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The Influence of the Independence of the Board of Commissioners, Audit Quality, and Company Size on Banking Profitability

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ABSTRACT

The purpose of this study was to determine the effect of the independence of the board of commissioners, audit quality, and firm size on banking profitability both partially and simultaneously. The population of this study is all banks listed on the Indonesia Stock Exchange in 2019-2021. The technique for selecting the sample uses purposive sampling and the number of data samples is 39 data. This study uses secondary data in the form of financial statements of banking companies obtained from the publications of the Indonesia Stock Exchange. The results of this study indicate that audit quality has a significant effect on the direction of a positive relationship to profitability. The independence of the board of commissioners and the size of the company have no significant effect on the direction of the negative relationship to profitability.
***Keywords**: independence ; audit quality; firm size.*

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Introduction

Today, the economic development of the banking sector in a developed and developing country is very rapid, as experienced by the Indonesian state, the world of banking is one of the intuitions that play a major role in the economic sector of a country (especially in the field of economic financing). Banking is everything related to banks, including institutions, business activities, and methods and processes in carrying out their business activities. Banks are a means of facilitating community activities to save money.

In carrying out banking business activities the main goal that must be achieved is profit. The increase in owned capital will affect the increase in the bank's ability to carry out its operations. The existence of this forces banking companies to be able to work hard in order to compete competitively.

In order to be competitive in an increasingly competitive banking environment, trust is needed. This means that the higher the public's trust in an ibank, the more people will be willing to transact and become customers by saving their money in the bank which can have a positive impact on the ibank. effective management strategy.

With the implementation of effective corporate governance, the company can provide a disciplinary structure that allows the bank to set goals and means to achieve them and oversee the performance of achieving its goals with Good Corporate Governance (GCG). Because the concept of Good Corporate Governance (GCG) is one of these concepts that can be used as an instrument to evaluate the success of an organization. If this role can run well, it can provide benefits for banks and for the economy of a country.

In addition, bank profitability can also be affected by audit quality produced by an independent auditor. Reliable audit results will be used by investors as a basis for decisions to invest in the bank. When an investor has confidence and trust in financial statements that have been audited by an independent auditor, then they will be interested in investing in that bank which will ultimately result in an increase in financial performance. When financial performance increases, automatically the profitability of the bank also increases.

According to Arents (2015) quoted by Mulyadi, R. (2017) states that: "The auditor must have the qualifications to understand the criteria used and must be competent to know the type and amount of evidence to be collected in order to reach the right conclusion after examining the evidence"

In addition to the independent board of commissioners and audit quality, company size can also affect the profitability of a bank. Munawir (2007) quoted by Nurdiana (2018), states that: "Companies with a larger size have a strong potential to obtain high profitability compared to smaller companies. Due to the size of the company in Ambarwati, et al. Is the size or amount of assets owned by a company. This means that the size of the company can be seen from the total assets owned by the company, because the greater the total assets owned by the company, the greater the size of the company. The greater the assets, the greater the capital invested.

In banking companies listed on the IDX, the problems found are the independence of the board of commissioners, audit quality, and company size which are important for the profit earned by banking companies. The importance of Independent Commissioners in economic cases arising from their implementation, then there is an audit quality that must be produced by an independent auditor to obtain and evaluate evidence objectively, and company size to measure the total assets owned by the company. These things are important because in addition to gaining public trust in the bank it is also important in obtaining capital to invest in the bank. the higher the public trust, the more willing to transact and save their money in the bank. Which can have a positive impact and increase profits for the bank. For this reason, banks must maintain the integrity of their companies so as not to do things that will result in public disappointment (distrust).

Research Method

The approach of this research is quantitative, that is, all data is expressed in the form of numbers and the analysis uses statistics. According to Sugiyono (2018) quantitative data is a research method based on concrete data in the form of numbers that are measured using statistics as a calculation test tool. The research data was obtained from the company's financial reports in the form of balance sheets, profit and loss, audit reports, and notes on the financial statements of banking companies listed on the Indonesia Stock Exchange for the 2019-2021 period.

The population of this study is banking companies listed on the Indonesia Stock Exchange with a total of 43 banking companies listed on the IDX for the 2019-2021 period. The sample selection used a purposive sampling method, so that the samples in this study were 13 banking companies.

In this study using data collection techniques namely documentation, collecting data by collecting data from reports, records and archives in various sources on the Indonesian stock exchange as a search for the necessary information related to theory and research data.

The scale on the measurement of the variable proportion of the board of commissioners Independence is measured by using the percentage of external board of commissioners to the total number of commissioners, audit quality is measured by company auditors including Big Four KAPs are given a value of 1, while non-Big Four KAPs are given a value of 0, company size is measured by Ln (Total Assets). Meanwhile, the profitability variable is calculated using the return on assets (ROA) formula, namely dividing net profit after tax divided by total assets as seen in the income statement.

Result

First. Normality Test

In this study using the iOne-Sample iKolmogorov-Smirnov test method with normally distributed residuals if the significance value is more than 0.05. The normality test can be seen in the following table:

Table 1. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		30
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.07931737
Most Extreme Differences	Absolute	.171
	Positive	.171
	Negative	-.090
Test Statistic		.171
Asymp. Sig. (2-tailed)		.025[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Based on the results of the normality test in Table 1 it shows that the significance value is 0.25 more than 0.05, which means it is normally distributed.

Second. Multicollinearity Test
This multicollinearity test is very necessary to find out whether or not an independent variable has similarities between independent variables in a model. iMulticollinearity test to detect iCentered iVIP test data in order to be able to see the value of the iCentered iVIP test. iWith the condition i, if the value of iCentered iVIP i<i10 then idata does not occur imulticollinearity.. The results of the multicollinearity test are as follows:

Table 2. Multicollinearity Test Results

Variabel	Tolerance	Centered VIF	Keterangan
X1	0,991	1.009	Tidak Terjadi Multikolonieritas
X2	0,862	1.160	Tidak Terjadi Multikolonieritas
X3	0,860	1.163	Tidak Terjadi Multikolonieritas

Based on the results of the imulticollinearity test on table i2 i, it shows that all variables i have an tolerance value of i> i0.1 and an iVIF value of i<10. i It can be concluded that there is no multicollinearity in the variables studied.

Third. Autocorrelation Test
The autocorrelation test in this study used the iDurbin-Watson test. This test looks at the iDurbin-Watson value if it is less than i0.05 then there are iaautocorrelation symptoms and if it is more than i0.05 then there are no iaautocorrelation symptoms. The results of the autocorrelation test are as follows:

Table 3. Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.333[a]	.111	.167	.083694	1.949

Based on the results of table i3 i, it shows that the value of iDurbin-Watson is i1,949. This value will be compared with the table value i by using a significance value of i0.05 or i5%. iThe number of samples i39 i(n=39), and ithe number of iindependent i3 i(k=3). iBased on the i value of iDurbin iWatson table i5% i with i number of sample i39 i number of ivariables i(k=3), i get lower limit value i(dl) i1.328 and upper limit i(du) i1.657. It can be seen that the value id i> idu i or i1.949 i> i1.657, so it can be concluded that the idata does not occur iautocorrelation.

Fourth. Heteroscedasticity Test

This ihetorossedasticity test is designed to test the iheteroscedasticity model i. has ivariance inequality i.e. residual ivariance i.e. different observations i. with a significant level i.e. more than i0.05, i.e. if the significant value is less than i0.05 then there is heteroscedasticity. The results of the hetorsedasticity test are as follows:

Table 4. Heteroscedasticity Test Results

Sampel	Sig. Obs*R-Square	Keterangan
39	0,111	Tidak Terjadi Heteroskedastisitas

Based on the results of the heteroscedasticity test using the iwhite i test on itable i4 it shows that the iSig iObs*R-Squared value is i0.111. This test shows that the iSig iObs*R-Squared value is i0.111 that is greater than iα i = i0.05, so it can be concluded that the data used in this study does not occur heteroscedasticity.

Fifth. Multiple Linear Regression Test

Table 5. Multiple Linear Regression Test Results

Variabel	Koefisien	t_{hitung}	Signifikansi
(constant)	0,149	1,652	0,111
Independensi dewan komisaris	-0,112	-1.242	0,225
Kualitas audit	0,036	2.359	0,026
Ukuran Perusahaan	-0,003	-219	0,829

R-squared = 0,111
Adjusted R^2 = 0,167
F_{hitung} = 2.937
Sig = 0,005

Based on the multiple linear regression analysis in Table 5, the regression model can be arranged as follows:

$$Y = 0,149 - 0,112\ X1 + 0,036\ X2 – 0,003\ X3$$

The results of the t test show that the independence of the board of commissioners has no significant effect on bank profitability with a significance level of 0.111 > 0.05. Audit quality has a significant influence on bank profitability with a significance level of 0.026 <0.05. Company size has no significant effect on firm value with a significance level of 0.829 > 0.05. The results of the F test of 0.005 <0.05 indicate that the variables of board of commissioners' independence, audit quality, and company size will simultaneously have a significant positive effect on bank profitability.

The effect of the independence of the board of commissioners on profitability

The results of the tests that have been carried out show that the independence of the board of commissioners has no significant effect on bank profitability with a negative relationship. This can be interpreted that the independence of the board of commissioners partially has no significant effect with a negative relationship with a negative value of 0.112. However, the independence of the board of commissioners simultaneously has a significant positive effect on banking profitability with a significance value of the F test of 0.005.

These results indicate that the independent board of commissioners, which is part of the company's commissioners, does not perform a good oversight function of management. So that the possibility of manipulation in presenting financial reports that may be carried out by management cannot be controlled by the increasing number of members of the board of commissioners. According to Zabri (2015) the existence of an independent commissioner in a company does not guarantee that the company adheres to the principles of good corporate governance which will have a positive impact on the profits earned.

Effect of audit quality on profitability

The results of the tests that have been carried out indicate that audit quality has a significant effect on bank profitability with a positive relationship. This means that audit quality partially has a significant effect in the direction of a positive relationship with a value of 0.036 and simultaneously has a significant positive effect on banking profitability with a significance value of the F test of 0.005.

These results indicate that in the process of producing a quality audit, it certainly requires an independent auditor in carrying out his work, not easily influenced, impartial to anyone from outside himself so that he will provide a true assessment of the reports examined. Then the opinion issued by the auditor reflects the actual conditions by acting according to the evidence or the condition of the company being examined. Thus, the report provided by the auditor can be trusted by all interested parties. Then got

It can be concluded that the companies audited by iKAP that are affiliated with iBig iFour have lower discretionary accruals compared to companies that are audited by non Big Four. The results of this study are also in line with previous research by Roza Mulyadi (2017).

Effect of company size on profitability

The results of the tests that have been carried out show that firm size has no significant effect on bank profitability with a negative relationship. This can be interpreted that the size of the company partially has no significant effect with a negative relationship with a negative value of 0.003. However, firm size simultaneously has a significant positive effect on banking profitability with a significance value of the F test of 0.005.

These results indicate that company size is not the main factor that can affect profitability, because the larger the size of a company, the company will require greater costs to carry out its operational activities so that it will reduce the company's profitability. also the size of the company is not a guarantee that the company has the ability to generate good profits, it can happen due to inefficient management of funds in managing its profitability. This is in accordance with Wela Yulia's research, Ida Bagus (2015) that company size has no significant negative effect on profitability with a negative value of 0.003.

Conclusion

The results of this study indicate that partially audit quality has a significant effect on the direction of a positive relationship to bank profitability. The independence of the board of commissioners and company size have no significant effect with a negative relationship to bank profitability. Simultaneously the independence of the board of commissioners, audit quality, and company size together have a significant positive effect on banking profitability.

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