THE INFLUENCE OF CORPORATE GOVERNANCE AND INTELLECTUAL CAPITAL ON PROFITABILITY IN COMPANIES THAT PARTICIPATED IN THE 2012-2016 CORPORATE GOVERNANCE PERCEPTION INDEX (CGPI)

Ulfi Audria
Marcellia Susan

ABSTRACT

The economic crisis experienced by Indonesia in 1998 and 2008 was quite severe because of poor corporate governance, the awareness of proper implementation rises as it could be used as a reflection of the economy of a country. The economic and financial crisis and its impact in the following period gave an idea of analyzing the relationship between organizational performance and resources, consist tangible and intangible resources. The increasingly turbulent and continuously changing business environment makes companies have limitations in finding alternative solutions to the problems they face, making the company use all available resources more efficiently. Several studies have been conducted separately between corporate governance and intellectual capital, given the differences in some of the results of previous studies so this study aims to fulfill the gap. Therefore, the objectives of this study are; first, to examine the influence of corporate governance and intellectual capital on the company's profitability; second, to examine the influence of corporate governance on company's profitability; third, to examine the influence of intellectual capital on company's profitability. The population of this study were companies that participated in the 2012-2016 corporate governance perception index (CGPI). The sampling technique in this study is non-probability sampling using a purposive sampling technique based on the predetermined criteria. This sampling obtained ten companies. The analysis technique used is multiple linear regression. The results of the study show that; first, there is a joint influence of corporate governance and intellectual capital on the company's profitability; second, there is no influence of corporate governance on company's profitability; third, there is an influence of intellectual capital on the company's profitability. The results of this study can be used as a reference in making decisions for investors, by looking at the application of corporate governance and the use of intellectual capital, whether the following profitability. In addition, companies that participate in the Corporate Governance Perception Index can find out the influence of the implementation of corporate governance on profitability, by knowing the influence of intellectual capital and profitability, it is expected that companies in the CGPI index can find out how far the utilization of capital that has been used is related to company's profitability.

Keywords: Corporate governance, intellectual capital, profitability, CGPI, VAIC, ROA

INTRODUCTION

Towards the end of the third quarter of 2008, the world economy faced with a new chapter, namely the collapse of global economic stability as the financial crisis widened to various countries. The global financial crisis began to emerge in August 2007, when one of France's largest banks, BNP Paribas, announced the freezing of several securities related to US high-risk housing loans (subprime mortgages). This occurrence then began to trigger the turmoil in financial markets and eventually spread throughout the world. At the end of the third quarter of 2008, the intensity of the crisis grew as the bankruptcy of the largest US investment bank Lehman Brothers, which was followed by increasingly severe financial difficulties in several large-scale financial institutions in the US, Europe, and Japan. The bankruptcy of Lehman Brothers immediately increased the intensity of the impact of the crisis throughout the world. The loss of investor and creditor confidence in the ability of businesses to fulfill their obligations has hampered access to capital markets and short-term financial markets. Amid falling prices for various world commodities, the limited access to finance for businesses has increased uncertainty about the outlook for the financial sector and the economy as a whole. The world financial crisis has affected Indonesia's economy, as reflected in the capital market and money market. The Composite Stock Price Index (IHSG) in December 2008 closed at 1,355.4, cut almost in half from the level at the start of 2008 of 2,627.3, along with a fall in market capitalization and a sharp decline in stock trading volume. Transmission of the impact of the crisis through direct financial channels also emerged through deleveraging activities, in which foreign investors who experienced liquidity problems were forced to withdraw funds that had previously invested in Indonesia (Bank Indonesia, 2009). The behavior of business actors before the economic crisis in the United States and other developed countries showed a microeconomic shock that originated from poor corporate governance practices and ultimately had a negative multiplier effect on the economy as a whole. The economic crisis experienced by Indonesia in that year was quite deep because of fragile corporate governance and the conditions of the government at that time, which were not supportive. So the time for crisis recovery in Indonesia is slower when compared to other Asian countries. This economic crisis then triggered the importance of corporate governance practices on the economy as a whole (Brodjonegoro, 2011). The Financial Services Authority (OJK) assesses that corporate governance is a reflection of a country's economy. In recent years the failure of the implementation of corporate governance has worsened the condition of the Indonesian economy. The failure of the implementation of corporate governance has become one of the triggers of the financial crisis in the last ten years. The implementation of corporate governance can influence the decision-making process, the balance of the framework, and a comprehensive understanding of company management. With good corporate governance, company management is reliable, mitigates risks, maintains product quality standards, improves access to capital, and makes the company more efficient. Thus, companies can be more transparent to provide confidence for investors to be able to invest their capital in a country by implementing good corporate governance. In this regard, increasing the implementation of corporate governance in listed companies and public companies in Indonesia is currently a top priority (Hadad, 2014). The basis of corporate governance is to
solve agency problems. Jensen and Meckling (1976) state that agency problems are critical as a result of the separation between ownership and management because management does not always act in the best interests of the owner. For such conditions, corporate governance mechanisms, both internally and externally play an important role in minimizing conflicts between company owners (principals) and management (agents) (Basyith, 2017). IFC (International Finance Corporation) defines corporate governance as a structure and process for corporate direction and control. The Organization for Economic Cooperation and Development (OECD), in 1999 published Principles of Corporate Governance, provided a more detailed definition as an internal way in which the company was operated and controlled and involved a series of relationships between company management, the board of directors, shareholders and other stakeholders (IFC, 2014: 58). Good corporate governance practices are focused on respecting the legal interests of all participants in company activities. They can improve the quality of company performance by; increase the value of company assets, create jobs, and improve the financial stability and profitability of the company. A successful company is a company that generates profits and can be maintained in the company or distributed to shareholders as dividends (IFC, 2014: 45). With the implementation of good corporate governance, the company can not only improve performance by meeting the demands of stakeholders but can build a sustainable business and give a good influence. Research by Gompers (2003) with the governance index, shows that companies with strong stakeholder rights tend to have higher profits. Measurement of the implementation of corporate governance in this study uses indicators achieved through 4 stages, namely self-assessment, documentation systems, preparation of papers, and observations. The evaluation and awarding of the index are carried out by the Indonesian Institute for Corporate Governance (IICG) non-profit independent institutions. Companies with a high Corporate Governance Perception Index indicate that the company has been managed transparently, accountably, responsibly, independently and fairly, which will affect company output such as ROA (Wahyudin, 2017). The 2008 economic and financial crisis and its impact in the next period gave an idea of the analysis of the relationship between organizational performance and resources. The increasingly turbulent and fastly-changing business environment makes companies have limitations in finding alternative solutions to the problems they face to make the company use all available resources more efficiently. (Silvia, 2013). Apart from creating good corporate governance practices, companies can achieve maximum performance with good capital management. In addition, physical capital, financial capital, and intellectual capital must be managed properly so that the company can grow (Ratnasari, 2016). The development of intellectual capital was triggered by a change in business based on labor (labor-based business) towards a business based on knowledge (knowledge-based business) (Triastuty, 2017). Intellectual capital is the intangible value of a business, which includes people (human capital), the value inherent in relationships (customer capital), and everything that remains when employees leave the office (structural capital), three this builds one capital, namely intellectual capital (Al-Ali, 2003: 33, 35). The VAIC method, developed by Pulic (1998), is designed to present information about the value creation efficiency of tangible assets and intangible assets owned by companies. This model starts with the company's ability to create value-added (VA). VA is calculated as the difference between output and input. Tan (2007) states that output (OUT) represents revenue, while input (IN) covers all the expenses used in obtaining the certain output. The difference between output and input is the profit earned by the company. Pulic (1998) divided the IN component into 2 components, namely labor expenses and non-labor expenses. In this model the labor expenses are not included in the VAIC model because Pulic considers labor expenses are not counted as a cost and is not included in the IN component. Therefore, a key aspect of the Pulic model is treating the workforce as a value-creating entity. Value-added (VA) is the difference between output and input. Capital employed efficiency (CEE) is an indicator for VA created by a unit of physical capital. This ratio shows the contribution made by each unit of employed capital to the organization's added value. Human capital efficiency (HCE) shows how much VA can be generated with funds spent on labor. This ratio shows the contribution made by each rupiah invested in human capital to the organization's added value. Structural capital efficiency (SCE) measures the amount of structural capital needed to produce 1 rupiah from VA and is an indication of how successful SC is in value creation. The value-added intellectual coefficient indicates the organization's intellectual ability which can also be considered a BFI (Business Performance Indicator) VAIC is the sum of the previous three components, namely: HCE + SCE + CCE (Ulum, 2009; Yu, 2010). Research (Clarke, 2011; Silvia, 2013; Srintara, 2014, Cleary, 2016; Shafi’u, 2017; Asare, 2017; Ranjit, 2018) found a significant relationship between human capital, relational capital, and structural capital dimensions in intellectual capital and company performance. Previous studies have shown that human capital, structural capital, and relational capital cumulatively increase the overall intellectual potential of the company, which can further increase company profitability (Ranjit, 2018). Intellectual capital is a fundamental source of competitive advantage that must be considered, measured, and controlled so that the company's goals for good performance can be achieved. There is a consistent relationship between investment in intellectual capital, corporate income, and value creation that can be created. Intellectual capital is currently the main driver of company growth. Therefore it is crucial to take measurements to determine the extent to which the company has used intellectual capital in its objectives (Shafi’u, 2017). Previous literature has used VAIC in sequence. Companies that have higher compliance with corporate governance can attract more investors because corporate governance can be seen as one of the company's assets. Corporate governance is seen as a useful resource (Afriya and Tauriringana, 2015) and company intellectual capital is also a useful resource, the combined role of corporate governance and intellectual capital can explain variations in the company's financial performance. This is consistent with the research (Safieddine, Jamali and Noureddine, 2009) that the profit potential of companies depends on their capacity to use all the resources they have. One of the important things that will give an idea of whether the company's financial future will be good or not is the analysis of financial statements. The basis of financial statement analysis is financial information. Financial information is needed to predict, compare, and evaluate the productive ability and financial position of the company (Pandey, 2015: 35,368) on shareholders and national economic growth (Wahyudin, 2017). The company's performance or the company's financial performance can be assessed through profitability, which is the company's ability to earn profits in relation to the sale of total assets and own capital. Profitability can be defined as the ability of an investment given to get a return from its use (Tulsian, 2014). To determine profitability, ratios can be used, which are ratios to assess a company's ability to seek profits. This ratio also provides a measure of the effectiveness of a company's management (Kasmir, 2012: 196). Return on assets (ROA) ratio is also called return on assets, ROA is net income after tax divided by total assets, which is an indicator of the company's success in managing the assets (assets) owned by the company. With the increase in ROA reflects the company's performance both in managing the wealth it has so that it can generate profits. Return on assets (ROA) is based on the opinion that because shareholders and creditors fund assets, this ratio can provide a measure of asset
productivity in returns to investors. (Fahmi, 2014: 186). Several previous studies on the influence of corporate governance and intellectual capital on company profitability are presented as follows; Research by Puniayasa (2016) shows that corporate governance has no significant influence on the company's financial performance while research by Ratnasari (2016) that explains corporate governance represented by the board of directors and the board of commissioners gives an influence on the board of directors of the company's performance but does not affect the company performance. Sari's (2017) research, using an independent board of commissioners as a corporate governance variable and provides the results that corporate governance has a positive effect on company performance. Research by Triastuty (2017) provides the result that corporate governance has a positive influence on financial performance with the proportion of independent boards of commissioners as a corporate governance variable, and results have a negative effect on financial performance with the board of directors as a variable of corporate governance. Research by Puniayasa (2016) shows that intellectual capital has a positive and significant effect on the company's financial performance while research by Ratnasari (2016) value-added intellectual capital does not affect company performance. In Sari's (2017) research, capital employed efficiency (CEE) and structural capital efficiency (SCE) have a positive influence on company performance, but human capital efficiency (HCE) has a negative effect on company performance. Research by Triastuty (2017) shows that intellectual capital has a positive effect on a company's financial performance. Given the differences in some of the results of previous studies, this research was conducted.

AGENCY THEORY

Agency theory or principal-agency theory in economics is a theory surrounding an agent: a person or entity (“agent”), who is able to make decisions on behalf of, or make an impact, on other people or bodies: in this case “principals.” The dilemma is in situations where an agent is motivated to act in his interests, which is contrary to the principal and is a bad moral example. The agency relationship is an agreement or contract whereby one or more people (in this case is the principal) involves another person (in this case the agent) to provide services and includes decision making delegated by the principal (Jensen & Meckling, 1976). The basis of corporate governance is to solve agency problems. Jensen and Meckling (1976) state that agency problems are critical as a result of the separation between ownership and management because management does not always act in the best interests of the owner. For such conditions, corporate governance mechanisms, both internally and externally play an essential role in minimizing conflicts between company owners (principals) and management (agents) (Basyith, 2017).

CORPORATE GOVERNANCE

There is no single definition of corporate governance that can be applied to all situations and jurisdictions. The current definitions are very dependent on the institution or writer, state, and legal traditions. IFC (International Finance Corporation) defines corporate governance as a structure and process for directing and controlling companies. The Organization for Economic Cooperation and Development (OECD), which in 1999 published the principles of corporate governance, and provided a more detailed definition of corporate governance as an internal way in which the company is operated and controlled, involves a series of relationships between company management, the board of directors, shareholders and other stakeholders. Corporate governance also forms a structure through the stated goals of the company, and can also be used as a means to achieve goals and monitor company performance. Corporate governance must provide appropriate incentives for the board of directors and management to pursue goals that are in the interests of the company and shareholders, and must facilitate effective oversight, thereby encouraging companies to use resources more efficiently (OECD, 2004; 2015). The Organization for Economic Cooperation and Development (OECD) published the revised edition of corporate governance principles in 2015. The revised principles still contained the principles of the previous year as an essential ongoing component of a practical corporate governance framework, and the OECD also introduced several new views on corporate governance. Here are six new views:

- Ensuring the basis for a useful corporate governance framework; the corporate governance framework must promote transparency and fair markets, and efficient allocation of resources. It must be consistent with the rule of law and support effective oversight in implementation.
- Rights and fair treatment of shareholders and key ownership functions; the corporate governance framework must protect and facilitate the exercise of shareholder rights and ensure fair treatment of all shareholders, including minority and foreign shareholders. All shareholders must have the opportunity to obtain sufficient compensation for violations of their rights.
- Institutional investors, stock markets, and other intermediaries; the corporate governance framework must provide good incentives throughout the investment chain and provide for the stock market to function in ways that contribute to good corporate governance.
- The role of stakeholders in corporate governance; the corporate governance framework must recognize the rights of stakeholders established by law or through mutual agreement and encourage active cooperation between companies and stakeholders in creating wealth, employment, and sound financial sustainability of the company.
- Disclosure and transparency; the corporate governance framework must ensure that timely and accurate disclosures are made on all material matters regarding the corporation, including the financial situation, performance, ownership, and corporate governance.
- Board responsibilities; the corporate governance framework must ensure corporate guidance strategies, effective management monitoring by the board, and accountability of the board to the company and shareholders (OECD, 2015).
CORPORATE GOVERNANCE PERCEPTION INDEX

According to Sir Adrian Cadbury in the 2002 Cadbury Report, the core of corporate governance is to create value for all its stakeholders. Corporate governance is not only defined as compliance with regulations (compliance) and compliance with best practices (conformance) but also must show performance (performance) and commit to creating value (value creation). In this regard, the company's strategy and governance mechanisms that are built must facilitate the creation of value for all stakeholders. The Indonesian Institute for Corporate Governance (IICG) was established on June 2, 2000, on the initiative of the Indonesian Transparency Society (MTI), practitioners and professionals, as well as community leaders who have a vision and concern for a better Indonesian future (CGPI, 2015). The purpose of forming an IICG is to promote the concept of corporate governance and the benefits of applying the principles of GCG to the broadest in order to encourage the creation of an ethical and dignified Indonesian business world. The IICG contribution is announced in four main activities, namely: (1) Research and Ranking, (2) Education and Training, (3) Publication and Promotion, and (4) Assessment and Development. One of the programs that have been continuously carried out by IICG since 2001 until now is the Corporate Governance Perception Index (CGPI), which is a research program and ranking the implementation of good corporate governance (GCG) in companies in Indonesia through research design that encourages companies to improve the quality of the application of the concept of corporate governance (CG) by carrying out evaluation and benchmarking as a continuous improvement effort (CGPI, 2015). IICG's contribution encourages the application of GCG principles in Indonesia through the implementation of CGPI's research and rating programs to create ethical, healthy, dignified, and sustainable business practices. The CGPI program invites all stakeholders including the government, business people, the business community and business supporters to carry out GCG best practices and various dissemination activities of the concept of CG in order to encourage sustainable economic prosperity, especially paying attention to the process of creating added value for stakeholders. The CGPI program also aims to motivate the business world to implement the CG concept and foster public participation so that they are jointly active in developing and implementing GCG. This research and ranking is a strategic tool in compiling databases, mapping CG conditions in Indonesia, and benchmarking GCG implementation in Public Companies, SOEs and Banking and Private Companies in Indonesia (CGPI, 2017). There is a development in the aspects of the CGPI assessment, in 2012 (good corporate governance in the perspective of knowledge) there were 11 aspects namely commitment, transparency, accountability, responsibility, independence, fairness, competence, leadership, strategy, ethics and knowledge management. The 2013 CGPI assessment covers 12 aspects of the application of good corporate governance in the perspective of value creation in the company, namely commitment, transparency, accountability, responsibility, independence, justice, leadership, strategy, ethics, vision, mission, values and meaning, culture and learning organizations. The 2014 CGPI assessment (good corporate governance in value creation) contained 12 aspects, namely commitment, transparency, accountability, responsibility, independence, fairness, leadership, strategy, ethics, risk, organizational capability, value creation.

The 2015 CGPI assessment (good corporate governance from a sustainability perspective) consists of 12 aspects, namely commitment, transparency, accountability, responsibility, independence, justice, leadership, strategy, ethics, risk, organizational capability, culture, sustainability.

- Commitment is an aspect that shows the seriousness of the board of directors and board of commissioners utilizing their knowledge and experience to complete and update the structure, systems, strategies, policies, and good corporate management programs in order to create ethical and dignified added value for the company.
- Transparency is an aspect that shows the seriousness of the board of directors and the board of commissioners utilizing their knowledge and experience to disclose relevant, accurate and timely information to stakeholders regarding the management of the company in the context of establishing structures, mechanisms, and business results that are able to create added value for the company ethical and dignified.
- Accountability is an aspect that shows the seriousness of the board of directors and board of commissioners utilizing their knowledge and experience in upholding integrity and integrating various clarity of main tasks/functions, authority and responsibility, check and balance mechanism, and performance measurement to manage business in the framework of forming structures, mechanisms, and the results of operations that are able to create added value for the company ethically and with dignity.
- Responsibility is an aspect that shows the seriousness of the board of directors and board of commissioners utilizing their knowledge and experience to uphold the principle of prudence and to ensure the management of the company in accordance with the articles of association, laws and regulations, meeting social and environmental responsibilities and responsibilities towards other stakeholders to manage the company's business fields in the context of establishing structures, mechanisms, and business results that are able to create an added value of the company ethically and with dignity.
- Independence is an aspect that shows the seriousness of the board of directors and board of commissioners utilizing their knowledge and experience to be professional and objective in ensuring there is no domination and intervention and being able to manage conflicts of interest to manage the company's business fields in the context of establishing structures, mechanisms, and business results that are able to create the company's added value ethically and with dignity.
- Fairness is an aspect that shows the seriousness of the the board of directors and board of commissioners utilizing their knowledge and experience in providing fair and equal treatment in accordance with the proportion of all stakeholders to manage the business fields of the company in the context of establishing structures, mechanisms, and business results that are able to create added value for the company ethically and with dignity.
Leadership is an aspect that shows the seriousness of the board of directors and board of commissioners utilizing their knowledge and experience in conducting intellectual stimulation, motivating inspirational, aligning and empowering and ensuring the quality of interaction among members, workgroups, and other stakeholders to manage the company's business fields in order the formation of structures, mechanisms and results of operations that are able to create added value ethically and with dignity.

Strategy is an aspect that shows the seriousness of the board of directors and board of commissioners utilizing their knowledge and experience in formulating and developing goals and scope in building excellence to manage the company's business fields through the formation of structures, mechanisms, and business results in order to create an added value of the company ethically and with dignity.

Ethics is an aspect that shows the seriousness of the board of directors and board of commissioners utilizing their knowledge and experience in harmonizing corporate values that are in line with ethical business and when dealing with all stakeholders to manage the company's business fields in the context of establishing the structure, mechanism and results of operations of business results which is able to create added value for the company ethically and with dignity.

Risk is an aspect that shows the seriousness of the board of directors and board of commissioners in establishing systems and mechanisms for managing corporate risk and developing a culture of risk in the company to create added value ethically and with dignity in order to realize company sustainability.

Capability is an aspect that shows the seriousness of the board of directors and board of commissioners in building systems and corporate governance mechanisms by developing the organization's ability to adjust and or adapt to its changing environment through creating innovation, creating networking, creating specific and unique organizational competencies, and creating resources people who have the expertise to create added value ethically and with dignity in order to realize the sustainability of the company.

Value Creation is an aspect that shows the seriousness of the board of directors and board of commissioners in establishing a system and corporate governance mechanism that directs and controls the company in transforming the company's resources to create added value for all stakeholders in an ethical and dignified manner in order to realize company sustainability.

Competence is an aspect that shows the seriousness of the board of directors and board of commissioners utilizing their knowledge and experience in improving the company's core competencies to manage the company's business fields in the context of establishing the structure, mechanism, and business results that are able to create added value for the company ethically and with dignity.

Knowledge Management is an aspect that shows the seriousness of the board of directors and board of commissioners to initiate, build, and improve the knowledge management system in the company through a series of policies, strategies, programs, allocation of resources, and infrastructure networks, which are supported by the sincerity of company members to participate in the system management of this knowledge in the context of creating value-added companies ethically and with dignity.

Vision, Mission, Values and Meaning are the abilities and seriousness of the board of directors and board of commissioners in setting the direction, ideals, and identity of the company through the process of learning all members of the company on an ongoing basis in order to improve capabilities as a learning organization in order to ethically add value to the company and dignified.

Culture is interpreted as the ability and seriousness of the board of directors and board of commissioners to create a culture of learning to produce new mindsets in the form of creativity, innovation and problem solving with risks that can be calculated through the integration of various participation and contributions expressed by all members of the company on an ongoing basis to build awareness, mutual willingness, and ability as a learning organization in order to create added values ethically and with dignity.

Learning organization is interpreted as the ability and seriousness of the board of directors and board of commissioners in realizing the company's future by building capacity building through the learning process of all members of the company in a sustainable manner in order to create added value for the company ethically and with dignity.

Sustainability is interpreted as the sincerity of the board of directors and board of commissioners in realizing good corporate governance continuously by upholding human dignity, preserving the natural environment and economically beneficial.

The 2016 CGPI assessment (change management within the framework of good corporate governance) has three aspects namely;

- Governance Structure The governance structure aspect is an assessment of the adequacy of the company's structure and infrastructure in managing changes based on good corporate governance principles. Assessment indicators from aspects of governance structure include
  a. Corporate governance structure, which includes the composition of the Shareholders; Company Organ composition; structure and function of the person responsible for GCG; structure of the person responsible for ethics enforcement; information disclosure structure; supervisory and audit responsibility structure; HR management responsibility structure; operational / production responsibility structure; marketing responsibility structure; financial responsibility structure; risk management
structure; the structure of the person responsible for managing information technology; structure of responsibility for stakeholder relations; structure in charge of procurement of goods and services; and the structure of the person responsible for change management.

b. Corporate governance policies, which include guidelines and policies related to GCG, ethical enforcement, information disclosure, supervision and auditing and compliance, HR management, operations/production, marketing, finance and accounting, risk management, information technology governance, stakeholder relations, procurement goods and services, and change management.

- Governance Process Aspects of the governance process are assessments of the effectiveness of systems and mechanisms in managing change based on good corporate governance principles. Assessment indicators from aspects of the governance process include:
  a. Corporate governance system, which includes systems related to GCG, ethical enforcement, information disclosure, supervision and auditing and compliance, HR management, operations/production, marketing, finance and accounting, risk management, information technology management, stakeholder relations, procurement of goods and services, and change management.
  b. Corporate governance mechanism, which includes the mechanism and process of GCG implementation, ethical enforcement, information disclosure, supervision and auditing and compliance, HR management, operations/production, marketing, finance and accounting, risk management, information technology management, stakeholder relations, procurement of goods and services, and change management.
- Governance Outcomes The aspects of governance outcomes are assessments of the quality of outcomes, results, impacts, and benefits of managing change based on good corporate governance principles. Assessment indicators from aspects of governance results include:
  a. Corporate governance outputs (outputs), which include outputs from the GCG implementation process, ethical enforcement, information disclosure, supervision and auditing and compliance, HR management, operations / production, marketing, finance and accounting, risk management, information technology management, stakeholder relations, procurement of goods and services, and change management.
  b. The quality of corporate governance outcomes (outcomes), which includes the results of the GCG implementation process, ethical enforcement, information disclosure, supervision and auditing and compliance, HR management, operations / production, marketing, finance and accounting, risk management, information technology management, relations with stakeholders, procurement of goods and services, and change management.
  c. Impacts on corporate governance outcomes that include the impact of the GCG implementation process, ethical enforcement, information disclosure, supervision and auditing and compliance, HR management, operations/production, marketing, finance and accounting, risk management, information technology management, stakeholder relations, procurement of goods and services, and change management.

The stages of the 2012-2015 CGPI assessment consist of four stages, namely self-assessment, documentation system, paper assessment, and observation. A detailed description of each stage can be listened to in the following explanation:

- Self-assessment is an independent assessment by all organs, members, and stakeholders of the company regarding the quality of GCG implementation and the creation of added value for stakeholders ethically and with dignity in order to realize the sustainability of the company. At this stage, the company fills in a questionnaire that explores respondents' perceptions of aspects and indicators that are assessed honestly and objectively in order to provide excellent feedback and evaluation to the company.
- Documentation system is the fulfillment of the assessment requirements in the form of submission of various documents that have been held by the company related to the implementation of GCG and the creation of added value for stakeholders ethically and with dignity in order to realize company sustainability.
- The preparation of the paper is one of the fulfillment of the assessment requirements that explain a series of processes and GCG implementation programs in the company and the creation of company value-added. CGPI assessors to ensure the quality of GCG implementation and the company's continuous process of creating added value obtained from data and information in the three previous stages (self-assessment, documentation system, and papers).

The stages of the 2016 CGPI assessment are carried out through:

- Stages of analysis of instruments and documents, which are carried out by the questionnaire filling method (self-assessment) as well as an assessment of the completeness and adequacy of company documents.
- Stages of observation through executive exposure and discussions with Company Organs (CGPI, 2017).

The results of the 2012-2016 CGPI program ranking use norms based on the range of scores achieved by CGPI Participants with the categorization of the quality level of GCG implementation using the term “Trusted.”

The CGPI assessment norm can be explained as follows:

Score 55.00 - 69.99 Fairly Trusted  
Score 70.00 - 84.99 Trusted  
Score 85.00 - 100 Very Trusted  
INTELLECTUAL CAPITAL

Intellectual capital (IC) is ownership of knowledge, applied experience, organizational technology, customer relations, and professional skills that provide a competitive advantage in the market (Edvinsson in Al-Ali, 2003: 33). Edvinsson & Malone and Stewart agree that Intellectual capital is a merger of three types of capital: human capital, structural capital, and customer capital (relation capital). After an organization becomes aligned and balanced in these three essential components, it is able to create the best financial capital (value) (Al-Ali, 2003: 35). Human capital refers to acquired skills, knowledge, and human capabilities. The underlying concept is skills and knowledge will increase human productivity and in accordance with the costs incurred in obtaining it. Human capital is inherent in humans and cannot be owned by organizations. Therefore, human capital can be lost from the organization when people leave, or management protects the capabilities of these people and is ultimately "stolen". Human capital also includes how effectively an organization uses resources for human beings as measured by creativity and innovation (Al-Ali, 2003: 64-65, 131133, 176). Structural Capital belongs to the organization as a whole, can be reproduced, distributed, and the company has full rights. For example, technologies, inventions, data publications, and processes that are patented, protected by copyright or protected by trade secret laws. In addition, strategies and culture, structure and systems, organizational routines. Because of its diverse components, structural capital can be classified as organizational capital, process capital, and innovation capital. Organizational capital includes the philosophy and system of the organization to improve organizational capability. Process capital includes techniques, procedures, and programs that implement and improve the delivery of goods and services. Innovation capital includes intellectual property such as patents, trademarks and copyrights, and intangible assets (Al-Ali, 2003: 64-65, 133, 176). Customer capital (relation capital) is the most tangible component of intellectual capital. This is based on the assumption that the customer supports the company and its profits. Customer capital (relation capital) is defined as the value of the franchise, the ongoing relationship with the person or organization it sells (Al-Ali, 2003: 64-65, 131-133, 176).

VALUE ADDED INTELLECTUAL CAPITAL

Value Added Intellectual Coefficient (VAIC) is a method used to measure the efficiency of corporate value creation by using numbers based on accounting (Pulic, 2000). This concept was developed by Ante Pulic and was formally presented in 1998. VAIC is considered a universal indicator that shows a company's ability to create value and represents a measure for business efficiency in a knowledge-based economy (Pulic, 1998: 9). By using numbers based on accounting, the VAIC calculation involves five steps (Pulic, 2000; Chan, 2009).

The first step, Value Added (VA) from the company must be extracted VA = OUT - IN

$\text{OUT} = \text{Output; total sales}$

$\text{IN} = \text{Input; sales expenses (other than employee expenses)}$

Value added is the most objective indicator to assess business success and shows the company's ability to create value (value creation).

The second step, Human Capital Efficiency (HCE), is calculated.

$\text{HCE} = \frac{\text{VA}}{\text{HC}}$

HCE shows how much VA can be generated with funds spent on labor. The relationship between VA and HC indicates the ability of HC to create value in the company.

The third step, Structural Capital Efficiency (SCE), is calculated.

$\text{SCE} = \frac{\text{VA} - \text{HC}}{\text{VA}}$

SCE shows the contribution of structural capital (SC) in value creation. SCE measures the amount of SC needed to produce 1 rupiah from VA and is an indication of how successful SC is in value creation. SC is not an independent measure like HC; it is dependent on value creation. That is, the greater the contribution of HC in value creation, the smaller the contribution of SC in this regard.

Another relationship from VA is capital employed (CE), which in this case is labeled with CEE. Because ICs can only be operated under financial and physical capital support, the Capital Employed Efficiency (CEE), which is the fourth step will be calculated as follows:

$\text{CEE} = \frac{\text{VA}}{\text{CE}}$

where $\text{CE} = \text{capital employed, available funds (equity)}$.

CEE is an indicator for VA created by a unit of physical capital. It is assumed that if one unit of CE generates a greater return than another company, that means the company is better at utilizing its CE. Thus, better use of CE is part of the company's IC.

The final step is to calculate the company's intellectual ability by adding up the coefficients that have been calculated previously.

$\text{VAIC} = \text{HCE} + \text{SCE} + \text{CEE}$

VAIC that affects the company's financial performance is obtained by adding up the HCE, SCE, and CEE (Ulum, 2009, 2014; Yu, 2010).

To be able to do the ranking, the results of the VAIC calculation can be sorted by the score they have. Ulum Research (2008) has formulated to provide categories from the results of VAIC calculations, namely:

- **VAIC scores above 3.00** Top performers
- **VAIC scores between 2.0 and 2.99** Good performers
- **VAIC scores between 1.5 to 1.99** Common performers
- **VAIC scores below 1.5** Bad performers
FINANCIAL STATEMENT

Financial statements are information that describes the financial condition of a company, and further information can be used as a description of the company's financial performance (Fahmi, 2014: 2). The purpose of financial statements is to provide information to parties in need about the condition of a company from the figures in monetary units. In addition, financial reports are also used as providers information that is useful for business and economic decision-makers by existing and potential investors, creditors, management, government, and other users (Fahmi, 2014: 5). A financial report that is presented and shown by an accountant is then the responsibility of the company manager to conduct a comprehensive analysis. With this, it is hoped that the results of the analysis can produce the best conclusions or recommendations to assess the company's financial performance (Fahmi, 2014: 10). Financial ratios are a comparison of the amount, the amount of one with the other amount and can be seen the comparison which finally can be analyzed as a measurement of the company's financial performance. Financial ratio analysis is a company performance analysis instrument that explains a variety of relationships and financial indicators, which are intended to show changes in financial conditions or operating achievements in the past and help illustrate patterns of change, to then be able to show the risks and opportunities that exist in the company. (Fahmi, 2014: 107-108).

PROFITABILITY

Profitability can be defined as the ability of an investment given to get a return from its use (Tulsian, 2014). To determine profitability, the profitability ratio can be used, which is a ratio to assess a company's ability to seek profits. This ratio also provides a measure of the effectiveness of a company's management (Kasmir, 2012). Profitability ratios measure the overall effectiveness of management, as indicated by the size of the profits obtained in relation to sales and investment. The better the profitability ratio, the better it illustrates the ability to gain company profits (Fahmi, 2014: 135). Return on assets (ROA) ratio is also called return on assets, ROA is net income after tax divided by total assets, which is an indicator of the company's success in managing the assets (assets) owned by the company. With the increase in ROA reflects the company's performance both in managing the wealth it has so that it can generate profits or profits. (Fahmi, 2014: 186).

\[
\text{Return on assets ratio} = \frac{\text{Earning After Tax}}{\text{Total Assets}}
\]

RESEARCH MODEL AND HYPOTHESES

One of the crucial things that will give an idea of whether the company's financial future will be good or not is the analysis of financial statements. The basis of financial statement analysis is financial information. Financial information is needed to predict, compare, and evaluate the productive ability and financial position of the company (Pandey, 2015: 35,368). Profitability can be defined as the ability of an investment given to get a return from its use (Tulsian, 2014). Profitability ratios measure the overall effectiveness of management, as indicated by the size of the profits obtained in relation to sales and investment. The better the profitability ratio, the better it illustrates the ability to gain company profits (Fahmi, 2014: 135). Tight business competition, both nationally and globally, along with the increasing number of listed companies, has pushed management to become more effective and efficient in managing companies. Companies that have higher compliance with corporate governance can attract more investors because corporate governance can be seen as one of the company's assets. Corporate governance is seen as a useful resource (Afrifa and Tauringana, 2015) and the company's intellectual capital is also a useful resource, the combined role of corporate governance and intellectual capital can be seen in the company's financial performance. This is consistent with the research (Safliddine, Jamali and Noureddine, 2009) that the profit potential of companies depends on their capacity to use all the resources they have. The behavior of business actors before the economic crisis in the United States and other developed countries showed a microeconomic shock that originated from poor corporate governance practices and ultimately had a negative multiplier effect on the economy as a whole. This economic crisis then triggered the importance of corporate governance practices on the economy as a whole (Brodjonegoro, 2011). The failure of the implementation of corporate governance has become one of the triggers of the financial crisis in the last ten years. In this regard, increasing the implementation of corporate governance in listed companies and public companies in Indonesia is currently a top priority (Hadad, 2014). Good corporate governance practices are focused on respecting the legal interests of all participants in company activities. They can improve the quality of company performance by; increase the value of company assets, create jobs, and improve the financial stability and profitability of the company. A successful company is a company that generates profits and can be maintained in the company or distributed to shareholders as dividends (IFC, 2014: 45). With the implementation of good corporate governance, the company can not only improve performance by meeting the demands of stakeholders but can build a sustainable business and give a good influence. The 2008 economic and financial crisis and its impact in the following period gave an idea of the analysis of the relationship between organizational performance and its resources. The increasingly turbulent and ever-changing business environment makes companies have limitations in finding alternative solutions to the problems they face so as to make the company use all available resources more efficiently. (Silvia, 2013). Apart from creating good corporate governance practices, companies can achieve maximum performance with proper capital management. In addition to physical capital, financial capital, and intellectual capital must be appropriately managed so that the company can grow (Ratnasari, 2016). Intellectual capital is ownership of knowledge, applied experience, organizational technology, customer relations, and professional skills that provide a competitive advantage in the market (Edvinsson in Al-Ali, 2003: 33). Edvinsson & Malone and Stewart agree that Intellectual capital is a merger of three types of capital: human capital, structural capital, and customer capital (relation capital). After an organization becomes aligned and balanced in these three essential components, it is able to create the best financial capital (value) (Al-Ali, 2003: 35). In research Nkundabanyanga (2016) and Triastuty (2017) provide the results of corporate governance
and intellectual capital influence corporate financial performance. According to Nkundabanyanga (2016), corporate governance and intellectual capital have a contribution in influencing company performance, the lower the effectiveness of corporate governance and the weak intellectual capital will cause a decline in company performance. Triastuty (2017) states that the high intellectual capital owned by a company can improve a company's financial performance. The results of previous studies can be seen that corporate governance and intellectual capital can jointly influence profitability. Corporate governance is the internal way in which a company is operated and controlled, which involves a series of relationships between company management, the board of directors, shareholders and other stakeholders. Corporate governance concerns systems where the company is directed and controlled. Where company owners and regulators become more responsible, efficient, and transparent, which in turn builds trust and confidence. A well-managed company carries lower financial and non-financial risks and results in higher shareholder returns. Better supervision and monitoring can detect corporate inefficiencies and minimize vulnerability to financial crises (World Bank, 2016). In the research of Najjar (2012), Windah (2013) and Afrifa (2015), the results of research show that corporate governance influences the financial performance of companies, the study of Marchha (2013), Purnama Sari (2014) and Wahyudin (2017) provides the results of research that corporate governance provides a positive influence on the company's financial performance. Maretha (2013) states that companies that enter the CGPI ranking are companies that have good GCG. The higher the implementation of GCG as measured by CGPI, the higher the level of company compliance with regulations and result in improved company performance. The ranking of GCG applied to the company will further increase the return on company assets (ROA) so that it will show the efficiency of the company in using assets to generate profits. Purnama Sari (2014) states that implementing GCG will reduce unhealthy business practices, encourage management to work more effectively and efficiently, thereby reducing capital costs, and increasing opportunities for more profits. Intellectual Capital (IC) is ownership of knowledge, applied experience, organizational technology, customer relations and professional skills that provide a competitive advantage in the market (Edvinsson in Al-Ali, 2003: 33). With high intellectual capital, the use of company resources can be interpreted to have been efficient and can have an impact on increasing company profitability. In Clarke's research (2011), Silvia (2013), Cleary (2016), provides research results that intellectual capital has a relationship to company performance, research by Srirangana (2014), Asare (2017), Ranjit (2018) provides research results that intellectual capital gives a positive relationship to the company's financial performance, research by Shafiu (2017), provides the results of research that intellectual capital has an influence on the company's financial performance, where this influence makes the company value is higher than other companies. The results of research in accordance with the theory of intellectual capital, after the organization becomes aligned and balanced in these three essential components, it is able to create the best financial capital (value) (Al-Ali, 2003: 35). On the idea of the company's financial future that can be analyzed through financial statements and assessed by the company's profitability that can be used as an assessment of the company's financial performance. The increasing competition encourages companies to manage their companies well. Corporate governance is seen as a useful resource (Afrifa and Tauringana, 2015) and the company's intellectual capital is also a useful resource, the combined role of corporate governance and intellectual capital can be seen in the company's financial performance. With the implementation of good corporate governance, companies can build sustainable businesses and have a good influence. In addition to creating good corporate governance practices, intellectual capital must be appropriately managed so companies can grow (Ratnasari, 2016).

Figure 1. Research Model

Then the development of the research hypothesis is as follows:
H1: There is an influence of corporate governance and intellectual capital on company's profitability
H2: There is an influence of corporate governance on company's profitability
H3: There is an influence of intellectual capital on company's profitability

RESEARCH METHODS

The population of this study is companies that participate in the Corporate Governance Perception Index (CGPI) held by the Indonesian Institute for Corporate Governance (IICG) from 2012-2016 (latest data June 8, 2018). Sixty-two companies were obtained. The type of data in this study is secondary data. CGPI data sources are secondary data obtained by researchers through the Indonesian Institute for Corporate Governance as pdf data. Data sources for VAIC and profitability are obtained from financial statements and company annual reports. This type of research is explanatory causal, which aims to analyze the influence of the variables to be studied. In this study, we will explain the causal relationship between the variables that influence the hypothesis. This study will be conducted to test the hypothesis in order to explain the influence of independent variables (CGPI, VAIC) on the dependent variable (ROA) either partially or simultaneously. The sampling technique in this study is non-probability sampling, where the opportunities or opportunities for each element or member of the population to be selected as a
DISCUSSION OF RESEARCH RESULTS

Data derived from annual reports and financial statements of 10 companies from 2012 to 2016 will be presented descriptively to provide an overview of data seen from the average value. Corporate Governance Perception Index (CGPI), a research program and ranking of the implementation of good corporate governance (GCG) in companies in Indonesia through research design that encourages companies to improve the quality the application of the concept of corporate governance (CG) by carrying out evaluations and benchmarking as continuous improvement.

<table>
<thead>
<tr>
<th>Table 1 : Description of the CGPI Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>----</td>
</tr>
<tr>
<td>1</td>
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<tr>
<td>2</td>
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<tr>
<td>3</td>
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<tr>
<td>4</td>
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<tr>
<td>5</td>
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<tr>
<td>6</td>
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<tr>
<td>7</td>
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<tr>
<td>8</td>
</tr>
<tr>
<td>9</td>
</tr>
<tr>
<td>10</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

In Table 1. Shows that the amount of data in this study is 50 data taken from the CGPI ranking by IICG from 2012 to 2016. The results of the 2012-2016 CGPI ranking program use norms of assessment based on the range of scores achieved by CGPI participants with the categorization of the level of quality of GCG implementation which uses the term “Trusted.” The CGPI assessment norm can be explained as follows:

- Score 55.00 - 69.99 Fairly Trusted
- Score 70.00 - 84.99 Trusted
- Score 85.00 - 100 Very Trusted


It can be seen that the overall average CGPI is 86.71; this shows that the average company has occupied a very trusted category according to CGPI assessment norms. Based on the ranking year, the average CGPI is sorted from the highest value, namely 2016 with a value of 87.56, 2015 with a value of 87.21, 2014 with a value of 86.78, 2013 with a value of 86.28, and the lowest in 2012 with a value of 85.70, it is seen that each year the value of CGPI improved and everything was in the very trusted category. Next, the average CGPI is sorted by companies that participated from 2012 to 2016, for the first place occupied by PT Bank Mandiri (Persero) Tbk with a CGPI average of 92.75, followed by PT Aneka Tambang (Persero) Tbk with a CGPI average of 88.82, then PT Bank Negara Indonesia (Persero) Tbk with average CGPI 87.37, PT Bank Rakyat Indonesia (Persero) Tbk with average CGPI 87.03, PT Bank Central Asia Tbk with average CGPI 86.71, PT Bank OCBC NISP Tbk with average CGPI 86.56, PT Bank Syariah Mandiri with average CGPI 86.27, PT Bank Tabungan Negara (Persero) Tbk with an average of CGPI 85.91, PT Bukit Asam (Persero) Tbk with a mean of CGPI 84.85, and the last position was occupied by PT Timah (Persero) Tbk with an average of 80.79 CGPI of these companies occupying the very category trusted except for two companies namely PT Bukit Asam (Persero) Tbk and PT Timah (Persero) Tbk, which occupy the trusted category. The categorization is stated by IICG, which can be interpreted that the company has a complete and sufficient structure, corporate governance infrastructure. The completeness and adequacy of the structure owned include the composition of company organs, the completeness of supporting organs, the structure, and function of the person responsible for implementation. While the completeness and adequacy of the infrastructure include guidelines, policies, and strategies for managing the company. The system and mechanism designed by the company are also in accordance with the company's management process. The effectiveness of the implementation of the system includes the framework, procedures, and level of maturity. The efficiency of the company's management mechanism includes the completion of work processes, efforts to monitor and evaluate the results of achievements as well as any initiatives to follow up on the improvement program.
Table 2: Description of VAIC Variable

<table>
<thead>
<tr>
<th></th>
<th>VAIC</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PT Aneka Tambang (Persero) Tbk</td>
<td>5.46</td>
</tr>
<tr>
<td>2</td>
<td>PT Bank Central Asia Tbk</td>
<td>4.59</td>
</tr>
<tr>
<td>3</td>
<td>PT Bank Mandiri (Persero) Tbk</td>
<td>7.83</td>
</tr>
<tr>
<td>4</td>
<td>PT Bank Negara Indonesia (Persero) Tbk</td>
<td>4.05</td>
</tr>
<tr>
<td>5</td>
<td>PT Bank OCBC NISP Tbk</td>
<td>3.09</td>
</tr>
<tr>
<td>6</td>
<td>PT Bank Rakyat Indonesia (Persero) Tbk</td>
<td>1.78</td>
</tr>
<tr>
<td>7</td>
<td>PT Bank Syariah Mandiri</td>
<td>3.73</td>
</tr>
<tr>
<td>8</td>
<td>PT Bank Tabungan Negara (Persero) Tbk</td>
<td>5.54</td>
</tr>
<tr>
<td>9</td>
<td>PT Bukit Asam (Persero) Tbk</td>
<td>11.04</td>
</tr>
<tr>
<td>10</td>
<td>PT Timah (Persero) Tbk</td>
<td>4.24</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td>5.14</td>
</tr>
</tbody>
</table>

Value Added Intellectual Coefficient (VAIC) is a method used to measure the efficiency of corporate value creation by using numbers based on accounting (Pulic, 2000). This concept was developed by Ante Pulic and was formally presented in 1998. VAIC is considered a universal indicator that shows a company's ability to create value and represents a measure for business efficiency in a knowledge-based economy (Pulic, 1998: 9) In Table 2, shows that the amount of data in this study is 50 data taken from financial statements and annual reports published by companies from 2012 to 2016. To be able to rank, VAIC calculation results can be sorted based on the scores owned. Ulum Research (2008) has formulated to provide categories from the results of VAIC calculations, namely:

- VAIC scores above 3.00 Top performers
- VAIC scores between 2.0 and 2.99 Good performers
- VAIC scores between 1.5 to 1.99 Common performers
- VAIC scores below 1.5 Bad performers

It can be seen that the overall average VAIC is 4.61; this shows that the average company has occupied the category of top performers according to the VAIC category by Ulum (2008). Based on the ranking year, the average VAIC is sorted from the highest value, namely 2012 with a value of 5.14, 2013 with a value of 4.83, 2014 with a value of 4.47, 2016 with a value of 4.39, and the lowest in 2015 with a value of 4.21, it appears that all are included in the category top performers. Next, the VAIC average is sorted by participating companies from 2012 to 2016, for the first place is occupied by PT Bukit Asam (Persero) Tbk with the average VAIC 9.32, PT Bank Mandiri (Persero) Tbk with the average VAIC 6.25, PT Bank Tabungan Negara (Persero) Tbk with average VAIC 5.87, then PT Bank Central Asia Tbk with average VAIC 4.84, PT Bank Negara Indonesia (Persero) Tbk with average VAIC 4.44, by PT Timah (Persero) Tbk with average VAIC 3.95, PT Bank OCBC NISP Tbk with average VAIC 3.31, PT Aneka Tambang (Persero) Tbk with average VAIC 3.46, PT Bank Syariah Mandiri with average VAIC 3.24, and the last position is occupied by PT Bank Rakyat Indonesia (Persero) Tbk with average VAIC 1.39, the companies occupy the top category performers except for PT Bank Rakyat Indonesia (Persero) Tbk which occupies the bad performers category.

Table 3: Description of ROA Variable

<table>
<thead>
<tr>
<th></th>
<th>ROA (%)</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PT Aneka Tambang (Persero) Tbk</td>
<td>17.15</td>
<td>1.97</td>
<td>(3.38)</td>
<td>(5.50)</td>
<td>0.21</td>
<td>2.09</td>
</tr>
<tr>
<td>2</td>
<td>PT Bank Central Asia Tbk</td>
<td>3.60</td>
<td>3.80</td>
<td>3.90</td>
<td>3.80</td>
<td>4.00</td>
<td>3.82</td>
</tr>
<tr>
<td>3</td>
<td>PT Bank Mandiri (Persero) Tbk</td>
<td>3.55</td>
<td>3.66</td>
<td>3.57</td>
<td>3.15</td>
<td>1.95</td>
<td>3.18</td>
</tr>
<tr>
<td>4</td>
<td>PT Bank Negara Indonesia (Persero) Tbk</td>
<td>2.90</td>
<td>3.40</td>
<td>3.50</td>
<td>2.60</td>
<td>2.70</td>
<td>3.02</td>
</tr>
<tr>
<td>5</td>
<td>PT Bank OCBC NISP Tbk</td>
<td>1.79</td>
<td>1.81</td>
<td>1.79</td>
<td>1.68</td>
<td>1.85</td>
<td>1.78</td>
</tr>
<tr>
<td>6</td>
<td>PT Bank Rakyat Indonesia (Persero) Tbk</td>
<td>3.11</td>
<td>3.08</td>
<td>4.73</td>
<td>4.19</td>
<td>3.84</td>
<td>3.79</td>
</tr>
<tr>
<td>7</td>
<td>PT Bank Syariah Mandiri</td>
<td>2.25</td>
<td>1.53</td>
<td>(0.04)</td>
<td>0.56</td>
<td>0.59</td>
<td>0.98</td>
</tr>
<tr>
<td>8</td>
<td>PT Bank Tabungan Negara (Persero) Tbk</td>
<td>1.94</td>
<td>1.79</td>
<td>1.14</td>
<td>1.61</td>
<td>1.76</td>
<td>1.65</td>
</tr>
<tr>
<td>9</td>
<td>PT Bukit Asam (Persero) Tbk</td>
<td>22.80</td>
<td>15.88</td>
<td>12.54</td>
<td>12.06</td>
<td>10.90</td>
<td>14.84</td>
</tr>
</tbody>
</table>
In Table 3. Shows that the amount of data in this study is 50 data taken from financial statements and annual reports published by companies from 2012 to 2016. It can be seen that the overall average ROA is 3.65; this shows that the average return of the company. The assets are 3.65%. Based on the ranking year, the average ROA is ranked from the highest value, namely 2012 with a value of 6.01%, 2013 with a value of 3.99%, 2014 with average of 3.16%, 2016 with a value of 2.80%, and the lowest in 2015 with a value of 2.99%. Next the average ROA is sorted by the participating companies from 2012 to 2016, for the first place is occupied by PT Bukit Asam (Persero) Tbk with an average ROA of 14.84%, then PT Timah (Persero) Tbk with an average ROA of 14.84%, followed by PT Bank Central Asia Tbk with an average ROA of 3.82%, PT Bank Rakyat Indonesia (Persero) Tbk with an average ROA of 3.79%, then PT Bank Mandiriri (Persero) Tbk with an average ROA of 3.18%, PT Bank Negara Indonesia (Persero) Tbk with an average of ROA 3.02 %, PT Aneka Tambang (Persero) Tbk with an average ROA of 2.09%, PT Bank OCBC NISP Tbk with an average ROA of 1.78%, PT Bank Tabungan Negara (Persero) Tbk with an average ROA of 1.65%, and the last position was occupied by PT Bank Syariah Mandiri with the average ROA is 0.98%.

Based on the ROA ranking criteria, the banks ranked 1 with a very healthy rating are PT Bank Central Asia Tbk, PT Bank Mandiri (Persero) Tbk, PT Bank Negara Indonesia (Persero) Tbk, PT Bank OCBC NISP Tbk, PT Bank Syariah Mandiri on in 2012-2013 and PT Bank Tabungan Negara (Persero) Tbk in 2012-2013 and 2015-2016. With the increase in ROA reflects the company's performance both in managing the wealth it has so that it can generate profits or profits. PT Bank Tabungan Negara (Persero) Tbk was ranked 3rd with a reasonably good rating in 2014, indicating that in that year PT Bank Tabungan Negara (Persero) Tbk had a pretty good company performance in managing its wealth. PT Bank Syariah Mandiri was ranked 3 with a reasonably healthy statement in 2015 and 2016, in 2014 it was ranked 5 with an unhealthy statement because the ROA value was minus, this indicates that in The PT Bank Syariah Mandiri company performance is not good in managing the wealth it has, so the expected profit is not achieved. There are three mining companies in this study, as a comparison PT Bukit Asam (Persero) Tbk occupies the first place with an average ROA of 14.84% and does not have a minus ROA ratio in 2012-2016. PT Timah (Persero) Tbk occupies second place with an average of 5% and does not have a minus ROA ratio in 2012-2016. PT Aneka Tambang (Persero) Tbk occupies third place with a mean of 2.09 with a minus ROA ratio in 2014 of -3.38% and 2015 of 5.50%. By looking at the ratio, PT Bukit Asam (Persero) Tbk can be said to have a good ROA because the average return on total assets is worth 14.84%, PT Timah (Persero) Tbk has a pretty good return of 5%, PT Aneka Tambang (Persero) Tbk has a poor ROA with the presence of a minus ratio in 2014 and 2015 and also averaging only 2.09%.

**Table 4 : Classic Assumption Test**

<table>
<thead>
<tr>
<th>Test</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Sample Kolmogorov-Smirnov Test</td>
<td>0.200&gt; 0.05 (residual value is normal)</td>
</tr>
<tr>
<td>Multicollinearity Test</td>
<td>VIF&lt;10, Tolerance&gt;0.100 (no multicollinearity)</td>
</tr>
<tr>
<td>Glejser test</td>
<td>0.602, 0.194 &gt; 0.05 (no heteroscedasticity)</td>
</tr>
<tr>
<td>Durbin-Watson Test</td>
<td>d lies between dU and (4-dU) (no autocorrelation)</td>
</tr>
</tbody>
</table>

From the table 4, we can conclude that the data have a normal residual value, have no multicollinearity problem, have no heteroscedasticity, and have no autocorrelation.

**Table 5 : Simultaneous Significance Test (F Test)**

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>6.350</td>
<td>2</td>
<td>3.175</td>
<td>4.613</td>
</tr>
<tr>
<td>Residual</td>
<td>30.289</td>
<td>44</td>
<td>.688</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>36.639</td>
<td>46</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dependent Variable : Ln_ROA, Predictors : (Constant), Ln_VAIC, Ln_CGPI

The F test is used to determine whether the independent variables (X1, X2) together influence the dependent variable (Y). The formulation of the hypothesis for this F test is as follows:

Ho, there is no influence of corporate governance and intellectual capital on company's profitability.
Ha, There is an influence of corporate governance and intellectual capital on company's profitability.

The level of significance used is α = 5%, then:
If the Sig. ≤ 0.05, corporate governance and intellectual capital influence company's profitability. Ha accepted, Ho refused.
If the Sig. > 0.05, then corporate governance and intellectual capital do not influence company's profitability. Ho accepted Ha refused.
Obtained sig 0.015 where 0.015 ≤ 0.05, corporate governance and intellectual capital influence company's profitability. Ha accepted Ho rejected. Then, there is an influence of corporate governance and intellectual capital on company's profitability.

Table 6: Partial Significance Test (T Test) Corporate Governance

<table>
<thead>
<tr>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>23.633</td>
</tr>
<tr>
<td>Ln_CGPI</td>
<td>-5.246</td>
</tr>
<tr>
<td>Ln_VAIC</td>
<td>.610</td>
</tr>
</tbody>
</table>

Dependent Variable: Ln_ROA

T-test is used to determine whether the independent variable (X₁, X₂) partially influences the dependent variable (Y).

H₀: There is no influence of corporate governance on company's profitability.

H₁: There is an influence of corporate governance on company's profitability.

The level of significance used is α = 5%, then:

If the Sig. ≤ 0.05, corporate governance influences company's profitability. Ha accepted Ho rejected.

If the Sig. > 0.05, then corporate governance does not influence company's profitability. Ho accepted Ha rejected.

Obtained sig 0.136 where 0.136 > 0.05, corporate governance does not influence company's profitability. Ho accepted Ha rejected. Then, there is no influence of corporate governance on company's profitability.

Table 7: Partial Significance Test (T Test) Intellectual Capital

<table>
<thead>
<tr>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>23.633</td>
</tr>
<tr>
<td>Ln_CGPI</td>
<td>-5.246</td>
</tr>
<tr>
<td>Ln_VAIC</td>
<td>.610</td>
</tr>
</tbody>
</table>

Dependent Variable: Ln_ROA

T-test is used to determine whether the independent variable (X₁, X₂) partially influences the dependent variable (Y).

H₀: There is no influence of intellectual capital on company's profitability.

H₁: There is the effect of intellectual capital on company's profitability.

The level of significance used is α = 5%, then:

If the Sig. ≤ 0.05, then intellectual capital influences company's profitability. Ha received Ho rejected.

If the Sig. > 0.05, then intellectual capital does not influence company's profitability. Ho received Ha rejected.

Obtained sig 0.011 where 0.011 ≤ 0.05, then intellectual capital influences profitability. Ha received Ho rejected. Then, there is an influence of intellectual capital on company's profitability.

Table 8: Determination Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.416</td>
<td>.173</td>
<td>.136</td>
<td>.82968</td>
</tr>
</tbody>
</table>

Dependent Variable: Ln_ROA, Predictors: (Constant), Ln_VAIC, Ln_CGPI

Analysis of determination in multiple linear regression is used to determine the percentage contribution of the influence of independent variables (X₁, X₂, …… Xₙ) simultaneously to the dependent variable (Y). This coefficient indicates how much percentage of the variation of the independent variables used in the model is able to explain the variation of the dependent variable. Based on the table above, the R² (R Square) figure is 0.173 or (17.3%). This shows that the percentage contribution of the influence of independent variables (CGPI and VAIC) to the dependent variable (ROA) of 17.3%. Alternatively, the variation of the independent variables used in the model (CGPI and VAIC) is able to explain 17.3% of the variation of the dependent variable (ROA). While the remaining 82.7% is influenced or explained by other variables not included in this research model. Adjusted R Square is an adjusted R Square value, this value is always smaller than R Square. For regression with more than two
independent variables. Adjusted R Square is used as the coefficient of determination (Priyatno, 2014). Standard Error of the Estimate is a measure of the number of errors of the regression model in predicting the value of Y. From the regression results obtained a value of 0.82968 or 0.82968% (unit ROA), this means that the number of errors in ROA prediction is 0.82968%. The results of this study indicate that there is no influence of corporate governance on profitability. This study supports the results of research by Prasinta (2012), Windah (2013), Puniyasa (2016), Ratnasari (2016), Harsalim (2017) which states that corporate governance does not have influence on profitability. However, the results of this study are not in line with the results of research conducted by Sari (2014) and Triastuty (2016), which state that corporate governance influence profitability. Corporate governance does not influence ROA because the measurement period of corporate governance scores is in long-term while the measurement of return on assets (ROA) is short-term where the results achieved can be directly used as a basis for decision making for the company (Prasinta, 2012). The higher CGPI score of the company does not necessarily describe a good ROA performance, where the company has not been able to work effectively and efficiently to maximize the company's profit. In addition, the results of corporate governance that does not have influence on profitability (ROA) indicate that the assessment by the CGPI score cannot be interpreted as the successful implementation of good corporate governance in the company, because high values do not necessarily state that corporate governance is well implemented so that ultimately cannot influence profitability (ROA). This research supports the results of Clarke (2011), Silvia (2013), Sriananga (2014), Shafi’u (2017), Asare (2017) and Ranjit (2018) which states that intellectual capital influences profitability. However, the results of this study are not in line with the results of research conducted by Ratnasari (2016), which states that intellectual capital has no influence on profitability. Previous studies have shown that human capital, structural capital, and relational capital cumulatively increase the overall intellectual potential of the company, which can further increase company profitability (Ranjit, 2018). Intellectual capital is a fundamental source of competitive advantage that must be considered, measured, and controlled so that the company's goals for good performance can be achieved. There is a consistent relationship between investment in intellectual capital, corporate income, and value creation that can be created. Intellectual capital is currently the main driver of company growth; therefore it is very important to take measurements to determine the extent to which the company has used intellectual capital in its objectives (Shafi’u, 2017). Intellectual capital influences profitability; this shows that the company has been able to use its resources efficiently so that ultimately, it influences the company's profitability.

CONCLUSIONS AND RECOMMENDATIONS

This study aims to determine the description of corporate governance, intellectual capital, and company profitability and the influence of corporate governance and intellectual capital on company's profitability. Corporate governance will be assessed by a ratio sourced from The Indonesian Institute for Corporate Governance in the Corporate Governance Perception Index (CGPI) score from 2012-2016. The company's intellectual capital will be calculated using the value-added intellectual coefficient (VAIC). CGPI and VAIC are independent variables. The company's profitability will be calculated using the return on assets ratio. Profitability is the dependent variable. The overall average CGPI is 86.71; this shows that the average company has occupied a very trusted category according to CGPI assessment norms. Can be interpreted that the company already has a complete and adequate structure, corporate governance infrastructure. For the overall average VAIC is 4.61, this shows that the average company has occupied the category of top performers according to the VAIC category by Ulum (2008), the company can be said to have been able to manage its resources optimally to produce added value for the company. The overall average ROA is 3.65; this shows that the company's average return on assets is 3.65%. The results of multiple linear regression test indicate that hypothesis 1 and hypothesis 3 which states there is a joint influence of corporate governance and intellectual capital on company's profitability and there is an influence of intellectual capital on company's profitability are accepted. Hypothesis 2 states that there is an influence of corporate governance on company's profitability is rejected. Corporate governance does not have influence on ROA because the measurement period of corporate governance scores is in long-term while the measurement of return on assets (ROA) is short-term where the results achieved can be directly used as a basis for decision making for the company (Prasinta, 2012). The higher CGPI score of the company does not necessarily describe an excellent ROA performance, where the company has not been able to work effectively and efficiently to maximize the company's profit. Previous studies have shown that human capital, structural capital and relational capital cumulatively increase the overall intellectual potential of the company, which can further increase company profitability (Ranjit, 2018).

Based on the research that has been done, some suggestions can be given to participating companies, namely as follows:
1. Companies can use this research to determine the extent to which intellectual capital has been utilized so that it can influence profitability.
2. Companies can pay more attention to intellectual capital and its components so that the company's profitability is getting better.

Suggestions that can be given for further research are as follows:
1. Can separate VAIC elements to determining the influence of more detail from each component, whether the three elements will produce the same results with VAIC as a whole.
2. Can add variables that proxy other profitability, to determine its influence on profitability from various sides better.

REFERENCES


Ulfi Audria
Faculty of Economics
Maranatha Christian University, 40164 Bandung, Indonesia
Email: audria.biz@gmail.com

Prof. Dr. Marcellia Susan
Faculty of Economics
Maranatha Christian University, 40164 Bandung, Indonesia
Email: marcellia.susan@gmail.com