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The Effect of Capping Price and The Implementation of Coal Dmo on Profitability With The Mediation of Good Corporate Governance in Mining Companies in Indonesia

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Abstract. *Indonesia is a country blessed with abundant natural resources, one of which is coal. Coal is a mined resource that supports most of the domestic energy activities such as electricity and industrial production, where the government ensures the availability and affordability of coal for domestic use, known as the Domestic Market Obligation (DMO). The Coal Reference Price (HBA) is the monthly average price determined by the Ministry of Energy and Mineral Resources based on local and international market indexes, while the coal price for electricity needs is capped at 70 USD/MT by the government. The DMO determines the minimum amount of coal sold by coal mining companies to the Indonesian local market. This study aims to analyze the effect of capping price policy and the application of DMO coal mediated by the implementation of Good Corporate Governance (GCG) on the profitability of coal mining companies in Indonesia. The data used in this study were sourced from the financial statements of coal mining companies listed on the Indonesia Stock Exchange during the period from 2017 to 2021. The sample for this study used 10 out of the total 28 coal mining companies listed on the Indonesia Stock Exchange, and path analysis was used to test hypotheses and analyze the relationships between variables. Panel data regression analysis was used to test the hypothesis in this study. The results show that the capping price policy and the application of DMO coal, mediated by the implementation of GCG, have a significant positive effect on the profitability of coal mining companies in Indonesia. This finding has important implications for policymakers in evaluating existing policies and considering their impact on the profitability of coal mining companies in Indonesia while still considering the use of coal for the benefit of all Indonesian people.*

Keywords: *Capping Price of Coal; DMO of Coal;Good Corporate Governance; Profit of Mining Coal Firms.*

1. Introduction

Coal is still a mining product that supports most domestic energy activities such as electricity and industry. Priority on Domestic Market Obligation (DMO) on coal determines at least all coal sold by local coal mining companies to the Indonesian market. DMO for 2018 is set at 25 percent of the total production volume by coal mining companies. Around 114 million tons are consumed by the domestic market, including coal for coal-fired Steam Power Plants (PLTU). Coal contributes more than half of the fossil fuels used by PLN and Independent Power Producers (IPP). In general, the coal price limit rule only applies if the Indonesian Reference Coal Price (HBA) exceeds the limit or capping of USD 70 per ton. Otherwise, according to(Richard Bridle et al., 2019), HBA will remain the reference price for coal sales agreements. HBA is the monthly average price determined by the Ministry of Energy and Mineral Resources and is calculated based on the average price of coal in the local and international market index. Capping coal prices effectively reduces PLN's coal purchasing costs and the profitability of mining companies. This type of intervention is known as market price support(Richard Bridle et al., 2019).

Minister of Energy and Mineral Resources in 2019, Arifin Tasrif, said that he would extend the implementation of special coal prices for the electricity sector in 2020. Given, the Capping price or coal price restriction of USD 70 per ton will end in December 2019. This step is to consider the stability of the cost of electricity production which leads to the stability of electricity tariffs. He also claimed that the DMO coal benchmark was not complained about by stakeholders. In addition to extending the implementation of special coal prices for the electricity sector, the Ministry of Energy and Mineral Resources also extended the special coal allocation policy for the electricity sector. The Director General of Minerals and Coal (Minerba) of the Ministry of Energy and Mineral Resources, Bambang Gatot Ariyono, emphasized that the coal price is actually still in the evaluation stage and will be completed in December 2019. However, what is certain is that the DMO volume portion remains 25 percent of total coal production(Ririe, 2019).

Profitability related to good corporate management or Good Corporate Governance (GCG) in mining companies can be said to be quite large. High profitability will improve the overall performance of the company so that the company can carry out various activities that are beneficial to the community and the surrounding environment, such as carrying out CSR programs. Thus, high profitability can provide a positive contribution to the GCG of mining companies. (Pujana, 2016). The Capping Price and DMO policies are currently not only limited to coal, even CPO or Crude Palm Oil is still being encouraged to stabilize domestic oil prices, although in a larger scope the DMO policy can be considered to be inhibiting economic growth.(Anisah, 2022; Mansur, 2022).

Many previous studies have only examined the effects of commodity or product capping price policies on GCG.(Pujana, 2016)and profitability levels(Manurung & Kartikasari, 2015; Putri, 2012)as well as the company's DMO obligations towards GCG(Pujana, 2016)and

profitability levels(Ramdani, 2015; Wahyudi, 2018). The originality of this study develops the influence of both, both Capping price and DMO policies on profitability with GCG mediation in Coal Mining Companies.

The previous research gap explains that the commodity Capping Price policy has a significant negative influence on the level of profitability.(Manurung & Kartikasari, 2015; Putri, 2012)and the company's DMO obligations have a significant positive effect on the level of profitability(Ramdani, 2015; Wahyudi, 2018). Other research explains that profitability has a significant positive effect on pricing policy or capping price.(Latifah & Suryani, 2020; Octaviani & Komalasari, 2017),so it is necessary to conduct research related to the effects of capping price and DMO on coal profitability.

2. Research Methods

This study uses a quantitative research method with an associative-causal research type that examines the causal relationship from independent variables to dependent variables.

3. Results and Discussion

3.1. Overview of Research Object

This research was conducted in several Coal Mining Companies in Indonesia and listed on the Indonesia Stock Exchange and have Capping price, DMO, GCG and ROA reports for 2017-2021. Mining companies are companies that carry out production activities by means of general investigations, exploration, feasibility studies, construction, mining, management and refining, transportation and sales, and post-mining. Mining companies are one of the largest contributors of foreign exchange for Indonesia, especially coal.

The first coal mining in Indonesia began in 1849 in Pengaron, East Kalimantan by NV Oost Borneo Maats chappij. In 1888 a private company began mining in Pelarang, approximately 10 km southeast of Samarinda. This was followed by several other small companies. In Sumatra, the first large-scale coal mining effort was carried out in 1880 in the Durian River field, West Sumatra. This effort failed due to transportation difficulties. After a thorough investigation between 1868 and 1873, a coal field was discovered in the Durian River, so the Ombilin coal mine was opened in Sawah lunto, West Sumatra. At the same time, the construction of a 155 km railway between Teluk Bayur and Sawahlunto was completed and worked on since 1888. In South Sumatra, an investigation was carried out between 1915-1918 which resulted in the opening of the Bukit Asam coal mine in 1919(Sari, 2018). Based on Government Regulation Number 23 of 1968, "the three coal mines that are still actively producing, namely the Ombilin coal mine in West Sumatra, the Bukit Asam coal mine in South Sumatra and the Mahakam coal mine in East Kalimantan are united into PN". Coal Mines and each of these mines become production units.

In 1970, the Mahakam production unit was closed due to economic considerations. Mining activities “could not be continued because in addition to the increasing business costs, marketing prospects were also increasingly bleak. All of this was due to the shift to the use of diesel engines in all transportation sectors (trains and ships) and Diesel Power Plants (PLTD). Since then, only two units have been in production, namely Ombilin production and Bukit Asam production”. Since 1973, there have been changes in the coal world. “As a result of the energy crisis that began with the oil embargo by a number of Arab countries in the Middle East War, the world's attention has shifted to coal fuel”. In line with this, the Bukit Asam production unit changed its status to PT Tambang Batubara Bukit Asam (Persero). This is based on “Government Regulation Number 24 of 1980 and since 1981 it has been separate from PN Tambang Batubara”. Since then, PN Tambang Batubara has only had one production unit, namely the Ombilin coal mine in West Sumatra(Nandasari, 2018).

Based on the "Presidential Decree of the Republic of Indonesia Number 49 of 1981, PN Tambang Batubara entered into cooperation with a number of foreign private companies with the aim of developing Indonesia's coal potential". The business cooperation began by exploiting coal reserves in East Kalimantan and South Kalimantan. Based on Government Regulation Number 56 of 1990 dated October 30, 1990, PN Tambang Batubara was dissolved and merged into Tambang Batubara Bukit Asam (PTBA) to be more efficient with one State-Owned Enterprise (BUMN) managing coal mining and its contractors. From these contractors, the government through PTBA obtained a share of coal production in kind of 13.5% of coal production. In 1993, the government issued a Presidential Decree and signed 19 cooperation contracts, all of which were national private contractors. Thus, PTBA has more than 30 coal mining contractors spread across Kalimantan and Sumatra. Then in 1993 the government issued Presidential Decree Number 21 of 1993 which stated that the form of cooperation contract was changed to a work contract.

Here is a list of 10 coal companies in Indonesia(Saumi & Hafiyyan, 2022):

1. PT Bumi Resources Tbk. (BUMI)

"The coal issuer of the Salim Group and Bakrie Group has become the coal issuer with the largest production in Indonesia in recent years. BUMI recorded coal production realization of 78 million tons last year". In 2022, BUMI targets to produce coal with a similar amount, namely 78 million tons.

2. PT Adaro Energy Indonesia Tbk. (ADRO)

The coal company managed by the brother of SOE Minister Erick Thohir, Garibaldi Thohir, produced 52.7 million tons of coal in 2021, from a target of 52-54 million tons. This year, the Saratoga Group entity, part of whose shares are owned by Sandiaga Uno, is targeting to achieve coal production of 58 million-60 million tons of coal.

3. PT Bayan Resources Tbk. (BYAN)

The issuer owned by conglomerate Dato' Low Tuck Kwong produced 37.6 million tons of coal in 2021. In 2022, BYAN plans to produce 37 million-39 million tons of coal. Low Tuck Kwong is now the third richest person in Indonesia, thanks to the significant increase in BYAN shares. His total wealth as of Saturday (12/11/2022) reached US$10.4 billion or equivalent to Rp161.2 trillion.

4. PT Dian Swaistika Sentosa Tbk. (DSSA)

Dian Swastika Sentosa is actually a Sinar Mas Group company, which has various business lines. Its coal business is contributed by PT Golden Energy Mines Tbk. (GEMS) and Golden Energy and Resources Ltd. (GEAR). In addition to having coal mines in Indonesia, GEAR acquired mining assets in Australia, namely Stanmore Coal. DSAA as a group produced 33.9 million tons of coal throughout 2021. In 2022, DSSA targets to produce 40 million tons of coal. The conglomerate behind it is of course the Widjaja Family, founded by the late Eka Tjipta Widjaja. Now, his son Franky Oesman Widjaja is the President Commissioner of DSSA.

5. PT Golden Energy Mines Tbk. (GEMS)

The Sinar Mas Group coal issuer, 30 percent of whose shares were acquired by PT ABM Investama Tbk. (ABMM), produced 29 million tons of coal in 2021. This year, GEMS is targeting coal production of 36 million-40 million tons. GEMS is a DSAA entity.

6. (PTBA)

PTBA manages energy sources by developing corporate competencies and human excellence to provide maximum added value for stakeholders and the environment. PT. Bukit Asam Tbk (PTBA) is engaged in coal mining, including general surveys, exploration, exploitation, processing, refining, transportation and trading, maintenance of special coal port facilities for internal and external needs, operation of steam power plants for internal and external needs and providing consulting services related to the coal mining industry and its derivative products, and plantation development. In 1993, the Company was appointed by the Government of Indonesia to develop the Coal Briquette Business Unit. PTBA in 2021 was recorded to have produced 30.04 million tons of coal. This year, PTBA is targeting to produce 35.5 million tons of coal(Asam, 2023).

7. (ITMG)

High-calorie coal issuer, ITMG is recorded to have produced 18.2 million tons of coal from several of its mines in 2021. This year, ITMG plans to produce around 17.5 million-18.8 million tons of coal. Around 65.14 percent of ITMG shares are held by Banpu Minerals (Singapore) Private Limited. Meanwhile, ITMG's main parent company is Banpu Public Company Limited, a company established in the Kingdom of Thailand. Banpu's Chairman is Chanin Vongkusolkit.

8. PT Baramulti Suksessarana Tbk (BSSRPT)

PT Baramulti Suksessarana Tbk is a mining company headquartered in Jakarta, to support its business activities, the company also has an office in Kutai Kartanegara. Until the end of 2021, the company controlled a coal mining concession of 24,518 hectares spread across five districts on the island of Kalimantan. The company began its history in 1988 as a marketing and trading agent for PT Bukit Asam (Persero). On October 31, 1990, the company was officially established. In 1995, the company acquired 50% of PT Antang Gunung Meratus (AGM) shares, which a year earlier had signed a Coal Mining Business Work Agreement (PKP2B) in concessions located in Banjar Regency, Tapin Regency, Hulu Sungai Selatan Regency, and Hulu Sungai Tengah Regency. In 1998, the company received a coal exploration permit. In 1999, AGM began producing coal. In 2004, the company was granted a Coal Exploitation Mining Permit for a 502.3 hectare concession in Kutai Kartanegara. In 2008, the company increased its shareholding in AGM to 57%. In 2009, PT Baramulti Sugih Sentosa and PT Sumber Kurnia Buana began developing coal transportation infrastructure for AGM, by normalizing the Muning and Puting Rivers, and building a special coal terminal/pier in Tapin. In 2010, the company was granted a Coal Production Operation Mining Business License and increased its shareholding in AGM to 82%.

9. Mitrabara Adiperdana Tbk (MBAPPT)

PT. Mitrabara Adiperdana Tbk (MBAP) is engaged in Coal Mining. The company is affiliated with Baramulti Group and a company operating in Malinau, North Kalimantan. The company started production in 2008. The largest shareholder is PT. Wahana Sentosa Cemerlang with 736,363,152 (Shares) or 73,636,315,200 (IDR) worth 60.00%. The company focuses on the coal mining business and continues to grow into one of the best companies in the energy sector. The company started coal production in 2008. The coal produced by the company is of high quality with medium calorific value, this product is in great demand by the international market because of its more environmentally friendly characteristics. In 2014, the company conducted an initial public offering on the Indonesia Stock Exchange with the code MBAP. The funds obtained from the initial public offering were used to support the Company's operational activities such as the development of port facilities and the operation of coal handling facilities. The Company's Business Fields include conducting business in the mining sector as permitted by the government and as long as permitted by applicable regulations, including coal drying, running and conducting business in the industrial sector, running and conducting business in the trade sector, including domestic trade, inter-insular, export and import, wholesale trade, suppliers and distributors of any type of goods and running and conducting business in the construction sector. Supporting mining business activities and mining consulting, the Company cooperates with mining contractors who are responsible for overburden mining operations, procurement of transportation, and provision of mining equipment, materials, and spare parts in accordance with their respective obligations, especially to support the Company's coal production activities.

10. Golden Eagle Energy Tbk (SMMTPT)

PT Golden Eagle Energy Tbk is a public company in Indonesia (SMMT) that operates as an investment company, especially in a number of subsidiaries engaged in the coal mining and trading business. Headquartered at Menara Rajawali, Jl. DR. Ide Anak Agung Gede Agung, Mega Kuningan, South Jakarta. This company has changed its name and business fields several times. Golden Eagle Energy was originally a restaurant management company, founded on March 14, 1980 under the name PT The Green Pub. The Green Pub itself is a Mexican restaurant in Jakarta pioneered by Ronald Mullers (Ron Mullers), an American citizen of Sundanese-Dutch blood with his wife, Indrajaty Hadiwardoyo which was opened in 1981. Actually, the restaurant belongs to the Indrajaty family; Mullers, who did have a background in hospitality, then decided to develop this restaurant. The Green Pub itself later changed its name to Amigos along with government regulations that restricted the use of foreign languages in public spaces which were eventually acquired by Rajawali. Rajawali then released almost all of the old Eatertainment restaurant/entertainment business and assets on May 10, 2012 to Mullers and family (the original owners), and now Mullers' restaurant business (Amigos, Papa Ron's, etc.) is under PT Eatertainment Indonesia, not long after the name PT Eatertainment International Tbk was changed to PT Golden Eagle Energy Tbk since August 15, 2012. Along with this restructuring, the identity and logo were changed to better represent its business activities in the mining industry. From initially only having 2 coal companies, then currently Golden Eagle has developed such as with the acquisition process of PT Tabalong Prima Resources and PT Mitra Hasrat Bersama in 2015-2016, and previously several mines in East Kalimantan and South Sumatra.

Descriptive Analysis

Descriptive analysis is used to determine the minimum, maximum, average/mean and standard deviation values which are presented in Table below:

Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
YEAR	50	2017.00	2021.00	2019,0000	1.42857
GCG	50	2	11	5,5820	1,9704
CAP_PRICE	50	58.17	121.47	88,4820	21.35974
DMO	50	5.00	72.00	29,3316	15.02936
ROA	50	,00	52.00	16,1904	13.92212
Valid N (listwise)	50				

Source: Secondary data processed, 2023

According to Table, it is known that the average or mean value of 50 processed data on the Capping Price variable is 88.48, Domestic Market Obligation is 29.33, Good Corporate Governance is 5.58 and ROA profitability is 16.19. This shows that most coal mining

companies have a capping price of US$ 88 per ton, Domestic Market Obligation or domestic market priority of 29.33%, have 6 commissioners and ROA profitability of 16.19%, which is still in the healthy ROA category (above 2%). The minimum year of mining company issuers studied was 2017 and the maximum was 2021. The standard deviation value or standard deviation which is the difference in the ratio value of the variables studied in the statistical calculation compared to the actual value is below the mean or average of GCG, Capping Price, DMO and ROA. This shows a reasonable deviation value.

AnalysisStatistics

Statistical/quantitative analysis is data analysis in tabulation of the variables studied in the research which consists of:

Classical Assumption Test

The classical assumption test in this study consists of multicollinearity, heteroscedasticity and normality tests, with the following description:

a. Multicollinearity

This test is intended to test whether the regression model finds symptoms of multicollinearity between independent variables. The results of the analysis can be explained in the following table:

Multicollinearity Test

No	Variables	Equation I		Equation III	
		Tolerance	VIF	*Tolerance*	VIF
1	*Capping Price*	0.995	1,005	0.994	1,006
2	DMO	0.995	1,005	0.995	1,005
	GCG	-	-	0.998	1,003

Source: Secondary data processed, 2023

Based on Table, it can be explained that all variables have a VIF number of no more than 10 and a tolerance of more than 0.10. These results indicate that this equation path model does not have multicollinearity, so the model can be used.

b. Autocorrelation

A good model does not have autocorrelation. The autocorrelation test is a correlation that occurs between the residuals in one observation with other observations in the equation path model. Autocorrelation can be known through the Durbin-Watson Test (DW Test) which is a test used to test the presence or absence of serial correlation in a regression model or to find out whether there is autocorrelation between the observed variables in the model used. The following are the results of the autocorrelation test. The results of the analysis can be explained in the following table:

TestAutocorrelation

No	Equality	Durbin Watson Values
1	Equation I	1,727
2	Equation II	1,829

Source: Secondary data processed, 2023

Based on Table, it can be explainedThe Durbin Watson value of the study is 1.727, the dU table value is 1.6283 and the dL table is 1.4625, so:

Value 4 - dU = 4 – 1.6283 = 2.3717

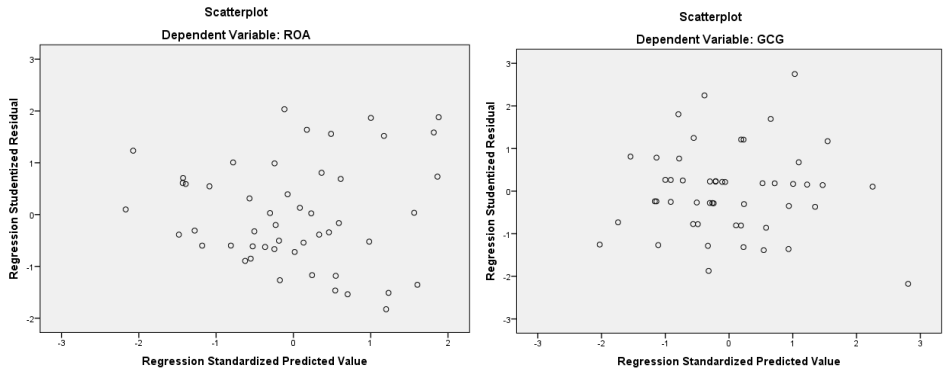
Value 4 - dL = 4 – 1.4625 = 2.5375

Based on the explanation above, it can be concluded that the calculation figure dw = 1.727 is located between dU and 4dU, which means it is in an area where there is no autocorrelation, thus fulfilling the non-autocorrelation assumption.

c. Heteroscedasticity

The heteroscedasticity test aims to test whether in the regression model there is inequality of variance from the residuals of one observation to another. The results of this test are shown as follows:

Figure Heteroscedasticity Test



Equation I Equation II

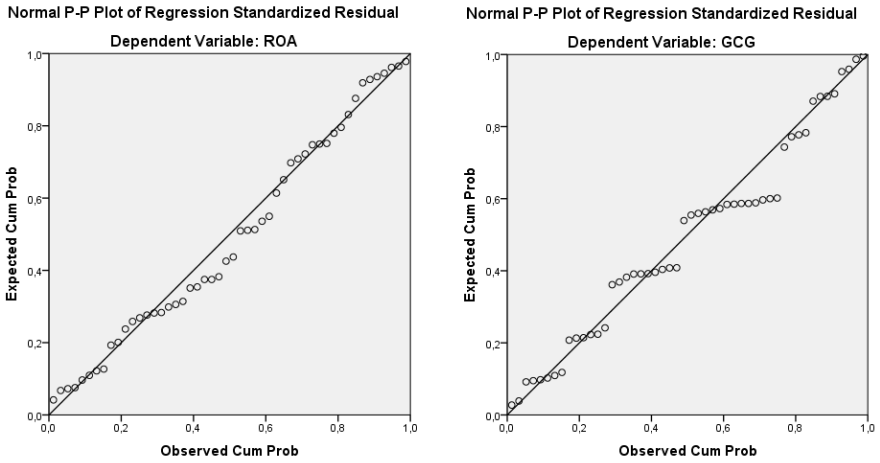
Source: Secondary data processed, 2023

The image above shows that all the small circles are spread irregularly and do not form a pattern, so it can be concluded that the path equation model in this study does not experience heteroscedasticity.

d. Normality

This analysis is to test whether the dependent variable, independent variable or both in a path equation model have a normal or near normal distribution. The results of the analysis obtained are as shown in Figure below:

Figure Normality Test



Equation I Equation II

Source: Secondary data processed, 2023

Based on the image above, it is known that the small circles are located or close to the diagonal line, so that the regression model meets the normality assumption.

Path analysis

Path analysis with SPSS produced the following equation results which can be seen in table:

Table Path Analysis of SPSS Program Calculation Results

No	Independent variable	Mediating/dependent variable	Coefficient Standard
1	Cap Price	GCG	0.040
2	DMO	GCG	0.028
3	Cap Price	ROA	0.508
4	DMO	ROA	-0.290
5	GCG	ROA	0.056

Source: Secondary data processed, 2023

Based on table, the multiple linear regression model can be analyzed as follows:

$$Y1 = 0.040X1 - 0.028X2 + e$$

$$Y2 = 0.508X1 - 0.290X2 + 0.056Y1 + e$$

The value of the regression equation above can be explained as follows:

a. The path coefficient of the capping price variable on GCG has a positive value of 0.040, meaning that if the capping price (X1) or benchmark price increases, it has the potential to improve company management to be better.

b. The path coefficient of the Domestic Market Obligation variable towards GCG has a positive value of 0.028, meaning that if the Domestic Market Obligation (X2) or domestic market priority increases, it has the potential to improve company management to be better.

c. The path coefficient of the capping price variable on ROA has a positive value of 0.508, meaning that if the capping price (X1) or benchmark price increases, it has the potential to increase the company's profitability.

d. The path coefficient of the Domestic Market Obligation variable on ROA has a negative value of -0.290, meaning that if the Domestic Market Obligation (X2) or domestic market priority increases, it has the potential to reduce the company's profitability.

Hypothesis Testing

Direct Effect Test *Capping Price* and DMO on Profitability

The t-test is conducted to determine whether individually (partially) the independent variables significantly affect the dependent variable or not. If the level of significance (Sig t) is smaller than α = 0.05 and t count > t table then H0 is accepted (Ghozali, 2008). Determination of t table with the formula df (degree of freedom) = n (sample) - k (number of independent variables), so 50 - 2 = 48, the number in the t table is 1.677 in the order of 48 columns t = 0.05. The results of the t test analysis in this study can be seen in below:

Table t-Test Results

No	Independent variable	dependent variable	t	Sig	Caption
1	Cap Price	GCG	0.271	0.787	No sig
2	DMO	GCG	0.191	0.849	No sig
3	Cap Price	ROA	4,183	0,000	Sig.
4	DMO	ROA	-2,388	0.021	Sig.
5	GCG	ROA	0.459	0.649	No sig

Source: Secondary data processed, 2023

The results of the t-test in table above show that there are only two significant relationships, namely capping price on ROA and DMO on ROA, because the value of both significance is less than 0.050 and the calculated t value exceeds 1.677, so it can be concluded that capping price has a significant positive effect on profitability and DMO has a significant negative effect on the profitability of coal mining companies in 2017-2021 in the Mining Companies studied.

Test Indirect Effect of Capping Price and DMO on Profitability Through GCG

Based on the calculations of models 1 and 2, the calculation values of direct, indirect and total indirect influences between variables can be explained in table as follows:

Table Direct Influence, Indirect Influence and Total Influence

No	Independent Variable	Influence	Dependent Variable		Information
			GCG	ROA Profitability	
1	*Capping Price*	Direct	0.040	0.508	Mediation weakens 0.508 > 0.002
		Indirect	-	0.040 x 0.056 = 0.002	
		Total	0.040	0.511	
2	*DMO*	Direct	0.028	-0.290	Mediation strengthens -0.290 < 0.002
		Indirect	-	0.028 x 0.056 = 0.002	
		Total	0.028	0.529	
3	GCG	Direct	-	0.056	

Source: Processed Primary Data, 2022

According to the table above, it can be seen that the indirect influence of the variables *Capping price* towards profitability through GCG shows a weakening mediation value which means GCG cannot mediate *Capping price* on profitability, because the amount of indirect influence is smaller than the direct influence. While the variable *Domestic Market Obligation* towards profitability through GCG shows a strengthening mediation value which means GCG can mediate *Domestic Market Obligation* on profitability.

Coefficient of Determination

The coefficient of determination is used to measure the magnitude of the contribution of the independent variable to the dependent variable, so that the variable that most influences the dependent variable can be identified. The coefficient of determination of the regression that has been carried out is as follows:

Table Coefficient of Determination

No	Equality	MarkAdjusted R Square	%
1	Equation I	0.232	23.2%
2	Equation II	0.282	28.2%

Source: Secondary data processed, 2023

According to table, the coefficient of determination (Adjusted R^2) value is obtained at 23.2% and 28.2%, which means that 23.2% of GCG is influenced by Capping price (X1) and Domestic Market Obligation (X2), and 28.2% of the profitability of the Mining Company studied is influenced by the variables Capping price (X1), Domestic Market Obligation (X2) and GCG (Y1). This explains that the contribution of the variability of this study is relatively small in the value of GCG and profitability.

3.2. Discussion of Hypothesis

Based on the results of the research that has been conducted, the discussion of the hypothesis is described as follows:

The Relationship between Capping Price and Good Corporate Governance

According to the test results, it is explained that capping price has a positive but insignificant effect on good corporate governance of coal mining companies in 2017-2021 in the Mining Companies studied, so the first hypothesis stating that capping price has a significant effect on good corporate governance is rejected, meaning that capping price does not have a strong effect on increasing the implementation of good corporate governance in Coal Mining Companies in 2017-2021. The effect of the finding that capping price does not have a significant effect on good corporate governance is that coal mining companies do not need to worry about the implementation of capping price to improve the implementation of good corporate governance in coal mining companies.

The average value of issuer assessment on the capping price variable is more than 88.48, which shows that most coal companies implement capping prices well in accordance with government policy. *Capping price*or the coal price cap of USD 70 per ton continues not only until December 2019. This step is to consider the stability of the basic cost of electricity production which leads to the stability of electricity tariffs. The DMO coal benchmark was not complained about by stakeholders. In addition to extending the implementation of special coal prices for the electricity sector, the Ministry of Energy and Mineral Resources also extended the special coal allocation policy for the electricity sector.

The results of this study do not correspond to previous research which explained thatThe implementation of good corporate governance will result in good company financial performance through measuring the number of directors and commissioners.(Alkhairani et al., 2020).(Pratolo, 2008)proves that the application of good corporate governance principles has a direct and significant partial effect on financial performance.

Relationship between Domestic Market Obligations and Good Corporate Governance

According to the test results, it is explained that Domestic Market Obligation has a positive but insignificant effect on good corporate governance of coal mining companies in 2017-2021 in the Mining Companies studied, so the second hypothesis stating that Domestic Market Obligation has a significant effect on good corporate governance is rejected, meaning that Domestic Market Obligation, although it has been implemented effectively in 2017-2021 in the Mining Companies studied, does not improve the implementation of good corporate governance strongly. The effect of the insignificant influence of Domestic Market Obligation on good corporate governance is that coal mining companies do not need to

focus on Domestic Market Obligation efforts if they aim to implement good corporate governance more.

The average value of issuer assessment on the Domestic Market Obligation variable is more than 29.3, which shows that most coal companies have followed the Domestic Market Obligation well in the range of 29.3% of the local market. The implementation of Domestic Market Obligation is part of institutional control measures in dealing with the many profitability problems that occur.The priority of Domestic Market Obligation (DMO) on coal determines the minimum of all coal sold by local coal mining companies to the Indonesian market. The DMO for 2018 is set at 25 percent of the total production volume by coal mining companies. Around 114 million tons are consumed by the domestic market, including coal for coal-fired Steam Power Plants. Coal accounts for more than half of the fossil fuels used by PLN and Independent Power Producers.(Ramdani, 2015; Wahyudi, 2018).

The results of this study do not correspond to previous research which explained thatThe company's DMO has a significant effect on good corporate governance between before and after the policy.(Muliani et al., 2015; Pujana, 2016), so that DMO has an effect that can reduce good corporate governance in 2017-2021.

Relationship between Capping Price and Profitability

According to the test results, it is explained that capping price has a significant positive effect on the profitability of coal mining companies in 2017-2021 in the Mining Companies studied, so that the third hypothesis stating that Capping price has a significant effect on profitability is accepted. This means that capping price has been implemented effectively in 2017-2021 in the Coal Mining Company, so that the level of profitability is getting higher.

The effect of the Capping price results which have a significant influence on profitability is that coal mining companies need to continue to prioritize efforts to increase the profitability of coal mining companies.

The average value of issuer assessment on the capping price variable is more than 88.48, which shows that most coal companies implement capping prices well in accordance with government policy. *Capping price*or the coal price cap of USD 70 per ton continues not only until December 2019. This step is to consider the stability of the basic cost of electricity production which leads to the stability of electricity tariffs. The DMO coal benchmark was not complained about by stakeholders. In addition to extending the implementation of special coal prices for the electricity sector, the Ministry of Energy and Mineral Resources also extended the special coal allocation policy for the electricity sector.

The results of this study are in accordance with previous research which explains thatThe effect of the commodity or product capping price policy on the level of

profitability(Manurung & Kartikasari, 2015; Putri, 2012), so that capping price clearly has a potentially less than favorable effect on the profitability of mining companies.

Relationship of Domestic Market Obligations to Profitability

According to the test results, it is explained that Domestic Market Obligation has a significant negative effect on the profitability of coal mining companies in 2017-2021 in the Mining Companies studied, so that the fourth hypothesis stating that Domestic Market Obligation has a significant effect on profitability is accepted. This means that Domestic Market Obligation has been implemented effectively in 2017-2021 in the Mining Companies studied, so that the level of profitability continues to decline.

The effect of the significant negative influence of Domestic Market Obligation on profitability is that coal mining companies still need to pay attention to and propose a reduction in Domestic Market Obligation efforts so that coal mining companies can reap better profits while still paying attention to meeting domestic needs.

The average value of issuer assessment on the Domestic Market Obligation variable is more than 29.33, which shows that most coal companies have followed the Domestic Market Obligation well in the range of 29.3% of the local market. The implementation of Domestic Market Obligation is part of institutional control measures in dealing with the many profitability problems that occur. The priority on Domestic Market Obligation (DMO) on coal determines the minimum of all coal sold by local coal mining companies to the Indonesian market. The DMO for 2018 was set at 25 percent of the total production volume by coal mining companies. Around 114 million tons were consumed by the domestic market, including coal for coal-fired Steam Power Plants. Coal accounts for more than half of the fossil fuels used by PLN and Independent Power Producers. Moreover, the company's DMO obligation to the level of profitability has proven to greatly affect(Ramdani, 2015; Wahyudi, 2018), so that DMO has an effect that can slightly reduce the level of profitability due to the limited spread of bonds..

The results of this study are in accordance with previous research which explains that Domestic Market Obligations have a significant positive effect on profitability, kThe company's DMO obligations towards the level of profitability have been proven to have a significant impact(Ramdani, 2015; Wahyudi, 2018), so that DMO has an effect that can slightly reduce the level of profitability due to the limited spread of bonds., due to the less than massive implementation of Domestic Market Obligations in 2017-2021.

Relationship between Good Corporate Governance and Profitability

According to the test results, it is explained that Capping Price and Domestic Market Obligation have a positive effect although not significant on the profitability of coal mining companies in 2017-2021 in the Mining Companies studied, so the fifth hypothesis stating that good corporate governance has a positive effect on profitability is rejected. This means

that good corporate governance has been implemented effectively in 2017-2021 in the Mining Companies studied, although the level of profitability has not increased significantly.

The effect of the insignificant influence of good corporate governance on profitability is that coal mining companies do not need to pay maximum attention to the implementation of good corporate governance if they aim to obtain better ROA.

The average value of the issuer's assessment on the good corporate governance variable is more than 5.58. This shows that most issuers are in fairly good condition with a GCG value above 3. The results of this study are not in accordance with previous studies which explain thatThe implementation of good corporate governance can be used by companies to significantly improve profit quality by paying attention to stakeholder interests based on applicable laws and norms.(Pujana, 2016).

The Relationship between Capping Price and Profitability through the Mediation of Good Corporate Governance

According to the test results, it is explained that good corporate governance does not strengthen the influence of capping price on the profitability of coal mining companies in 2017-2021 in the Mining Companies studied, so the sixth hypothesis which states that good corporate governance can mediate the influence of capping price on profitability is rejected, meaning*Good Corporate Governance*cannot increase positive effects*capping price*on increasing profits.

The effect of the weak mediation of the influence of good corporate governance on Capping Price towards profitability is that coal mining companies do not need to pay attention to good corporate governance as a bridge to improve ROA to be better.

The results of this study do not correspond to previous research which explained thatThe effect of the commodity or product capping price policy on the level of profitability can be better in the profit ranking through good corporate governance.(Manurung & Kartikasari, 2015; Putri, 2012).

Relationship between Domestic Market Obligation and Profitability through the Mediation of Good Corporate Governance

According to the test results, it is explained that good corporate governance strengthens the influence of domestic market obligations on the profitability of coal mining companies in 2017-2021 in the Mining Companies studied, so that the seventh hypothesis which states that good corporate governance can mediate the influence of domestic market obligations on profitability is accepted, meaning *good corporate governance* can increase positive effects *domestic market obligation* on increasing profits.

The effect of stronger mediation of good corporate governance influence on domestic market obligation on profitability is that coal mining companies need to pay attention to

good corporate governance as a bridge to improve ROA to be better through DMO. The average value of issuer assessment on the ROA variable is more than 16.19. This shows that most issuers are in healthy condition with ROA levels above 2%. The Capping Price and DMO policies are currently not only limited to coal, even CPO or Crude Palm Oil is still being promoted to stabilize domestic oil prices, although on a larger scale the DMO policy can be seen as inhibiting economic growth.(Anisah, 2022; Mansur, 2022).

The results of this study are in accordance with previous research which explains thatThe effect of the commodity or product capping price policy on the level of profitability(Manurung & Kartikasari, 2015; Putri, 2012)and the company's DMO obligations towards the level of profitability(Ramdani, 2015; Wahyudi, 2018), so that the Capping Price of commodities or products and DMO have more or less of an effect on the level of profitability.

4. Conclusion

Based on the results of the analysis and research on the analysis of the Influence of Capping Price (X1) and Domestic Market Obligation (X2) on Profitability in Mining Companies through the mediation of good corporate governance studied, the following conclusions can be obtained: *Capping price*does not have a significant effect on good corporate governance in the Coal Mining Companies studied, *Domestic Market Obligation*does not have a significant effect on good corporate governance in the Coal Mining Companies studied, *Capping price*has a significant influence on profitability in the Coal Mining Companies studied, *Domestic Market Obligation*has a significant influence on profitability in the Coal Mining Companies studied, *Good corporate governance*does not have a significant effect on profitability in the Coal Mining Companies studied, *Good corporate governance*cannot mediate the effect of capping price on profitability in the Coal Mining Companies studied, *Good corporate governance*can mediate the influence of domestic market obligation on profitability in the Coal Mining Companies studied.

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