



Paper 49 – Business and Governance

THE IMPLICATIONS CORPORATE GOVERNANCE IN ENHANCING PROFITABILITY IN BANKING INDUSTRY: INDONESIA PERSPECTIVE

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ABSTRACT

The purpose of this study is to analyze the implication of corporate governance to profitability (ROE) in the banking industry in Indonesia. Data were gathered from the Most Trusted Company from 2012 to 2015. Corporate Governance Perception Index (CGPI) were composed of four elements, self-assessment, system documentation, paper, and observation. Banking industry profitability was measured by return on equity (ROE). PT Bank Mandiri showed the highest rating of CGPI for four (4) consecutive years. PT Bank DKI showed the highest return on equity (ROE) for three (3) consecutive years and PT Bank Rakyat Indonesia (Persero) on the year 2015. The result of the study showed that the correlation of both variables are very low, and the implication of corporate governance to enhance profitability (ROE) is not significant.

Keywords: banking industry, self-assessment, documentation, return on equity

