

Analysis of The Influence of Good Corporate Governance and Financial Health Ratio on Banking Performance

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Abstract: *This study examines the effect of good corporate governance and financial health ratios as measured by CAR NPL and BOPO on banking performance. This study used a sample of 93, and the objects in this study were conventional banking companies listed IDX 2017-2019. This study uses secondary data with a sample selection method, namely purposive sampling. This study uses 5 data analysis methods: descriptive statistics, classical assumption test, hypothesis test, f test, and partial test. This study proves that good corporate governance does not affect banking performance. The financial health ratio as measured by CAR has no impact on banking performance. The financial health ratio as measured by NPL does not affect banking performance. Financial health ratios, as measured by BOPO, has a negative effect on banking performance.*

Keywords: *Good corporate governance, financial health ratios, CAR, NPL, BOPO, ROA.*

Introduction

The global economic crisis that hit the world in the 1990s had many implications. The global financial crisis causes are poor corporate governance, such as the ineffective functioning of the board of commissioners and audit committee, inadequate supervision, and the company not being managed professionally. Competition in the business world that is getting tighter makes companies take various ways to survive and compete with their competitors. Events or cases where company profits were manipulated, such as the Enron case in the early 2000s, became a turning point for implementing corporate governance. As a large-scale energy company in the United States, Enron hides its debts by manipulating financial statements so that investors continue to trust them to invest their capital. The manipulation incident came to light after Enron declared bankruptcy due to its inability to pay its debts, and its stock price continued to decline. Since then, the world has increasingly paid attention to implementing good corporate governance.

In 2002, the United States government issued the Sarbanes Oxley Act, an accounting regulation requiring adequate disclosure of financial information (transparent) and management performance. The manipulation incident came to light after Enron declared bankruptcy due to its inability to pay its debts, and its stock price continued to decline. Since then, the world has increasingly paid attention to implementing good corporate governance. It is hoped that with the implementation of good corporate governance, namely by following the principles and regulations that apply to financial statements, the company will produce financial statements correctly to reflect the actual situation. Especially for public companies, which in the capital market world are defined as companies whose shares are offered to the general public (primary market offerings to the public) following the provisions stipulated by the Capital Market Law, and the company's shares will be listed on the IDX.

By listing the company's shares on the IDX, going public companies have a heavier burden than closed companies to run their business. The management of a go public

company cannot be equated with a private company, where the shareholders will hire or recruit professionals or management. But in reality, the management trusted by shareholders to manage the company also has its interests which are certainly different from the interests of shareholders, known as agency theory. Agency theory is the forerunner of why good corporate governance is needed.

According to SOE Ministerial Regulation No. 01 of 2011 concerning the Implementation of Good Corporate Governance in SOEs, good corporate governance is the basic principle or rule of processes and mechanisms of company management based on law and business ethics. One of the sectors that need to implement good corporate governance in banking. Good corporate governance is also used to assess the bank's work system. Bank Indonesia requires every bank to conduct a self-assessment and report the results. As a result of the global economic crisis that hit Indonesia in the late 1990s, there were 16 bank liquidations. Bank Indonesia, as the central bank, carries out stricter supervision to monitor the financial performance of banking companies. Banks that support economic activities in Indonesia must not collapse again because it can cause many impacts if it occurs. Therefore, it is essential to assess the bank's health.

According to Financial Services Authority Regulation Number 4 of 2016 concerning Bank Soundness Level Assessment, The bank's soundness level is an assessment of the bank's condition on risk and performance. This study will focus on discussing the financial health ratios of banks, which will be measured by CAR (Capital Adequacy Ratio), NPL (Non-Performing Loans) and BOPO (Operating Costs of Operating Income). Banking performance can be seen from the financial statements and annual reports produced. The main goal is to maximize profit (Warren et al., 2005). Profit can be obtained if the output is greater than the input issued. High profits will prosper its shareholders. In addition, profit reflects how effective and efficient management is in the current year.

Profit is so vital that its movement is always a focus for shareholders. This study will discuss banking performance measured by Return On Assets (ROA). ROA shows the results of the total assets used in the company

(Kasmir, 2016). The higher the ROA, the more efficient the company will use its assets to generate profits. ROA in banking companies is critical to measure considering that banks in carrying out their functions use funds collected from the public, so how companies use their assets is vital to know. Research on the effect of CAR, NPL, BOPO on banking performance has also been studied before, and there is a GAP for the research results on the impact of NPL and BOPO.

Research conducted by Yusriani (2018) and Kristianti and Yovin (2016) proves that NPL has a significant and positive effect on ROA. Meanwhile, research conducted by Cyntia and Yadna (2019), Zulkarnain (2017), Ayu and Abudanti (2018) proves that NPL has a significant negative effect on ROA. Research conducted by Kristianti and Yovin (2016) and Yusriani (2018) confirms that BOPO has a significant positive impact on ROA. Meanwhile, Zulkarnain's (2017) research proves that BOPO has a significant negative effect on ROA. The differences in some of the research results above also encourage the authors to re-examine the independent variables of the following financial health ratios in banking.

Literature Review

Agency Theory

Agency theory explains a link between the agent and the principal in a company due to the delegation of some authority from the principal to the agent in terms of decision making (Jensen and Meckling, 1976).

Banking Performance

A bank's performance or performance can be seen by comparing the absolute numbers and financial ratios of the bank concerned with other banks. However, the number in the ratio has the advantage that the resulting number is more objective because the performance measurement can be compared with other banks or with the previous period (Muljono, 1996).

Good Corporate Governance

Good corporate governance is a system used to direct and control the company's business

activities. Corporate governance regulates the division of duties, rights and obligations of those with interest in the company's life, including shareholders, the board of directors, managers, and all members of non-shareholder stakeholders (Organization for Economic Cooperation and Development, 2004). The objectives of implementing good corporate governance are as follows (Suryana, 2006): easy access to domestic investment, get a cheaper cost of capital, the decisions taken are for the better to improve the company's economic performance, stakeholders have more confidence in the company's performance, and directors and commissioners are protected from lawsuits.

The benefits of implementing good corporate governance are as follows (Forum for Corporate Governance in Indonesia, 2001): improved company performance due to increased operational efficiency and service to stakeholders obtained through a better decision-making process, *corporate values* which is growing because the company will find it easier to get cheap and non-rigid financing funds, regained the trust of investors so that they want to invest in Indonesia, it will get satisfaction from shareholders on the company's performance, besides that, shareholders' value and dividends will also increase. Especially for SOEs, the following will help receive the National Expenditure Revenue Budget, especially the results of privatization.

The basic principles in implementing good corporate governance are as follows (National Committee on GCG Policy, 2006): transparency, accountability, responsibility, independence and fairness and equality. Transparency is openness in carrying out the company's activities, both in the decision-making process and disclosing material and relevant information about the company. Companies must provide material and relevant information that is easily accessible and understood by stakeholders. Companies must take the initiative to disclose issues required by laws and regulations and essential matters for decision-making by shareholders, creditors, and other stakeholders. Accountability, All parties must be responsible transparently and fairly for carrying out their respective functions and duties without exception, including

shareholders, by considering the interests of shareholders and stakeholders. Responsibility: All parties must be responsible for the principles, laws, and regulations in managing a company. Apart from that, there is also responsibility towards the community and the environment that must be carried out continuously to gain recognition as an excellent corporate citizen. Independence is a condition in which a company is managed professionally by experts without any conflict of interest from any party. Any part of the company must not dominate and interfere with other parties. Fairness and equality, the company must act following the proportions and criteria for interested parties. However, it must still consider the principles of fairness and equality for shareholders and other stakeholders.

Bank's Financial Health Ratio

Bank health is the bank's ability to carry out normal operational activities and is also able to fulfil all its obligations following applicable laws and regulations (Kasmir, 2016). Indicators of Bank financial health are *CAR (Capital Adequacy Ratio, NPL (Non-Performing Loan), and BOPO (Operating Expenses to Operating Income)*

CAR is A ratio that compares capital and risk-weighted assets following the provisions set by the government (Kasmir, 2016). *NPL* is loans that banks hinder in conducting analysis and customers who intentionally or not have not fulfilled their obligations to pay credit (Kasmir, 2016). *BOPO* is the ratio used to measure how efficient management controls its operational costs compared to operating income (Kasmir, 2016).

Hypothesis Development

Research conducted by Kristian and Lina (2019) entitled "The Effect of Good Corporate Governance (GCG) on Return on Assets (ROA)". His research proves that transparency, accountability, responsibility, independence, and fairness positively affect ROA. A study conducted by Novrianda and Shar (2016) entitled "Analysis of the Implementation of Good Corporate Governance (GCG) concerning Financial Performance at PT Bank Rakyat Indonesia)". His research proves that transparency, accountability, responsibility,

independence, and fairness show that GCG positively affects the company's ROA. Based on previous research, the formulation of the hypothesis is as follows:

H1: Good corporate governance has a positive effect on banking performance.

Kristianti and Yovin's (2016) research entitled "Factors Affecting Bank Performance: Cases of Top 10 Biggest Government and Private Banks in Indonesia in 2004-2013". The results of his research prove that CAR has a positive effect on the ROA of private banks. A study conducted by Cyntia and Yadna (2019) entitled "The Influence of CAR, NPL, DER and LAR on ROA at Commercial Banks on the Indonesia Stock Exchange". His research proves that CAR has a significant positive effect on ROA.

Research conducted by Yusriani (2018) entitled "The Influence of CAR, NPL, BOPO, and LDR on Profitability in State-Owned Commercial Banks (Persero) on the Indonesia Stock Exchange". His research proves that CAR has a significant positive effect on ROA. Zulkarnain (2017) conducted a study entitled "Analysis of the Influence of CAR, NPL, BOPO and LDR on Profitability of State-Owned Enterprises in the Banking Sector in Indonesia". His research proves that CAR has a significant positive effect on ROA. A study conducted by Ayu and Abudanti (2018) entitled "The Effect of Capital Adequacy Ratio, Non-Performing Loan, Loan to Deposit Ratio on Return on Assets". His research proves that CAR has a significant positive effect on ROA. Based on previous research, the formulation of the hypothesis

H2: The financial health ratio as measured by CAR positively affects banking performance.

Research conducted by Yusriani (2018) entitled "The Influence of CAR, NPL, BOPO, and LDR on Profitability in State-Owned Commercial Banks (Persero) on the Indonesia Stock Exchange". His research proves that NPL has a significant positive effect on ROA. A study conducted by Kristianti and Yovin (2016) entitled "Factors Affecting Bank Performance: Cases of Top 10 Biggest Government and Private Banks in Indonesia in 2004-2013." The results of his research prove that NPL has a

significant positive effect on the ROA of state banks.

While the research conducted by Cyntia and Yadna (2019) entitled "The Influence of CAR, NPL, DER and LAR on ROA at Commercial Banks on the Indonesia Stock Exchange". His research proves that NPL has a significant negative effect on ROA. Zulkarnain (2017) conducted a study entitled "Analysis of the Influence of CAR, NPL, BOPO and LDR on Profitability of State-Owned Enterprises in the Banking Sector in Indonesia". His research proves that NPL has a significant negative effect on ROA. A study conducted by Ayu and Abudanti (2018) entitled "The Effect of Capital Adequacy Ratio, Non-Performing Loan, Loan to Deposit Ratio on Return on Assets". His research proves that NPL has a significant negative effect on ROA. Based on previous research

H3: Financial soundness ratio as measured by NPL affects Banking Performance.

Kristianti and Yovin's (2016) research entitled "Factors Affecting Bank Performance: Cases of Top 10 Biggest Government and Private Banks in Indonesia in 2004-2013." His research proves that BOPO has a significant positive effect on the ROA of state and private banks. A study conducted by Yusriani (2018) entitled "The Influence of CAR, NPL, BOPO, and LDR on Profitability in State-Owned Commercial Banks (Persero) on the Indonesia Stock Exchange". His research proves that BOPO has a significant and positive effect on ROA. While the study conducted by Zulkarnain (2017) entitled "Analysis of the Effect of CAR, NPL, BOPO and LDR on the Profitability of State-Owned Enterprises in the Banking Sector in Indonesia". His research proves that BOPO has a significant negative effect on ROA. Based on previous research, the formulation of the hypothesis is as follows:

H4: Financial soundness ratio as measured by BOPO affects Banking Performance.

Methods

In this study, descriptive statistical methods and hypothesis testing were used but first tested using the classical assumption method to detect whether there were data that had problems or

not. The population in this study were all conventional banking companies listed on the IDX during 2017-2019, as many as 123

companies (41 companies each year multiplied by three years of research).

Table 1. Variable Operation

Variable	Description	Measurement
Return on Assets (ROA) – dependent variable (Y)	ROA is a ratio that shows the results of the total assets used in the company (Kasmir, 2016).	(Income Before Tax / Average Total Asset) x 100%
Good Corporate Governance (GCG) – Independent Variable (X1)	Good corporate governance has five basic principles: transparency, accountability, responsibility, independence, equality, and fairness (National Committee on GCG Policy, 2006).	GCG Score
Capital Adequate Ratio (CAR) - Independent Variable (X2)	CAR is a ratio that compares capital and risk-weighted assets following the provisions set by the government (Kasmir, 2016).	(Capital / ATMR) x 100%
Non-Performing Loan (NPL) - Independent Variable (X3)	NPLCredit is a credit that gets obstacles caused by banks in conducting analysis and customers who either intentionally or not have not fulfilled their obligations to pay credit (Kasmir, 2016)	(NPL / Total Credit) x 100%
BOPO(Operating Expenses to Operating Income) - Independent Variable (X4)	The ratio measures how efficient management controls its operational costs compared to operating income (Kasmir, 2016).	(Total Operating Cost / Total Revenues) x 100%

Data Analysis Method

Descriptive statistics

Descriptive statistics are statistics used to analyze data by describing or describing the data that has been collected as it is without intending to make conclusions that apply to the public or generalizations. (Sugiyono, 2016).

Classic assumption test

The normality test aims to test whether, in the regression model, the confounding or residual variables have a normal distribution as it is known that the t and f tests assume that the residual value follows a normal distribution. If

this assumption is violated, the statistical test is invalid for a small sample size. The multicollinearity test aims to test whether there is a correlation between the independent variables in the regression model. The autocorrelation test seeks to test whether in the linear regression model there is a correlation between the confounding error in period t and the confounding error in period t-1 (previous). The heteroscedasticity test aims to test whether there is an inequality of variance in the regression model from the residuals of one observation to another observation. If the residual from one observation to another is fixed, it is called homoscedasticity, and if it is different, it is called heteroscedasticity.

Multiple Linear Regression Analysis

Multiple linear regression is used to determine the direction and magnitude of the influence of the independent variable on the dependent variable (Ghozali, 2018). In this study, multiple linear regression was used to determine the effect of the independent variables, namely good corporate governance and bank financial health ratios (as measured by CAR, NPL, and BOPO), on the dependent variable, namely banking performance (as measured by ROA).

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon, \text{ where;}$$

Y=ROA, α = constant, β_1 - β_4 =Independent variable regression coefficient, X_1 =GCG/Good corporate governance, X_2 =CAR, X_3 =NPL, X_4 =BOPO, ϵ = Error

Coefficient of Determination , F test and T-Test

The coefficient of determination determines the independent variable's influence on the

dependent variable. It can be seen from the adjusted R2 value, which interprets the magnitude of the coefficient value but must first be converted to a percentage form. The f test aims to test the accuracy of the regression function in estimating the actual value. If the significant value of $F < 0.05$, the regression model can predict the independent variable. A partial test or t-test is used to test how the influence of each independent variable independently on the dependent variable. Partial testing is carried out with the following steps (Sugiyono, 2016)

Results

Descriptive Statistics Test

The results of descriptive statistical tests using SPSS 25 before and after data transformation using SQRT are presented in Table 1. Based on the descriptive statistics, it can be seen that the minimum, maximum, mean, and standard deviation values of the variables above with a total sample of 93, which, if detailed, are as follow

Table. Descriptive Statistical Test Results

Variables	N	Minimum	Maximum	mean	Std Dev
GCG	93	87.00	100.00	98.84	2.51
CAR	93	12.67	66.43	22.80	8.22
NPL	93	0.05	7.83	3.05	1.48
BOPO	93	58.20	119.43	84.65	11.58
ROA	93	0.02	4.19	1.54	1.09
SQRT_GCG	93	9.33	10.00	9.94	0.12
SQRT_CAR	93	3.56	8.15	4.71	0.74
SQRT_NPL	93	0.02	2.80	1.69	0.42
SQRT_BOPO	93	7.63	10.93	0.17	0.63
SQRT_ROA	93	0.14	2.05	1.15	0.47

Good corporate governance, Based on information in table 1, it is known that good corporate governance has a minimum value of 87.00, a maximum value of 100.00, a mean of 98.8495 and a standard deviation of 2.51926. Thus, if we look at the maximum value of good corporate governance, which is close to the mean value, good corporate governance has a maximum value.

SQRT Good Corporate Governance, based on information in table 1, it is known that good corporate governance has a minimum value of 9.33, a maximum value of 10, a mean

of 9.9415 and a standard deviation of 0.12910. Thus, if we look at the maximum value of good corporate governance, which is close to the mean value, good corporate governance has a maximum value.

CAR, based on information in table 1, it is known that the CAR has a minimum value of 12.67, a maximum value of 66.43, a mean of 22.8038 and a standard deviation of 8.22340. Thus, if you look at the minimum value of the CAR, which is close to the mean value, in general, the CAR has a minimum value.

Based on information in table 1, SQRT CAR is known that the CAR has a minimum value of 3.56, a maximum value of 8.15, a mean of 4.7172 and a standard deviation of 0.74711. Thus, if you look at the minimum value of the CAR, which is close to the mean value, in general, the CAR has a minimum value.

NPL, based on information in table 1, it is known that the NPL has a minimum value of 0.05, a maximum value of 7.83, a mean of 3.0569 and a standard deviation of 1.48875. Thus, if you look at the minimum value of the NPL, which is close to the mean value, in general, the NPL has a minimum value.

Based on information in table 1, SQRT NPL is known that NPL has a minimum value of 0.22, a maximum value of 2.80, a mean of 1.6964 and a standard deviation of 0.42552. Thus, if you look at the maximum value of NPL, which is close to the mean value, in general, NPL has a maximum value.

BOPO, based on information in table 1, it is known that the BOPO has a minimum value of 58.20, a maximum value of 119.43, a mean of 84.6504 and a standard deviation 11.58187. Thus, if you look at the minimum value of BOPO, which is close to the mean value, in general, BOPO has a minimum value.

SQRT BOPO, based on information in table 1, it is known that the BOPO has a minimum value of 7.63, a maximum value of 10.93, a mean of 9.1787 and a standard deviation of 0.63771. Thus, if you look at the maximum value of BOPO, which is close to the mean value, in general, BOPO has a maximum value.

ROA. based on information in table 1, it is known that the ROA has a minimum value of 0.02, a maximum value of 4.19, a mean of 1.5467 and a standard deviation of 1.09363. Thus, if you look at the minimum value of ROA close to the mean value, ROA has a minimum value.

Based on information in table 1, SQRT ROA is known that ROA has a minimum value of 0.14, a maximum value of 2.05, a mean of 1.1518 and a standard deviation of 0.47154. Thus, if you look at the maximum value of ROA that is close to the mean value, in general, ROA has a maximum value.

Classical Assumption Test Analysis

Normality test, normality test results using SPSS 25 after the data transformation using SQRT is as follows:

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov test	
asymp. Sig (2 tailed)	0.200

Based on the picture above, it is known that the residual significance value using the One-Sample Kolmogorov Test is 0.200. Thus, the value of 0.200 has a significance > 0.05, which indicates the data has been normally distributed

so that the following regression model has met the assumption of normality. Multicollinearity test, multicollinearity test results using SPSS 25 after the data transformation using SQRT is as follow

Table 3. Multicollinearity Test Results

Variables	VIF
SQRT_GCG	1.028
SQRT_CAR	1.021
SQRT_NPL	1.302
SQRT_BOPO	1,289

Based on the multicollinearity test above, the calculation results of the tolerance value show

that there is no independent variable with a tolerance value of less than 0.10. The results of

the VIF value calculation also indicate that there is no independent variable with a VIF value of more than 10. Thus, it can be concluded that there is no multicollinearity between independent variables in the regression

model, so the authors do not need to treat multicollinearity. Autocorrelation Test, autocorrelation test results using DW Test SPSS 25 after the data transformation using SQRT is as follows:

Table 4. Autocorrelation Test Results

Durbin-Watson	1,897
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Based on the autocorrelation test above, it is known that the DW value is 1.897. We will compare the following DW values with the values in the table using a significance of 5%,

the number of samples is 93 (n) and the number of independent variables (k=4). The Durbin Watson table with a significance of 5% is as follows:

Table 5. Durbin Watson

K = 4		
N	D1	DU
15	0.69	1.97
93	1.5741	1.7531

Based on the table above, the results show that DW 1.897 is greater than the upper limit (du) 1.7531 and smaller than $4 - 1.7531$ ($4 - du$). Thus it can be concluded that we cannot reject H_0 , which states that there is no positive or negative autocorrelation (no autocorrelation occurs).

Heteroscedasticity Test, The results of the heteroscedasticity test using the SPSS 25. After the data transformation using SQRT is as follows:

Table 6. Heteroscedasticity Test Results

Variables	Sig
SQRT_GCG	0.72
SQRT_CAR	0.88
SQRT_NPL	0.30
SQRT_BOPO	0.43

Based on the picture above, it can be seen that the significance value of good corporate governance is $0.769 > 0.05$ significance level, the CAR significance value is $0.717 > 0.05$ significance level, the NPL significance value is $0.880 > 0.05$ significance level, and the BOPO significance value is $0.429 > 0.05$ significance level. Thus, it can be concluded that there is no heteroscedasticity in the following regression model because the significance value of the independent variables,

namely good corporate governance, CAR, NPL, and BOPO, is greater than the 5% significance level so that the regression model is feasible to predict banking performance.

Coefficient of Determination Test, F Test and T-Test

The results of the coefficient of determination test using the SPSS 25 application after the data transformation using SQRT is as follows:

Table 7. Results of the Coefficient of Determination

Adjusted R Square	0.894
R Square	0.898

Based on the figure above, it is known that the coefficient of determination or the adjusted R² value is 0.894 or 89.4% of the variance of the dependent variable ROA, which can be predicted from the overall combination of the

independent variables GCG, CAR, NPL, and BOPO. The remaining 10.6% are other factors not explained in this study. F Test Analysis, F test results using SPSS 25 after the data transformation using SQRT is as follows

Table 8. F-Test Results

ANNOVA	
Sig	0.000
Dependent	SQRT_ROA
Predictors	SQRT_BOPO, SQRT_GCG, SQRT_CAR, SQRT_NPL

Based on the f test above, the F value is 194.121 with a significance of 0.000. It shows that the significance is smaller than the significance level value of 0.05, so it can be concluded that GCG, CAR, NPL, and BOPO have a significant effect on ROA.

T-Test Analysis, t-test results using SPSS 25 after the data transformation using SQRT is as follows:

Table 9. T-Test Results

Variables	Coefficients	Sig
SQRT_GCG	-0.093	0.464
SQRT_CAR	-0.026	0.230
SQRT_NPL	-0.021	0.630
SQRT_BOPO	-0.695	0.000

Based on the T-test of banking performance, the results show that: Hypothesis 1 was not proven in this study. Based on the results of the t-test above, it is known that the t value is -0.735 with a significance value of 0.464. This shows that the significance value is $0.464 > 0.05$. Thus, it can be concluded that partially good corporate governance has no significant effect on banking performance

Hypothesis 2 was not proven in this study. Based on the results of the t-test above, it is known that the t value is -1.208 with a

significance value of 0.230. This shows that the significance value is $0.230 > 0.05$. Thus, it can be concluded that partially the CAR variable has no significant effect on banking performance.

Hypothesis 3 was not proven in this study. Based on the results of the t-test above, it is known that the t value is -0.484 with a significance value of 0.630. This shows that the significance value is $0.630 > 0.05$. Thus, it can be concluded that partially the NPL variable has no significant effect on banking performance.

Hypothesis 4 is proven in this study. Based on the results of the t-test above, it is known that the t value is -24,340 with a significance value of 0.630. This shows that the significance value is $0.000 < 0.05$. Thus, it can be concluded that partially the BOPO variable has a significant negative effect on banking performance.

Discussion

The effect of good corporate governance on banking performance.

Based on the test results obtained a significant value of 0.464 greater than the significance level of 0.05, these results indicate that good corporate governance does not affect banking performance. The results of this study are not in line with research conducted by Lina (2019) and Novrianda and Shar (2016), which prove that good corporate governance has a significant positive effect on ROA. This insignificant thing is possible because good corporate governance is measured using the analysis content of dummy variables 1 and 0. This has not been able to reflect the actual performance of corporate governance carried out by banks.

The effect of financial health ratios as measured by CAR on banking performance.

The test results obtained a significant value of 0.230, greater than the significance level of 0.05. These results indicate that CAR does not affect banking performance. The results of this study are not in line with research conducted by Kristianti and Yovin (2016), Cyntia and Yadna (2019), Yusriani (2018), Zulkarnain (2017) and Ayu and Abudanti (2018), which prove that CAR has a significant positive effect on ROA. This insignificant thing is possible because the bank's policy in investing its funds carefully affects profitability, including ROA, causes even though the bank has a high CAR. Still, if it is not balanced with good investment and distribution of funds, it will affect its ROA.

The effect of financial health ratios as measured by NPL on banking performance.

The test results obtained a significant value of 0.630, greater than the significance level of

0.05. This result shows that NPL does not affect banking performance. The results of this study are not in line with research conducted by Yusriani (2018) and Kristianti and Yovin (2016), which proves that NPL has a significant positive effect on ROA. However, it is also not in line with research conducted by Cyntia and Yadna (2019), Zulkarnain (2017), and Ayu and Abudanti (2018), which proves that NPL has a significant negative effect on ROA. This insignificant thing is possible because the NPL in the financial statements used as the research sample has an uncertain increase and decrease followed by an increase and decrease in ROA.

The effect of financial health ratios as measured by BOPO on banking performance.

Based on the test results obtained a significant value of 0.000 which is smaller than the significance level of 0.05, these results indicate that the BOPO has a significant negative effect on banking performance. The results of this study are in line with Zulkarnain's research (2017) which proves that BOPO has a significant negative impact on ROA. However, this is not in line with the study conducted by Kristianti and Yovin (2016) and Yusriani (2018), proving that BOPO has a significant positive effect on ROA.

Conclusion

Based on the explanation and analysis above, the authors conclude that good corporate governance does not affect banking performance. This insignificant thing is possible because dummy variables cannot further reflect the performance of good corporate governance in banking.

The financial soundness ratio as measured by CAR does not affect banking performance. This insignificant thing is possible because the prudent attitude applied by banks in investing funds affects the resulting banking performance. Thus, a high CAR value does not guarantee an effect on banking performance if it is not balanced with good investment and distribution of funds.

The financial health ratio as measured by NPL does not affect banking performance. This insignificant thing is possible because the NPL's value and the banking sample's

performance in this study have an uncertain increase and decrease.

The financial health ratio as measured by BOPO has a negative effect on banking performance. These results indicate that the higher the BOPO ratio suggests that the banking performance is not optimal.

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by Turnitin Indonesia

Submission date: 04-Sep-2024 03:35AM (UTC-0700)

Submission ID: 2444726031

File name: jurnal 3.pdf (227.47K)

Word count: 6129

Character count: 31868

Analysis of The Influence of Good Corporate Governance and Financial Health Ratio on Banking Performance

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Abstract: *This study examines the effect of good corporate governance and financial health ratios as measured by CAR NPL and BOPO on banking performance. This study used a sample of 93, and the objects in this study were conventional banking companies listed IDX 2017-2019. This study uses secondary data with a sample selection method, namely purposive sampling. This study uses 5 data analysis methods: descriptive statistics, classical assumption test, hypothesis test, f test, and partial test. This study proves that good corporate governance does not affect banking performance. The financial health ratio as measured by CAR has no impact on banking performance. The financial health ratio as measured by NPL does not affect banking performance. Financial health ratios, as measured by BOPO, has a negative effect on banking performance.*

Keywords: *Good corporate governance, financial health ratios, CAR, NPL, BOPO, ROA.*

Introduction

The global economic crisis that hit the world in the 1990s had many implications. The global financial crisis causes are poor corporate governance, such as the ineffective functioning of the board of commissioners and audit committee, inadequate supervision, and the company not being managed professionally. Competition in the business world that is getting tighter makes companies take various ways to survive and compete with their competitors. Events or cases where company profits were manipulated, such as the Enron case in the early 2000s, became a turning point for implementing corporate governance. As a large-scale energy company in the United States, Enron hides its debts by manipulating financial statements so that investors continue to trust them to invest their capital. The manipulation incident came to light after Enron declared bankruptcy due to its inability to pay its debts, and its stock price continued to decline. Since then, the world has increasingly paid attention to implementing good corporate governance.

In 2002, the United States government issued the Sarbanes Oxley Act, an accounting regulation requiring adequate disclosure of financial information (transparent) and management performance. The manipulation incident came to light after Enron declared bankruptcy due to its inability to pay its debts, and its stock price continued to decline. Since then, the world has increasingly paid attention to implementing good corporate governance. It is hoped that with the implementation of good corporate governance, namely by following the principles and regulations that apply to financial statements, the company will produce financial statements correctly to reflect the actual situation. Especially for public companies, which in the capital market world are defined as companies whose shares are offered to the general public (primary market offerings to the public) following the provisions stipulated by the Capital Market Law, and the company's shares will be listed on the IDX.

By listing the company's shares on the IDX, going public companies have a heavier burden than closed companies to run their business. The management of a go public

company cannot be equated with a private company, where the shareholders will hire or recruit professionals or management. But in reality, the management trusted by shareholders to manage the company also has its interests which are certainly different from the interests of shareholders, known as agency theory. Agency theory is the forerunner of why good corporate governance is needed.

According to SOE Ministerial Regulation No. 01 of 2011 concerning the Implementation of Good Corporate Governance in SOEs, good corporate governance is the basic principle or rule of processes and mechanisms of company management based on law and business ethics. One of the sectors that need to implement good corporate governance in banking. Good corporate governance is also used to assess the bank's work system. Bank Indonesia requires every bank to conduct a self-assessment and report the results. As a result of the global economic crisis that hit Indonesia in the late 1990s, there were 16 bank liquidations. Bank Indonesia, as the central bank, carries out stricter supervision to monitor the financial performance of banking companies. Banks that support economic activities in Indonesia must not collapse again because it can cause many impacts if it occurs. Therefore, it is essential to assess the bank's health.

According to Financial Services Authority Regulation Number 4 of 2016 concerning Bank Soundness Level Assessment, The bank's soundness level is an assessment of the bank's condition on risk and performance. This study will focus on discussing the financial health ratios of banks, which will be measured by CAR (Capital Adequacy Ratio), NPL (Non-Performing Loans) and BOPO (Operating Costs of Operating Income). Banking performance can be seen from the financial statements and annual reports produced. The main goal is to maximize profit (Warren et al., 2005). Profit can be obtained if the output is greater than the input issued. High profits will prosper its shareholders. In addition, profit reflects how effective and efficient management is in the current year.

Profit is so vital that its movement is always a focus for shareholders. This study will discuss banking performance measured by Return On Assets (ROA). ROA shows the results of the total assets used in the company

(Kasmir, 2016). The higher the ROA, the more efficient the company will use its assets to generate profits. ROA in banking companies is critical to measure considering that banks in carrying out their functions use funds collected from the public, so how companies use their assets is vital to know. Research on the effect of CAR, NPL, BOPO on banking performance has also been studied before, and there is a GAP for the research results on the impact of NPL and BOPO.

Research conducted by Yusriani (2018) and Kristianti and Yovin (2016) proves that NPL has a significant and positive effect on ROA. Meanwhile, research conducted by Cyntia and Yadna (2019), Zulkarnain (2017), Ayu and Abudanti (2018) proves that NPL has a significant negative effect on ROA. Research conducted by Kristianti and Yovin (2016) and Yusriani (2018) confirms that BOPO has a significant positive impact on ROA. Meanwhile, Zulkarnain's (2017) research proves that BOPO has a significant negative effect on ROA. The differences in some of the research results above also encourage the authors to re-examine the independent variables of the following financial health ratios in banking.

Literature Review

Agency Theory

Agency theory explains a link between the agent and the principal in a company due to the delegation of some authority from the principal to the agent in terms of decision making (Jensen and Meckling, 1976).

Banking Performance

A bank's performance or performance can be seen by comparing the absolute numbers and financial ratios of the bank concerned with other banks. However, the number in the ratio has the advantage that the resulting number is more objective because the performance measurement can be compared with other banks or with the previous period (Muljono, 1996).

Good Corporate Governance

Good corporate governance is a system used to direct and control the company's business

activities. Corporate governance regulates the division of duties, rights and obligations of those with interest in the company's life, including shareholders, the board of directors, managers, and all members of non-shareholder stakeholders (Organization for Economic Cooperation and Development, 2004). The objectives of implementing good corporate governance are as follows (Suryana, 2006): easy access to domestic investment, get a cheaper cost of capital, the decisions taken are for the better to improve the company's economic performance, stakeholders have more confidence in the company's performance, and directors and commissioners are protected from lawsuits.

The benefits of implementing good corporate governance are as follows (Forum for Corporate Governance in Indonesia, 2001): improved company performance due to increased operational efficiency and service to stakeholders obtained through a better decision-making process, *corporate values* which is growing because the company will find it easier to get cheap and non-rigid financing funds, regained the trust of investors so that they want to invest in Indonesia, it will get satisfaction from shareholders on the company's performance, besides that, shareholders' value and dividends will also increase. Especially for SOEs, the following will help receive the National Expenditure Revenue Budget, especially the results of privatization.

The basic principles in implementing good corporate governance are as follows (National Committee on GCG Policy, 2006): transparency, accountability, responsibility, independence and fairness and equality. Transparency is openness in carrying out the company's activities, both in the decision-making process and disclosing material and relevant information about the company. Companies must provide material and relevant information that is easily accessible and understood by stakeholders. Companies must take the initiative to disclose issues required by laws and regulations and essential matters for decision-making by shareholders, creditors, and other stakeholders. Accountability, All parties must be responsible transparently and fairly for carrying out their respective functions and duties without exception, including

shareholders, by considering the interests of shareholders and stakeholders. Responsibility: All parties must be responsible for the principles, laws, and regulations in managing a company. Apart from that, there is also responsibility towards the community and the environment that must be carried out continuously to gain recognition as an excellent corporate citizen. Independence is a condition in which a company is managed professionally by experts without any conflict of interest from any party. Any part of the company must not dominate and interfere with other parties. Fairness and equality, the company must act following the proportions and criteria for interested parties. However, it must still consider the principles of fairness and equality for shareholders and other stakeholders.

Bank's Financial Health Ratio

Bank health is the bank's ability to carry out normal operational activities and is also able to fulfil all its obligations following applicable laws and regulations (Kasmir, 2016). Indicators of Bank financial health are *CAR (Capital Adequacy Ratio, NPL (Non-Performing Loan), and BOPO (Operating Expenses to Operating Income)*

CAR is A ratio that compares capital and risk-weighted assets following the provisions set by the government (Kasmir, 2016). *NPL* is loans that banks hinder in conducting analysis and customers who intentionally or not have not fulfilled their obligations to pay credit (Kasmir, 2016). *BOPO* is the ratio used to measure how efficient management controls its operational costs compared to operating income (Kasmir, 2016).

Hypothesis Development

Research conducted by Kristian and Lina (2019) entitled "The Effect of Good Corporate Governance (GCG) on Return on Assets (ROA)". His research proves that transparency, accountability, responsibility, independence, and fairness positively affect ROA. A study conducted by Novrianda and Shar (2016) entitled "Analysis of the Implementation of Good Corporate Governance (GCG) concerning Financial Performance at PT Bank Rakyat Indonesia)". His research proves that transparency, accountability, responsibility,

independence, and fairness show that GCG positively affects the company's ROA. Based on previous research, the formulation of the hypothesis is as follows:

H1: Good corporate governance has a positive effect on banking performance.

Kristianti and Yovin's (2016) research entitled "Factors Affecting Bank Performance: Cases of Top 10 Biggest Government and Private Banks in Indonesia in 2004-2013". The results of his research prove that CAR has a positive effect on the ROA of private banks. A study conducted by Cyntia and Yadna (2019) entitled "The Influence of CAR, NPL, DER and LAR on ROA at Commercial Banks on the Indonesia Stock Exchange". His research proves that CAR has a significant positive effect on ROA.

Research conducted by Yusriani (2018) entitled "The Influence of CAR, NPL, BOPO, and LDR on Profitability in State-Owned Commercial Banks (Persero) on the Indonesia Stock Exchange". His research proves that CAR has a significant positive effect on ROA. Zulkarnain (2017) conducted a study entitled "Analysis of the Influence of CAR, NPL, BOPO and LDR on Profitability of State-Owned Enterprises in the Banking Sector in Indonesia". His research proves that CAR has a significant positive effect on ROA. A study conducted by Ayu and Abudanti (2018) entitled "The Effect of Capital Adequacy Ratio, Non-Performing Loan, Loan to Deposit Ratio on Return on Assets". His research proves that CAR has a significant positive effect on ROA. Based on previous research, the formulation of the hypothesis

H2: The financial health ratio as measured by CAR positively affects banking performance.

Research conducted by Yusriani (2018) entitled "The Influence of CAR, NPL, BOPO, and LDR on Profitability in State-Owned Commercial Banks (Persero) on the Indonesia Stock Exchange". His research proves that NPL has a significant positive effect on ROA. A study conducted by Kristianti and Yovin (2016) entitled "Factors Affecting Bank Performance: Cases of Top 10 Biggest Government and Private Banks in Indonesia in 2004-2013". The results of his research prove that NPL has a

significant positive effect on the ROA of state banks.

While the research conducted by Cyntia and Yadna (2019) entitled "The Influence of CAR, NPL, DER and LAR on ROA at Commercial Banks on the Indonesia Stock Exchange". His research proves that NPL has a significant negative effect on ROA. Zulkarnain (2017) conducted a study entitled "Analysis of the Influence of CAR, NPL, BOPO and LDR on Profitability of State-Owned Enterprises in the Banking Sector in Indonesia". His research proves that NPL has a significant negative effect on ROA. A study conducted by Ayu and Abudanti (2018) entitled "The Effect of Capital Adequacy Ratio, Non-Performing Loan, Loan to Deposit Ratio on Return on Assets". His research proves that NPL has a significant negative effect on ROA. Based on previous research

H3: Financial soundness ratio as measured by NPL affects Banking Performance.

Kristianti and Yovin's (2016) research entitled "Factors Affecting Bank Performance: Cases of Top 10 Biggest Government and Private Banks in Indonesia in 2004-2013." His research proves that BOPO has a significant positive effect on the ROA of state and private banks. A study conducted by Yusriani (2018) entitled "The Influence of CAR, NPL, BOPO, and LDR on Profitability in State-Owned Commercial Banks (Persero) on the Indonesia Stock Exchange". His research proves that BOPO has a significant and positive effect on ROA. While the study conducted by Zulkarnain (2017) entitled "Analysis of the Effect of CAR, NPL, BOPO and LDR on the Profitability of State-Owned Enterprises in the Banking Sector in Indonesia". His research proves that BOPO has a significant negative effect on ROA. Based on previous research, the formulation of the hypothesis is as follows:

H4: Financial soundness ratio as measured by BOPO affects Banking Performance.

Methods

In this study, descriptive statistical methods and hypothesis testing were used but first tested using the classical assumption method to detect whether there were data that had problems or

not. The population in this study were all conventional banking companies listed on the IDX during 2017-2019, as many as 123

companies (41 companies each year multiplied by three years of research).

Table 1. Variable Operation

Variable	Description	Measurement
Return on Assets (ROA) – dependent variable (Y)	ROA is a ratio that shows the results of the total assets used in the company (Kasmir, 2016).	(Income Before Tax / Average Total Asset) x 100%
Good Corporate Governance (GCG) – Independent Variable (X1)	Good corporate governance has five basic principles: transparency, accountability, responsibility, independence, equality, and fairness (National Committee on GCG Policy, 2006).	GCG Score
Capital Adequate Ratio (CAR) - Independent Variable (X2)	CAR is a ratio that compares capital and risk-weighted assets following the provisions set by the government (Kasmir, 2016).	(Capital / ATMR) x 100%
Non-Performing Loan (NPL) - Independent Variable (X3)	NPL credit is a credit that gets obstacles caused by banks in conducting analysis and customers who either intentionally or not have not fulfilled their obligations to pay credit (Kasmir, 2016)	(NPL / Total Credit) x 100%
BOPO(Operating Expenses to Operating Income) - Independent Variable (X4)	The ratio measures how efficient management controls its operational costs compared to operating income (Kasmir, 2016).	(Total Operating Cost / Total Revenues) x 100%

Data Analysis Method

Descriptive statistics

Descriptive statistics are statistics used to analyze data by describing or describing the data that has been collected as it is without intending to make conclusions that apply to the public or generalizations. (Sugiyono, 2016).

Classic assumption test

The normality test aims to test whether, in the regression model, the confounding or residual variables have a normal distribution as it is known that the t and f tests assume that the residual value follows a normal distribution. If

this assumption is violated, the statistical test is invalid for a small sample size. The multicollinearity test aims to test whether there is a correlation between the independent variables in the regression model. The autocorrelation test seeks to test whether in the linear regression model there is a correlation between the confounding error in period t and the confounding error in period t-1 (previous). The heteroscedasticity test aims to test whether there is an inequality of variance in the regression model from the residuals of one observation to another observation. If the residual from one observation to another is fixed, it is called homoscedasticity, and if it is different, it is called heteroscedasticity.

Multiple Linear Regression Analysis

Multiple linear regression is used to determine the direction and magnitude of the influence of the independent variable on the dependent variable (Ghozali, 2018). In this study, multiple linear regression was used to determine the effect of the independent variables, namely good corporate governance and bank financial health ratios (as measured by CAR, NPL, and BOPO), on the dependent variable, namely banking performance (as measured by ROA).

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$, where;

$Y = \text{ROA}$, $\alpha = \text{constant}$, $\beta_1 - \beta_4 = \text{Independent variable regression coefficient}$, $X_1 = \text{GCG/Good corporate governance}$, $X_2 = \text{CAR}$, $X_3 = \text{NPL}$, $X_4 = \text{BOPO}$, $\epsilon = \text{Error}$

Coefficient of Determination, F test and T-Test

The coefficient of determination determines the independent variable's influence on the

Table. Descriptive Statistical Test Results

Variables	N	Minimum	Maximum	mean	Std Dev
GCG	93	87.00	100.00	98.84	2.51
CAR	93	12.67	66.43	22.80	8.22
NPL	93	0.05	7.83	3.05	1.48
BOPO	93	58.20	119.43	84.65	11.58
ROA	93	0.02	4.19	1.54	1.09
SQRT_GCG	93	9.33	10.00	9.94	0.12
SQRT_CAR	93	3.56	8.15	4.71	0.74
SQRT_NPL	93	0.02	2.80	1.69	0.42
SQRT_BOPO	93	7.63	10.93	0.17	0.63
SQRT_ROA	93	0.14	2.05	1.15	0.47

Good corporate governance, Based on information in table 1, it is known that good corporate governance has a minimum value of 87.00, a maximum value of 100.00, a mean of 98.8495 and a standard deviation of 2.51926. Thus, if we look at the maximum value of good corporate governance, which is close to the mean value, good corporate governance has a maximum value.

SQRT Good Corporate Governance, based on information in table 1, it is known that good corporate governance has a minimum value of 9.33, a maximum value of 10, a mean

of 9.9415 and a standard deviation of 0.12910. Thus, if we look at the maximum value of good corporate governance, which is close to the mean value, good corporate governance has a maximum value.

Partial testing is carried out with the following steps (Sugiyono, 2016)

Results

Descriptive Statistics Test

The results of descriptive statistical tests using SPSS 25 before and after data transformation using SQRT are presented in Table 1. Based on the descriptive statistics, it can be seen that the minimum, maximum, mean, and standard deviation values of the variables above with a total sample of 93, which, if detailed, are as follow

of 9.9415 and a standard deviation of 0.12910. Thus, if we look at the maximum value of good corporate governance, which is close to the mean value, good corporate governance has a maximum value.

CAR, based on information in table 1, it is known that the CAR has a minimum value of 12.67, a maximum value of 66.43, a mean of 22.8038 and a standard deviation of 8.22340. Thus, if you look at the minimum value of the CAR, which is close to the mean value, in general, the CAR has a minimum value.

Based on information in table 1, SQR CAR is known that the CAR has a minimum value of 3.56, a maximum value of 8.15, a mean of 4.7172 and a standard deviation of 0.74711. Thus, if you look at the minimum value of the CAR, which is close to the mean value, in general, the CAR has a minimum value.

NPL, based on information in table 1, it is known that the NPL has a minimum value of 0.05, a maximum value of 7.83, a mean of 3.0569 and a standard deviation of 1.48875. Thus, if you look at the minimum value of the NPL, which is close to the mean value, in general, the NPL has a minimum value.

Based on information in table 1, SQR NPL is known that NPL has a minimum value of 0.22, a maximum value of 2.80, a mean of 1.6964 and a standard deviation of 0.42552. Thus, if you look at the maximum value of NPL, which is close to the mean value, in general, NPL has a maximum value.

BOPO, based on information in table 1, it is known that the BOPO has a minimum value of 58.20, a maximum value of 119.43, a mean of 84.6504 and a standard deviation 11.58187. Thus, if you look at the minimum value of BOPO, which is close to the mean value, in general, BOPO has a minimum value.

SQR BOPO, based on information in table 1, it is known that the BOPO has a minimum value of 7.63, a maximum value of 10.93, a mean of 9.1787 and a standard deviation of 0.63771. Thus, if you look at the maximum value of BOPO, which is close to the mean value, in general, BOPO has a maximum value.

ROA, based on information in table 1, it is known that the ROA has a minimum value of 0.02, a maximum value of 4.19, a mean of 1.5467 and a standard deviation of 1.09363. Thus, if you look at the minimum value of ROA close to the mean value, ROA has a minimum value.

Based on information in table 1, SQR ROA is known that ROA has a minimum value of 0.14, a maximum value of 2.05, a mean of 1.1518 and a standard deviation of 0.47154. Thus, if you look at the maximum value of ROA that is close to the mean value, in general, ROA has a maximum value.

Classical Assumption Test Analysis

Normality test, normality test results using SPSS 25 after the data transformation using SQR is as follows:

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov test	
asympt. Sig. (2 tailed)	0.200

Based on the picture above, it is known that the residual significance value using the One-Sample Kolmogorov Test is 0.200. Thus, the value of 0.200 has a significance > 0.05 , which indicates the data has been normally distributed

so that the following regression model has met the assumption of normality. Multicollinearity test, multicollinearity test results using SPSS 25 after the data transformation using SQR is as follow

Table 3. Multicollinearity Test Results

Variables	VIF
SQR_GCG	1.028
SQR_CAR	1.021
SQR_NPL	1.302
SQR_BOPO	1,289

Based on the multicollinearity test above, the calculation results of the tolerance value show

that there is no independent variable with a tolerance value of less than 0.10. The results of

the VIF value calculation also indicate that there is no independent variable with a VIF value of more than 10. Thus, it can be concluded that there is no multicollinearity between independent variables in the regression

model, so the authors do not need to treat multicollinearity. Autocorrelation Test, autocorrelation test results using DW Test SPSS 25 after the data transformation using SQRT is as follows:

Table 4. Autocorrelation Test Results

Durbin-Watson	1,897
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Based on the autocorrelation test above, it is known that the DW value is 1.897. We will compare the following DW values with the values in the table using a significance of 5%,

the number of samples is 93 (n) and the number of independent variables (k=4). The Durbin Watson table with a significance of 5% is as follows:

Table 5. Durbin Watson

K = 4		
N	D1	DU
15	0.69	1.97
93	1.5741	1.7531

Based on the table above, the results show that DW 1.897 is greater than the upper limit (du) 1.7531 and smaller than 4 – 1.7531 (4 – du). Thus it can be concluded that we cannot reject H0, which states that there is no positive or negative autocorrelation (no autocorrelation occurs).

Heteroscedasticity Test, The results of the heteroscedasticity test using the SPSS 25. After the data transformation using SQRT is as follows:

Table 6. Heteroscedasticity Test Results

Variables	Sig
SQRT_GCG	0.72
SQRT_CAR	0.88
SQRT_NPL	0.30
SQRT_BOPO	0.43

Based on the picture above, it can be seen that the significance value of good corporate governance is 0.769 > 0.05 significance level, the CAR significance value is 0.717 > 0.05 significance level, the NPL significance value is 0.880 > 0.05 significance level, and the BOPO significance value is 0.429 > 0.05 significance level. Thus, it can be concluded that there is no heteroscedasticity in the following regression model because the significance value of the independent variables,

namely good corporate governance, CAR, NPL, and BOPO, is greater than the 5% significance level so that the regression model is feasible to predict banking performance.

Coefficient of Determination Test, F Test and T-Test

The results of the coefficient of determination test using the SPSS 25 application after the data transformation using SQRT is as follows:

Table 7. Results of the Coefficient of Determination

Adjusted R Square	0.894
R Square	0.898

Based on the figure above, it is known that the coefficient of determination or the adjusted R2 value is 0.894 or 89.4% of the variance of the dependent variable ROA, which can be predicted from the overall combination of the

independent variables GCG, CAR, NPL, and BOPO. The remaining 10.6% are other factors not explained in this study. F Test Analysis, F test results using SPSS 25 after the data transformation using SQRT is as follows

Table 8. F-Test Results

ANNOVA	
Sig	0.000
Dependent	SQRT_ROA
Predictors	SQRT_BOPO, SQRT_GCG, SQRT_CAR, SQRT_NPL

Based on the f test above, the F value is 194.121 with a significance of 0.000. It shows that the significance is smaller than the significance level value of 0.05, so it can be concluded that GCG, CAR, NPL, and BOPO have a significant effect on ROA.

T-Test Analysis, t-test results using SPSS 25 after the data transformation using SQRT is as follows:

Table 9. T-Test Results

Variables	Coefficients	Sig
SQRT_GCG	-0.093	0.464
SQRT_CAR	-0.026	0.230
SQRT_NPL	-0.021	0.630
SQRT_BOPO	-0.695	0.000

Based on the T-test of banking performance, the results show that Hypothesis 1 was not proven in this study. Based on the results of the t-test above, it is known that the t value is -0.735 with a significance value of 0.464. This shows that the significance value is $0.464 > 0.05$. Thus, it can be concluded that partially good corporate governance has no significant effect on banking performance

Hypothesis 2 was not proven in this study. Based on the results of the t-test above, it is known that the t value is -1.208 with a

significance value of 0.230. This shows that the significance value is $0.230 > 0.05$. Thus, it can be concluded that partially the CAR variable has no significant effect on banking performance.

Hypothesis 3 was not proven in this study. Based on the results of the t-test above, it is known that the t value is -0.484 with a significance value of 0.630. This shows that the significance value is $0.630 > 0.05$. Thus, it can be concluded that partially the NPL variable has no significant effect on banking performance.

10 Hypothesis 4 is proven in this study. Based on the results of the t-test above, it is known that the t value is -24,340 with a significance value of 0.630. This shows that the significance value is $0.000 < 0.05$. Thus, it can be concluded that partially the BOPO variable has a significant negative effect on banking performance.

Discussion

The effect of good corporate governance on banking performance.

7 Based on the test results obtained a significant value of 0.464 greater than the significance level of 0.05, these results indicate that good corporate governance does not affect banking performance. The results of this study are not in line with research conducted by Lina (2019) and Novrianda and Shar (2016), which prove that good corporate governance has a significant positive effect on ROA. This insignificant thing is possible because good corporate governance is measured using the analysis content of dummy variables 1 and 0. This has not been able to reflect the actual performance of corporate governance carried out by banks.

The effect of financial health ratios as measured by CAR on banking performance.

7 The test results obtained a significant value of 0.230, greater than the significance level of 0.05. These results indicate that CAR does not affect banking performance. The results of this study are not in line with research conducted by Kristianti and Yovin (2016), Cyntia and Yadna (2019), Yusriani (2018), Zulkarnain (2017) and Ayu and Abudanti (2018), which prove that CAR has a significant positive effect on ROA. This insignificant thing is possible because the bank's policy in investing its funds carefully affects profitability, including ROA, causes even though the bank has a high CAR. Still, if it is not balanced with good investment and distribution of funds, it will affect its ROA.

The effect of financial health ratios as measured by NPL on banking performance.

7 The test results obtained a significant value of 0.630, greater than the significance level of

0.05. This result shows that NPL does not affect banking performance. The results of this study are not in line with research conducted by Yusriani (2018) and Kristianti and Yovin (2016), which proves that NPL has a significant positive effect on ROA. However, it is also not in line with research conducted by Cyntia and Yadna (2019), Zulkarnain (2017), and Ayu and Abudanti (2018), which proves that NPL has a significant negative effect on ROA. This insignificant thing is possible because the NPL in the financial statements used as the research sample has an uncertain increase and decrease followed by an increase and decrease in ROA.

The effect of financial health ratios as measured by BOPO on banking performance.

Based on the test results obtained a significant value of 0.000 which is smaller than the significance level of 0.05, these results indicate that the BOPO has a significant negative effect on banking performance. The results of this study are in line with Zulkarnain's research (2017) which proves that BOPO has a significant negative impact on ROA. However, this is not in line with the study conducted by Kristianti and Yovin (2016) and Yusriani (2018), proving that BOPO has a significant positive effect on ROA.

Conclusion

Based on the explanation and analysis above, the authors conclude that good corporate governance does not affect banking performance. This insignificant thing is possible because dummy variables cannot further reflect the performance of good corporate governance in banking.

The financial soundness ratio as measured by CAR does not affect banking performance. This insignificant thing is possible because the prudent attitude applied by banks in investing funds affects the resulting banking performance. Thus, a high CAR value does not guarantee an effect on banking performance if it is not balanced with good investment and distribution of funds.

The financial health ratio as measured by NPL does not affect banking performance. This insignificant thing is possible because the NPL's value and the banking sample's

performance in this study have an uncertain increase and decrease.

The financial health ratio as measured by BOPO has a negative effect on banking performance. These results indicate that the higher the BOPO ratio suggests that the banking performance is not optimal.

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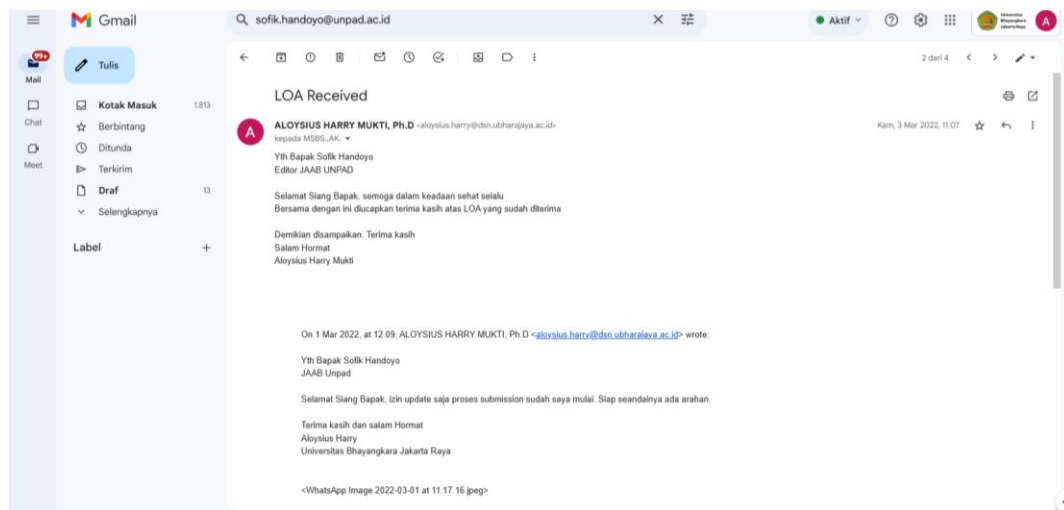
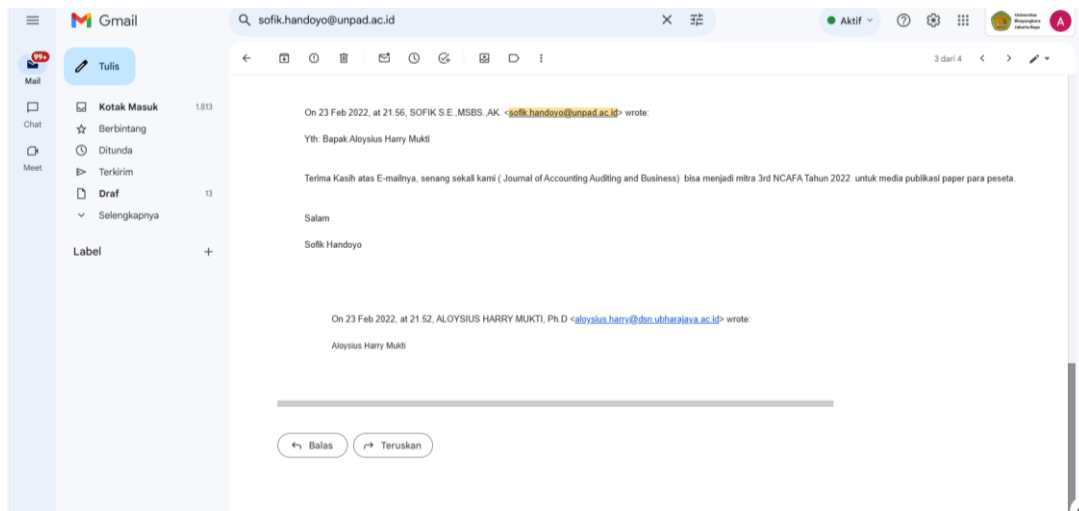
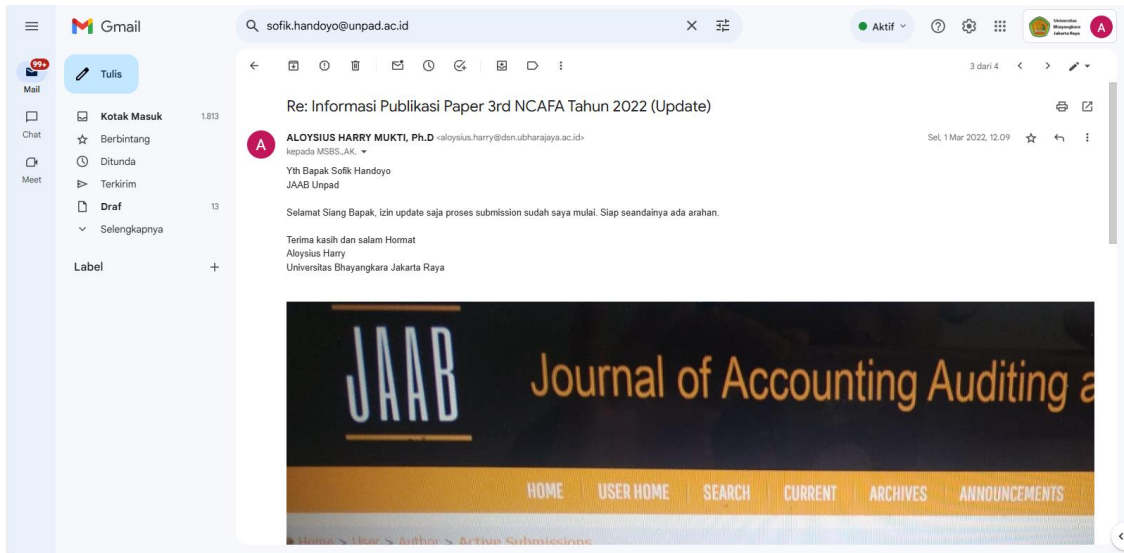
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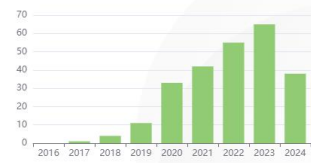
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