

Effect of Good Corporate Governance Mechanism on Banking Financial Performance with Risk Management as an Intervening Variable

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Abstract

This study aims to determine the effect of Good Corporate Governance (GCG) mechanisms on Banking Financial Performance with Risk Management as a intervening variable. GCG in this study is measured by three indicators namely Managerial Ownership, Institutional Ownership, and the Proportion of Independent Board of Commissioners, while the Banking Financial Performance is measured by Return on Asset (ROA), and Risk Management is measured by Non Performing Loan (NPL). The population in this study are all banking companies listed in Indonesia Stock Exchange for the period of 2016 - 2019. The sample in this study was selected using purposive sampling which obtained a sample of 19 banks from a total of 43 banks that were used as sample in this study. Data analysis techniques in this study using panel data analysis. The results of this study stated that Managerial Ownership and the Proportion of Independent Board of Commissioners partially have a negative effect on Banking Financial Performance. While Institutional Ownership does not have an effect on Banking Financial Performance. Risk Management as a intervening variable can affect the relationship between Managerial Ownership with Banking Financial Performance and the relationship between the Proportion of Independent Board of Commissioners with Banking Financial Performance. However, Risk Management cannot affect the relationship between Institutional Ownership with Banking Financial Performance.

Keywords: Managerial Ownership, Institutional Ownership, Proportion Board of Independent Commissioners, Banking Financial Performance, Risk Management, ROA, NPL.

Abstrak

Penelitian ini bertujuan untuk mengetahui pengaruh mekanisme Good Corporate Governance (GCG) terhadap Kinerja Keuangan Perbankan dengan Manajemen Risiko sebagai variable intervening. GCG pada penelitian ini diukur dengan tiga indikator yaitu Kepemilikan Manajerial, Kepemilikan Institusional, dan Proporsi Dewan Komisaris Independen, sedangkan Kinerja Keuangan Perbankan diukur dengan Return on Asset (ROA), dan Manajemen Risiko diukur dengan Non Performing Loan (NPL). Populasi pada penelitian ini adalah seluruh perusahaan perbankan yang terdaftar di Bursa Efek Indonesia periode 2016 - 2019. Sampel pada penelitian ini dipilih menggunakan purposive sampling sehingga menghasilkan sampel sebanyak 19 perbankan dari total 43 perbankan yang dijadikan sampel pada penelitian. Teknik analisis data menggunakan analisis regresi data panel. Hasil dari penelitian ini menyatakan bahwa Kepemilikan Manajerial dan Proporsi Dewan Komisaris Independen secara parsial berpengaruh negatif terhadap Kinerja Keuangan Perbankan. Sedangkan, Kepemilikan Institusional tidak memiliki pengaruh terhadap Kinerja Keuangan Perbankan. Manajemen Risiko sebagai variabel moderasi dapat mempengaruhi hubungan antara Kepemilikan Manajerial dengan Kinerja Keuangan Perbankan dan hubungan antara Proporsi Dewan Komisaris Independen dengan Kinerja Keuangan Perbankan. Namun, Manajemen Risiko tidak dapat mempengaruhi hubungan antara Kepemilikan Institusional dengan Kinerja Keuangan Perbankan.

Kata Kunci: Kepemilikan Manajerial, Kepemilikan Institusional, Proporsi Dewan Komisaris Independen, Kinerja Keuangan Perbankan, Manajemen Risiko, ROA, NPL

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1. Introduction

Financial performance is an assessment of the achievements of a company which can be seen from the ability of the company to make a profit (Pratiwi, 2017). The assessment of banking financial performance is one of the important factors for banks to see how the bank is performing whether it is good or not and the assessment can also be used to find out how much profitability or profit (Arimi and Mahfud, 2012). As a financial sector company that plays an important role in supporting the Indonesian economy, banks face increasingly complex risks and challenges in the goal of obtaining maximum profit (Ariestya and Ardiana, 2016).

The profit rate is considered very important because to carry out the life of a bank must be in a favorable state to be able to compete with other banking competitors and competitors of fintech companies that are currently developing. Directors, owners, and management will try to increase profits because they are aware of the importance of profit for the future of the bank. One of the things that can be done is to maintain the quality of work within the bank, especially in terms of improving banking financial performance (Hermayanti and Sukartha, 2019). Bank Indonesia (BI) as the central bank pays special attention to the implementation of good corporate governance (GCG) and risk management (Setiawaty, 2016). This can be seen in the enactment of Bank Indonesia Regulation (PBI) Number 8/4/PBI/2006 which regulates the implementation of GCG standards for commercial banks in Indonesia, which was later revised to PBI Number 8/14/PBI/2006, and complemented by the issuance of Bank Indonesia Circular Letter (SEBI) Number 15/15/DPNP on April 29, 2013 concerning the implementation of GCG for commercial banks. In addition, Bank Indonesia also issued regulations on the implementation of banking risk management to control the risks faced by the banking industry through PBI No. 11/25/PBI/2009 concerning the implementation of risk management for commercial banks.

The financial performance of the banking industry is influenced by the good corporate governance mechanism which is divided into 2 (two) parts, namely external and internal (Karmilayani and Damayanthi, 2016). Internal mechanisms are carried out by the board of directors, the board of commissioners, the audit committee, and ownership

managerial, while external mechanisms consist of institutional ownership (Hermayanti and Sukartha, 2019). The presence of good corporate governance is absolutely necessary for an organization, considering that GCG can help build shareholder trust and ensure that all stakeholders are treated equally. A good system will provide effective protection to shareholders to recover their

investments reasonably, appropriately, efficiently, and ensure that management acts for the benefit of the company (Mahrani and Soewarno, 2018). The GCG mechanism in this study is measured by 3 (three) indicators, namely managerial ownership, institutional ownership, and the proportion of independent commissioners' boards.

Research on the effect of GCG on financial performance has been carried out a lot, but there are still differences in results. Based on research by Farooque et al (2019), it is stated that GCG with managerial ownership indicators has a positive effect on financial performance. Meanwhile, Nilayanti and Suaryana's research (2019), stated that managerial ownership negatively affects financial performance. Furthermore, in the research of Hermayanti and Sukartha (2019), shows the result that institutional ownership positively affects financial performance. Meanwhile, Setiawan's research (2016), states that institutional ownership negatively affects financial performance. For the proportion of independent commissioners, there are also differences in research results, in Pratiwi's research (2017), it was stated that independent commissioners have a positive effect on financial performance. Meanwhile, in Mulyadi's research (2016), the proportion of the board of commissioners Independent negatively affects financial performance. Inconsistencies that occur in some of the results of the study encourage the author to add another variable that can mediate the relationship between GCG and financial performance, namely risk management as an intervening variable.

The banking downturn is not only caused by weak implementation of good corporate governance, but can also be caused by weak risk management in the bank.

Wahyuni (2012) stated that the company began to realize the importance of risk management to be applied in the business world which is all uncertain and to increase the company's value for stakeholders by fulfilling GCG principles. The relationship between risk management and financial performance is expected to further strengthen the relationship between GCG and financial performance. Risk management in this study is shown by credit risk management, where credit risk is proxied with Non Performing Loans (NPL). According to PBI Number 13/1/PBI/2011 concerning Assessment

The health level of commercial banks, the higher the NPL value (above 5%) the unhealthy the bank. The smaller the NPL, the smaller the risk of credit or bad debts borne by the bank. On the other hand, if the NPL value is high, it will cause a decrease in the profit that will be received by the bank (Sulistiawati and Muawanah, 2018). One of factors affecting the financial performance of banks is the high risk of bad debts. Credit risk is a risk

arising from the failure of customers to fulfill their obligations (Ariestya and Ardiana, 2016).

2. Theoretical Framework and Hypothesis Development

Agency Theory

According to book of Accounting Theory written by Godfrey, J., A. Hodgson, S. Holms, and A. Tarca (2010), it is stated that the separation of management and ownership will cause agency conflicts. Agency conflicts encourage management (agents) to present information according to their personal interests without regard to the interests of stakeholders (principals). Banking managers, especially public banks, are tasked with providing banking performance reports to shareholders. However, sometimes managers do not report the actual state of affairs so that information asymmetry can occur between managers and shareholders (Muzakki and Darsono, 2015). Agency theory is a basic concept of corporate governance, serving as a tool in giving investor confidence that they will receive a return on the invested funds. This relationship between the principal and the agent should have a mutually beneficial relationship. However, there are often instances of agency problems between banking owners and managers. The agency problem can be in the form of information asymmetry that occurs. When shareholders want a high amount of return, while banking managers choose to meet personal interests by committing fraud in order to benefit from the financial performance of the bank. This is what creates a conflict of interest between the banking management (agent) and the shareholders (principal).

Good Corporate Governance (GCG)

According to The Indonesian Institute of Corporate Governance (IICG) in Winarsih et al (2014), good corporate governance is defined as the structures, systems, and processes used by the company's organs as an effort to provide the company with sustainable added value in the long term by considering the interests of other stakeholder-based norms, ethics, culture, and rules. The implementation of GCG in essence aims to face the increasingly complex risks faced by companies, namely banks in particular in order to improve bank performance, protect stakeholders' interests and improve compliance with applicable laws and regulations as well as ethical values that are generally accepted in the banking industry (Setiawan, 2016). GCG mechanisms used in this study, such as:

1. Managerial Ownership, is the proportion of ordinary shares owned by the management of the company. The existence of share ownership by managerial can be used to reduce agency costs incurred, because by owning company shares, it is hoped that managers will feel directly the benefits of

every decision they make. (Hermayanti dan Sukartha, 2016).

2. Institutional Ownership, is the ownership of company shares by external parties in the form of institutions. These institutions can be in the form of government institutions, financial institutions, incorporated institutions, foreign institutions, and trust funds and other institutions (Ngadiman and Puspitasari, 2014). The existence of institutional investors can demonstrate a strong corporate governance mechanism with supervision of company management (Setiawan, 2016).
3. Independent Board of Commissioner, is a member of the board of commissioner who does not have a financial relationship, management, share ownership and or family relationship with the controlling shareholder, member of the board of commissioners and / or member of the board of directors (Pratiwi, 2017).

Banking Financial Performance

Banking financial performance is the determination of certain measures that can measure the success of a bank in making a profit, in a bank's performance it can point to the strengths of the bank that are utilized for the development of the bank's business and the weakness of the bank can be used as a basis for future improvement. Assessment of banking financial performance is one of an important factor for the bank itself to see how the bank performs whether it is good or not and can be used to find out how much profitability or profit (Arimi and Mahfud, 2012). Return On Assets (ROA) is an important profitability ratio for banks because it is used to measure the effectiveness of banks to generate profits by utilizing their total assets (Agustiningrum, 2013). Bank Indonesia prioritizes the profitability value of a bank as measured by Return On Asset (ROA), because the ROA of a bank is measured by assets whose funds mostly come from public deposits so that ROA is more representative in measuring the level of bank profitability (Marliana and Ananm 2015). Therefore, the level of profitability in this study was measured using the Return On Asset (ROA) ratio.

Risk Management

The moderating variable in this study is risk management represented by credit risk management with indicators measuring the Non Performing Loan (NPL) ratio. Risk management is an effort to know, analyze, and control risks in every company activity with the aim of obtaining higher effectiveness and efficiency (Darmawi 2012). Risk management in the banking industry is carried out on the risk of several things, namely credit, liquidity, capital and operational risks (Setiawaty, 2016).

Credit risk is the risk due to the failure of debtors and/or other parties in fulfilling obligations to banks (Taswan, 2010). According to PBI Number 17/12/PBI/2015 dated June 25, 2015 concerning amendments to PBI Number 15/5/PBI/2013 concerning minimum mandatory demand deposits commercial banks in rupiah and foreign currencies for conventional commercial banks, that the higher the value of Non-Performing Loans (NPL) above 5%, the bank is declared unhealthy.

Hypothesis Development

The effect of managerial ownership on banking financial performance

Managerial ownership is a way to unite interests between management and owners because with shareholding by managerial, every decision taken by management will affect management as well. So every time they make a decision, the management must be careful because they also have a proportion of shares in the bank. Managerial ownership will affect the company's financial performance, when managerial has a share contribution to the company, they will work seriously to achieve maximum results (Hermayanti and Sukartha, 2019). Logically, there will be a relationship between the level of managerial ownership and the proxied financial performance with the Return on Asset (ROA).

If managerial shareholdings increase, managers will make more efforts to keep the bank in a healthy condition. The existence of shares owned by managers will make managers more careful in every decision making and more striving to increase banking profits. In accordance with the results of research conducted by Hermiyetti and Katlanis (2016), Candradewi and Sedana (2016), and Farooque (2019) which resulted in managerial ownership having a positive effect on financial performance, the hypothesis one (H1) in this study is as follows.

H1: Managerial ownership positively affects the financial performance of banks.

The effect of managerial ownership on banking financial performance

Institutional ownership can minimize conflicts of interest between principals and agents. With institutional supervision, it can optimize the supervision of management performance to avoid misappropriation behavior carried out by management. So that the involvement of institutions with companies can have an effect to improve better company performance (Petta and Tarigan, 2017). The greater the shareholding by the institution, the greater the power of the voice and the encouragement of the institution to supervise management. Institutions involved in banking share ownership are certainly very good at financial statements so that it is difficult for managers to manipulate financial statements so that it will reduce the level of fraud that

managers will commit and will improve banking financial performance. In accordance with the results of research conducted by Nilayanti and Suarjana (2019), Hermayanti and Sukartha (2019), Candradewi and Sedana (2016), Istighfarin and Wirawati (2015), Kartikasari (2017), and Hendratni et al (2018) which resulted in institutional ownership having a positive effect on financial performance, the hypothesis two (H2) in this study is as follows.

H2: Institutional ownership positively affects the financial performance of banks.

Effect of proportion of independent board of commissioners on banking financial performance

The Board of Commissioners as the company's organ is tasked and responsible collectively to supervise and provide advice to the board of directors and ensure that the company implements good corporate governance (Pratiwi, 2017). A strong board structure with great independence will reduce the possibility of fraud and expropriation through certain transactions (Saibaba and Ansari, 2013). With the lack of possibility of fraud that occurs, it will have a positive impact on the financial performance of banks. In accordance with the results of research conducted by Pratiwi (2017), Putra (2015), and Hendratni et al (2018) which resulted in an independent board of commissioners positively affecting financial performance, the hypothesis three (H3) in this study is as a result.

H3: The proportion of independent commissioners positively affects the financial performance of banks.

The effect of risk management on the relationship between managerial ownership, institutional ownership, and the proportion of independent boards of commissioners to banking financial performance

In implementing risk management in a corporate organization, especially banking, it is inseparable from the implementation of good corporate governance (GCG) as a whole in the bank. Good corporate governance (GCG) is believed to be able to help the implementation of risk management can be even better in banking (Izdihar et al, 2017). In accordance with the theory that there is a relationship between the implementation of GCG and risk management, risk management is considered to be able to affect the relationship between GCG as measured by indicators of managerial ownership, institutional ownership, and the proportion of independent boards of commissioners to banking financial performance. The better the level of risk management in the banking industry, the better the financial performance will be. In accordance with the results of research conducted by Sulistiawati and Muawanah (2018), it was produced that risk man-

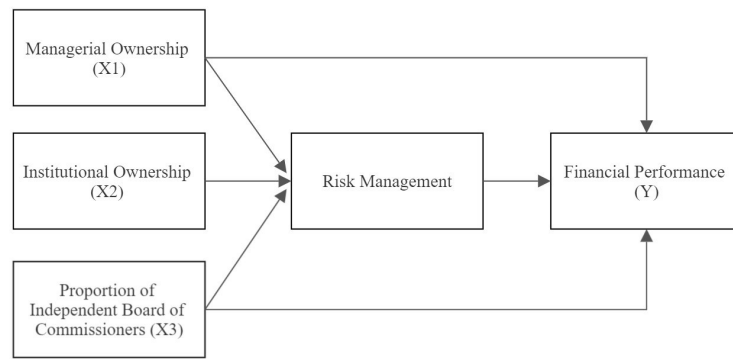


Figure 1. Frame of Mind

agement is a moderation variable that can strengthen the relationship between GCG and financial performance. Based on the results of the study, the hypotheses four, five, and six (H4, H5, and H6) that the author can formulate are :

- H4: Risk management affects the relationship between managerial ownership and banking financial performance.
- H5: Risk management affects the relationship between institutional ownership and banking financial performance.
- H6: Risk management affects the relationship between the proportion of independent boards of commissioners and the financial performance of banks.

Frame of Mind

Based on the hypothesis that has been described, the frame of thought in this study is on figure 1.

3. Research Method

Object of Study

This study uses banking sector objects listed on the Indonesia Stock Exchange (IDX) with a period of 2016 - 2019. The time-series data uses periods per year.

Research Design

The design of this study includes causality research compiled to examine the possibility of a cause-and-effect relationship between free variables and bound variables (Sanusi, 2011).

Sampling Methods

This type of research is quantitative with secondary data. The data collection technique uses documentation techniques sourced from published financial and annual banking statements. The sampling technique of this study used purposive sampling. The total sample in this study was 19 banks out of a total of 43 banks made into the population.

Data Processing and Analysis Techniques Descriptive Statistical Test

A descriptive statistical test is a test used to provide a description or description of the object under study through sample or population data as it is, by not analyzing or making conclusions that apply to the public (Sugiyono, 2015).

Panel Data Regression Model Selection Test

1. The Chow test is a statistical test to determine whether a fixed effect or random effect model is most appropriate to use in estimating panel data. This test criterion is seen from the p value of the statistical F. If the value of Prob. < 0.05, the model used is fixed effect. If the value is Prob. > 0.05 then the model used is common effect.

2. The Hausman test is a statistical test to choose whether the most appropriate fixed effect or random effect model is used. This test criterion is if the value of Prob. < 0.05 then the appropriate panel data regression estimation model is used is a fixed effect model and vice versa if the value is Prob. > 0.05 then the corresponding panel data regression estimation model is a random effect.

Test Classical Assumptions

1. Normality Test

Normality tests were performed to test whether in regression models independent and dependent variables were normally distributed or not (Ghozali, 2016). This test is carried out using the Jarque-Bera (JB) test, which is provided that if the JB probability value > 0.05, the data is distributed normally. Conversely, if the JB probability value < 0.05 then the data is not normally distributed.

2. Multicollinearity Test

The multicollinearity test aims to test whether in the regression model there is a correlation between independent variables. To detect the presence or absence of multicollinearity seen from the output in the correlation matrix between independent variables. If the resulting value < 0.80 then there is no multicollinearity. Conversely, if there is a value of > 0.80, a multicollinearity problem occurs (Ghozali dan Ratmono, 2013).

3. Heteroskedasticity Test

The heteroskedasticity test aims to test whether

in the regression model there is a variance or residual inequality from one observation to another. The test carried out is with the Glesjer Test. If the prob value > 0.05 then heteroskedasticity does not occur. Conversely, if the prob value < 0.05 then a heteroskedasticity problem occurs (Ghozali dan Ratmono, 2013).

4. Autocorrelation Test

The autocorrelation test aims to test whether in a linear regression model there is a correlation between the disruptor error in the t period and the error of the t-1 (previous) period. The method used in this study is the Durbin-Watson test method.

Multiple Linear Regression Test Panel Data

Because this study uses moderation variables, the panel data regression equation for moderation variables is to combine multiple linear regression equations with Moderated Regression Analysis (MRA). MRA is a special application of multiple linear regression, where in the regression equation it contains an element of interaction, namely multiplication between two or more independent variables (Ghozali, 2011). In this study, risk management will moderate the relationship between GCG and banking financial performance. Here's the equation:

$$ROA_{i,t} = \alpha + \beta_1 KM_{i,t} + \beta_2 KI_{i,t} + \beta_3 PDKI_{i,t} + \beta_4 NPL_{i,t} + \beta_5 (KM_{i,t}NPL_{i,t}) + \beta_6 (KI_{i,t}NPL_{i,t}) + \beta_7 (PDKI_{i,t}NPL_{i,t}) + \epsilon_{2i,t}$$

Description:

ROA (Y) = Return on Asset (Banking Financial Performance)

KM (X1) = Managerial Ownership

KI (X2) = Institutional Ownership

PDKI (X3) = Proportion of Independent Board of Commissioners

NPL (Z) = Non Performing Loan (Risk Management)

α = Konstanta

$\beta_1, \beta_2, \beta_3, \beta_4$ = Regression coefficient of each independent variable

$\beta_5, \beta_6, \beta_7$ = Regression coefficient of interaction of moderation and independent variables

ϵ = Error term i,t = Company data, years

Hypothesis Testing Techniques

1. Partial Test (t test)

The t-test basically shows how far an individual explanatory (independent) variable affects in describing the variation of the dependent variable. The t test has a significant value = 5%. The hypothesis testing criterion in this test is that if the significant value of t (p-value) < 0.05, then an alternative hypothesis is accepted, which

states that an independent variable individually and significantly affects the dependent variable, and vice versa The t-test basically shows how far an individual explanatory (independent) variable affects in describing the variation of the dependent variable. The t test has a significant value = 5%. The hypothesis testing criterion in this test is that if the significant value of t (p-value) < 0.05, then an alternative hypothesis is accepted, which states that an independent variable individually and significantly affects the dependent variable, and vice versa (Ghozali, 2016).

2. Model Due Diligence (F test)

The f test is a test that aims to know the regression model is the right and feasible model. The f test is also used to prove whether simultaneously all independent variables have an influence on the dependent variables. The criteria for this test is that if the probability < 0.05, then the independent variable simultaneously affects the dependent variable. If the probability > 0.05, then the independent variable simultaneously has no effect on the dependent variable.

3. Coefficient of Determination (Adjusted-R Square)

The coefficient of determination essentially measures how far the model is capable of explaining the variation of dependent variables. The small Adjusted-R Square value means that the ability of variables- 16 independent variables to describe the variation of dependent variables is very limited. A value close to one means that independent variables provide almost all the information needed to predict the variation of dependent variables (Ghozali, 2011).

4. Result, Discussion, and Managerial Implication

Descriptive Statistics

Descriptive Statistics are as follows on table 1.

Panel Data Regression Model Selection Test

1. Chow Test

A chow test was conducted to find out whether the panel data regression estimation model is better off using Common Effect or Fixed Effect. The results of the Chow Test of this study showed that the probability value of the Chi Square Cross-section of 0.0000 was smaller than 0.05 (Ghozali, 2013). So that the results of equation regression in this study using the Fixed Effect model and the test can be continued to the Hausman Test.

2. Hausman Test

A test was performed to determine whether the panel data regression estimation model was better off using Fixed Effect or Random Effect. The results of the Hausman Test of this study showed that the probability value of Cross-section Random was 0.229 greater than 0.05 (Widajorno, 2009). So that

Table 1. Descriptive Statistics

	ROA	KM	KI	PDKI	NPL
Mean	1.119342	0.428816	51.62632	54.26171	2.477632
Median	1.485000	0.010000	60.45500	50.00000	2.265000
Maximum	4.730000	10.58000	99.61000	80.00000	15.82000
Minimum	-11.15000	0.000000	0.000000	33.33000	0.080000
Std. Dev	2.103278	1.727797	35.96768	12.05976	2.373305
Skewness	-2.968977	5.453552	-0.314229	0.268770	2.836748
Kurtosis	17.38490	32.21475	1.556935	2.939073	15.58301
Observations	76	76	76	76	76

Source : Processed data

a good panel data regression model used in this study is the Random Effect model.

Test Classical Assumptions

1. Normality Test

The normality test aims to see whether the residual data obtained for this study has a normal distribution or not, because the residual data that is normally distributed is one of the conditions for performing multiple regression analysis techniques. The results of the normality test in this study show that all variables have been distributed normally. This is seen from the probability value of 0.999190 greater than the value of $\alpha = 0.05$ (Winarno, 2011).

2. Multicollinearity Test

The multicollinearity test aims to test whether in a regression model there is a correlation between independent variables. The results obtained from the multicollinearity test seen from the correlation matrix show that all variables do not experience multicollinearity because the value of the correlation coefficient has exceeded the value of > 0.80 .

3. Heteroskedasticity Test

The heteroskedasticity test aims to test in the regression model the inequality of variance from one observation to another or not. The test results in this study show prob. The coefficient of the independent variable > 0.05 . Thus, this study is free from heteroskedasticity.

4. Autocorrelation Test

The autocorrelation test aims to test whether in a linear regression model there is a correlation between the disruptor error (residual) in the t period and the t-1 period (previous). Durbin-Watson test results showed that the DW value on the model was 1.858819. Those DW values will be compared with the DL and DU values in the Durbin-Watson table. With the number of samples ($n = 76$) and the number of independent variables

($k = 3$), it is known that the upper limit value (DU) = 1.7104 the lower limit value (DL) = 1.5467 and the value of $4-DU = 2.2896$, so it can be concluded that $DU (1.7104) < DW (1.858819) < 4-DU (2.2896)$, then it can be said that there is no autocorrelation in the regression model of the researcher n.

Hypothesis Testing

Partial Test (t-test)

The t-test is carried out to determine the influence of each independent variable and its interaction with the moderation variable on the dependent variable. The results of the t test are as follows on table 2.

Based on the table 2, the results of hypothesis testing in this study are:

1. H1 : Managerial ownership positively affects the financial performance of banks.

The results of the t test show that the p-value of the independent variable of managerial ownership $<$ the value of $\alpha = 5\%$ which is $0.0015 < 0.05$, this shows that the variable of managerial ownership affects the dependent variable of banking financial performance. The value of the regression coefficient of -0.797877 indicates a negative direction, meaning that managerial ownership negatively affects the financial performance of banks. So the conclusion in the study, namely H1, was rejected.

2. H2 : Institutional ownership positively affects the financial performance of banks.

The results of the t test show that the p-value of the independent variable of institutional ownership $>$ the value of $\alpha = 5\%$ is $0.1408 > 0.05$, this shows that the variable of institutional ownership has no effect on the dependent variable of banking financial performance. Thus, H2 is rejected.

3. H3 : The proportion of independent commissioners positively affects the financial performance

Table 2. Results of Partial Test (t-test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.874256	1.605737	4.903828	0.0000
KM	-0.797877	0.241346	-3.305946	0.0015
KI	-0.015997	0.010734	-1.490363	0.1408
PDKI	-0.077799	0.025250	-3.081086	0.0030
NPL	-2.431459	0.372925	-6.519960	0.0000
KM*NPL	0.273343	0.102559	2.665225	0.0096
KI*NPL	0.002803	0.002826	0.991845	0.3248
PDKI*NPL	0.031530	0.006329	4.981983	0.0000
Weighted Statistics				
Root MSE	0.808667		R-squared	0.660143
Mean dependent var	0.329293		Adjusted R-squared	0.625158
S.D. dependent var	1.396362		S.E. of regression	0.854914
Sum squared resid	49.69967		F-statistic	18.86917
Durbin-Watson stat	1.858819		Prob(F-statistic)	0.000000

of banks.

The results of the t test show that the p-value of the independent variable proportion of the independent board of commissioners < the value of $\alpha = 5\%$ is $0.0030 < 0.05$, this shows that the proportion variable of the independent board of commissioners affects the dependent variable of banking financial performance. The value of the regression coefficient of -0.077799 indicates a negative direction, meaning that the proportion of independent commissioners negatively affects the financial performance of the banking industry. Thus, H3 is rejected.

4. H4 : Risk management affects the relationship between managerial ownership and banking financial performance.

The results of the t test show that the p-value of the interaction variable between managerial ownership and risk management < a value of $\alpha = 5\%$ of $0.0096 < 0.05$, this shows that the risk management moderation variable affects the relationship between managerial ownership and banking financial performance. So the conclusion on the study, namely H4, is accepted.

5. H5 : Risk management affects the relationship between institutional ownership and banking financial performance.

The results of the t test show that the p-value of the interaction variable between institutional ownership and risk management > a value of $\alpha = 5\%$ which is $0.3248 > 0.05$, this shows that the risk management moderation variable does not strengthen or weaken the influence between institutional ownership and banking financial performance. So the conclusion in the study, namely H5, was rejected.

6. H6 : Risk management affects the relationship between the proportion of independent boc and

the financial performance of banks.

The results of the t test show that the p-value of the interaction variable between the proportion of independent commissioners and risk management < the value of $\alpha = 5\%$ is $0.0000 < 0.05$, this shows that 22 risk management moderation variables affect the relationship between the proportion of independent commissioners and the financial performance of banks. So the conclusion on the study, namely H6, is accepted.

Model Due Diligence (F Test)

The f test aims to find out the regression model used is the right and feasible model. Based on the results of the f test in this study, it can be seen that the probability value of F-statistics is smaller than the significance value of 0.05, which is $0.000000 < 0.05$, which means that the model used is correct and feasible and shows that the independent variables Managerial Ownership, Institutional Ownership, and Proportion of Independent Board of Commissioners simultaneously have an influence on the dependent variables of Banking Financial Performance.

Coefficient of Determination (Adjusted-R Square)

The coefficient of determination aims to see how much the independent variable is capable of explaining the dependent variable viewed through the Adjusted-R Square. The Adjusted-R Square value in this study was 0.625158, indicating that the proportion of the influence of the independent variables of managerial ownership, institutional ownership, and the proportion of independent boards of commissioners on the financial performance of banks was 62.5% while 37.5% was influenced by the lain variable.

Managerial Implications

The results of this study show that Managerial Ownership and Proportion of Independent Board of Commissioners have a negative influence on Banking Financial Performance. Meanwhile, Institutional Ownership has no influence on Banking Financial Performance. Furthermore, this research resulted in that Risk Management proxied with NPLs in banks can moderate the relationship between Managerial Ownership and the Proportion of Independent Board of Commissioners to Banking Financial Performance. However, NPLs do not affect the relationship between Institutional Ownership and Banking Financial Performance. Based on the results of the study, the author hopes to provide benefits in the form of empirical results regarding what factors can affect banking financial performance for related parties such as banking management who are samples in research and companies in other sectors, policy-making or government authorities, shareholders, and other parties. For banking management, the results of this study can be useful information for decision making in order to improve banking financial performance. Empirical evidence in the results of this study has shown that GCG variables proxied by Managerial Ownership and Proportion of Independent Board of Commissioners have an influence on the high and low performance of banking finances. This can be used as a basis for banks in formulating financial strategies that can maximize financial performance.

For the government, the results of this study can be used as consideration in formulating and establishing regulations to be able to increase growth in the industrial environment, especially in the banking sector industry. Then for shareholders, the results of this study can be a consideration for prospective shareholders or shareholders of a bank in determining the best investment decision.

5. Conclusion, Suggestion, and Limitation

Conclusion This study aims to analyze the influence of Good Corporate Governance on Banking Financial Performance in banks listed on the Indonesia Stock Exchange for the period 2016 - 2019 with Risk Management as a moderation variable. Where Good Corporate Governance is measured by Managerial Ownership, Institutional Ownership, and Proportion of Independent Board of Commissioners, Banking Financial Performance is measured by ROA, and Risk Management is measured by NPL. Based on the results of the analysis that has been carried out, the author can draw several conclusions as follows:

1. Managerial Ownership negatively affects the Financial Performance of Banks listed on the Indonesia Stock Exchange for the period 2016 - 2019. This is in accordance with the results of research conducted by Pratiwi (2017) and Nilayanti and Suaryana (2019). In other words, the

higher the managerial ownership, the lower the financial performance of the banking industry. So it can be said that the higher the percentage of managerial ownership, the lower the integrity of financial statements and also have an impact on decreasing financial performance. The results of this study contradict agency theory which states that the higher the level of managerial ownership in the company, the less the tendency of management to use resources and reduce agency costs as a result of differences in interests, so that it will improve the company's financial performance.

2. Institutional Ownership has no effect on the Financial Performance of Banks listed on the Indonesia Stock Exchange for the period 2016 - 2019. These results support the results of research conducted by Wehdawati et al (2015) and Rosafitri (2017). In other words, the lower or higher the institutional ownership will not affect the financial performance of the banking industry. This may be because the high and low institutional ownership causes the monitoring process of managers' performance to be less effective so that it does not affect financial performance.
3. The proportion of the Independent Board of Commissioners negatively affects the Financial Performance of banks listed on the Indonesia Stock Exchange for the period 2016 - 2019. This is in accordance with 24 research results conducted by Mulyadi (2016) and Arora and Sharma (2016) which stated that the composition of the independent board of commissioners negatively affects the company's financial performance. In other words, if the proportion of independent commissioners is high, it will lead to a low probability of recognition of the company's profits or expenses, thus negatively affecting financial performance. This may be due to the high proportion of independent commissioners to total banking commissioners only to meet regulatory needs, causing the supervisory functions that should be carried out by independent commissioners to be ineffective and causing the financial performance of banks to decline.
4. Risk Management affects the relationship between Managerial Ownership and Banking Financial Performance listed on the Indonesia Stock Exchange for the period 2016 - 2019.
5. Risk Management does not affect the relationship between Institutional Ownership and Banking Financial Performance listed on the Indonesia Stock Exchange for the period 2016 - 2019. Because the variable of Institutional Ownership does not affect Banking Financial Performance so that risk management does not affect the relationship between Institutional Ownership and Banking Financial Performance.
6. Risk Management affects the relationship be-

tween the Proportion of Independent Board of Commissioners and the Financial Performance of Banks listed on the Indonesia Stock Exchange for the period 2016 - 2019.

Suggestion

1. It is expected to use samples other than the banking sector and can increase the research time period.
2. It is expected to use or add variables that may affect other financial performance that were not used in this study.
3. It is expected to add GCG elements to be able to obtain more reliable values and describe GCG variables.

Research Limitations

Based on the research conducted, the limitations of this study are as follows :

1. The period in this study was relatively short, which was only 4 years (2016 - 2019).
2. This study only uses GCG elements from managerial ownership, institutional ownership and the proportion of independent commissioners. Suggestions From the conclusions and limitations in the study.

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