES are being sampled in this study, although with the same regresor coefficient. Fixed effect referred to in this research is that each of the company's STATE-OWNED ENTERPRISES have remained the constant magnitude for different time periods. Likewise with the coefficient regresinya, fixed magnitude over time (time invariant). The regression equations for the estimation of panel data for each STATE-OWNED companies that go public and has been listed on the Indonesia stock exchange since the year 2009 until 2012. Of regression equation 13 panel data model of fixed effects for each company (equation 5.2 – 5.14) can be summed up as follows:

4. Conclusion

1) The audit committee affect the performance of the profitability of the ROE in a positive but not significant. This empirical findings are inconsistent with the hypothesis of the study.
2) Public ownership affect the performance of the company's ROE negatife profitability and significant. This empirical findings do not fit with the hypothesis of the study.
3) The size of the Board of Commissioners of the company's ROE profitability performance affect positively but not significant. Empirical findings of this contradiction with the hypothesis of the study.
4) Independent Commissioner affect performance negatively and company profitability significantly. Empirical findings is different from the hipptesis research stating that the independent Commissioner influential variable positive performance against profitability ROE company that went public on the Indonesia stock exchange during the period 2009-2012.
5) Debt equity ratio (DER) affect the performance of the profitability of the company's ROE negative but not significant. This empirical findings are inconsistent with the hypothesis of the study.
6) Dividend payout ratio (DPR) affecting the performance of the company's ROE negative profitability and significant. Empirical findings is in line with the hypothesis of the study.
7) Variable corporate governance consists of the audit committee, the public ownership, the size of the Board of Commissioners, and the independent Commissioner, the funding decision variable diproksikan with a debt to equity ratio (DER), and dividend policy dividend payout ratio with diproksikan (DPR) live together affect performance profitability ROE significantly. The results of this study are in line with the hypothesis of the study.
8) The audit committee of influential negatife and significantly to return the shares. This empirical findings are inconsistent with the hypothesis of the study.

9) Public ownership affects return stock in a positive but not significant. Empirical findings is different from the hipotsesis research.

10) The size of the Board of Commissioners influences the return stock in a positive but not significant. This contradictory empirical findings with hypothesis research.

11) Independent Commissioner affect return stock in a positive and significant. Empirical findings is in line with the hypothesis with the hypothesis of the study.

12) Debt equity ratio (DER) affect the return of stocks in a positive and significant. Empirical findings is in line with the hypothesis of the study.

13) Dividend payout ratio (DPR) affecting the return stock in a positive but not significant. This empirical findings do not fit with the hypothesis of the study.

14) Return on equity (ROE) affect the return of stocks in a positive and significant. Empirical findings is in line with the hypothesis of the study.

15) Variable corporate governance consists of the audit committee, the public ownership, the size of the Board of Commissioners, and the independent Commissioner, the funding decision variable diproksikan with a debt to equity ratio (DER). The results of this study are in line with the hypothesis of the study.

Managerial implications

Managerial research Implications, provide recommendations to companies and investors in decision-making related to the improvement of the performance of the ROE and the return shares.

For the company

The implementation of corporate governance through public ownership and the existence of the independent Commissioner for the STATE-OWNED company turns out to have a negative impact on performance ROE. Its implications for STATE-OWNED companies, the Government must still maintain a large ownership in order to stay strong and keep an eye on corporate control over STATE-OWNED ENTERPRISES so that they can generate high profitability performance. For the independent Commissioner, STATE-OWNED companies had to choose the people who are experts in their field, but not the ones that are not appropriate for these experts and affiliated political parties, so that his duties as overseer of STATE-OWNED companies be not optimal. To dividend policy, STATE-OWNED companies should limit the Division to improve profitability. To improve the

To increase the price of the shares traded on the Indonesia stock exchange and deliver the optimal return for investors issuer SOES, then the company should be using the best reputation of the audit committee, the existence of independent Commissioners who represent the interests of investors to keep an eye on the operational activities of STATE-OWNED ENTERPRISES, debt decisions carefully and improve profitability.

Investor

To investors and potential investors should invest in STATE-OWNED companies with ownership of the Government because it has a fairly good performance of the company that supported good resources, be it in terms of human resources or in terms of funding and other support resources as well as technology which is quite caanggih to support the activities of the company.

- to the company's STATE-OWNED ENTERPRISES that are able to produce the performance of optimal profitability, public ownership of the factor, the independent Commissioner, and the dividend policy (DPR) is a factor that must be considered because influential significantly to return on equity (ROE).

- to get the corresponding stock return expected by investors in investing in the STATE-OWNED company stocks listed on the Indonesia stock exchange (idx), then factor the following factors need to be taken care of as it affects significantly the stock return, namely: the audit committee, the independent Commissioner, DER, and ROE.

5. Suggestions

1) The factors that affect the performance of the profitability and the return on stock bias developed not only the internal factors but also incorporate the external factors of the company. External factors affecting the performance of the profitability and the return of the shares, among other things: interest rates, inflation, exchange rates, economic growth (GDP), the condition of the industry.

2) Problems of implementation of governance between different industry biases. Therefore, this research is biased are developed with focus on just one industry only or compare between different industry, as each industry has characteristics that are not the same, especially for funding decisions in determining the optimal capital structure and the balance of share ownership.

3) for performance, profitability study bias developed by replacing the ROE with ROA, PER, the net profit margin (NPM) and Tobin's q that is the ratio of the market value of the asset against the book value of the assets of the company represent a proxy of the company's performance to make it more precise and accurate in measuring performance, because of concerns the company's ownership structure.

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