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IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE (GCG) AND RISK MANAGEMENT ON BANKING FINANCIAL PERFORMANCE ITS IMPACT ON COMPANY VALUE AS AN INTERVENING VARIABLE (Empirical Study On PT. Bank Negara Indonesia (Persero) Tbk Listed On The Indonesia Stock Exchange (IDX)

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Abstract

This study aims to Implementation of Good Corporate Governance (GCG) and Risk Management on Banking Financial Performance Its Impact on Company Value as an Intervening Variable (Empirical Study at PT. Bank Negara Indonesia (Persero) Tbk Listed on the Indonesia Stock Exchange (IDX) Period 2016-2023). This type of research uses Primary Data and Secondary Data with qualitative and quantitative research methods. Related to qualitative data in the form of descriptive data analyzed from items related to GCG. While quantitative data is taken from the financial statements listed on PT. Bank Negara Indonesia (Persero) Tbk. The results of this study indicate that the results of testing and discussion related to the Implementation of Good Corporate Governance (GCG) and Risk Management on Banking Financial Performance Its Impact on Company Value as an Intervening Variable both partially and simultaneously have a positive and significant effect and some have a negative and insignificant effect.

Keywords: Good Corporate Governance (GCG), Risk Management, Banking Financial Performance and Company Value

INTRODUCTION

One of the financial institutions that plays an important role in a country's economy is the banking sector. Law of the Republic of Indonesia Number 10 of 1998 explains that a bank is a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and/or other forms in order to improve the standard of living of the people. Banks are part of financial institutions that have an intermediary function, namely collecting funds from the public who have excess funds and distributing the funds they collect to the public who are short of funds. This will have an impact on banking performance. Therefore, banking must be able to maintain its performance in order to become a healthy banking company. Economic activities, both the monetary and real sectors, are experiencing dynamic developments, one of which influences the economy is the banking sector.

The phenomenon in this study lies in the financial performance of banking. Financial performance is an indicator that can be used to see the financial condition of a company and can be used as a medium to measure the health of a company. The financial performance of the banking industry is very important because banks are directly related to trust. In addition, this banking financial performance will increase the selling value and good name of the company. According to Fahmi (2012), financial performance is an analysis carried out to see to what extent a company has implemented financial implementation rules properly and correctly.

Table 1.1
Banking Business Activities

Statistik Perbankan Indonesia - Vol. 22 No.1 Desember 2023 | *Indonesia Banking Statistics - Vol. 22 No.1 December 2023*

Tabel 1
Kegiatan Usaha Perbankan
(Bank Industries Operation)
dalam Miliar Rp *(Billion Rp)*

Indikator / *Indicator*	2020	2021	2022	2023											
			Des	Jan	Feb	Mar	Apr	Mei	Jun	Jul	Agt	Sep	Okt	Nov	Des
Penyaluran Dana / *Distribution of Funds*															
Bank Umum / *Commercial Banks*	9.098.135	10.114.135	11.065.740	10.905.957	10.928.980	10.924.561	10.851.917	10.859.185	10.962.167	10.968.054	11.004.378	11.169.976	11.260.502	11.337.259	11.621.114
Bank Perkreditan Rakyat / *Rural Banks*	148.709	161.831	175.631	174.119	175.073	174.686	173.706	177.095	178.188	179.829	181.735	183.052	184.363	186.291	188.212
SBI dan SBIS [1]	18.785	12.420	2.866	2.654	4.345	4.033	2.069	2.257	2.266	2.276	764	19	20	-	-
Sumber Dana / *Source of Funds*															
Bank Umum / *Commercial Banks*	7.406.325	8.129.720	8.925.472	8.716.851	8.711.566	8.731.589	8.771.879	8.710.641	8.813.114	8.792.308	8.801.237	8.929.901	8.999.379	9.042.451	9.347.078
Bank Perkreditan Rakyat / *Rural Banks*	127.522	139.648	151.607	150.620	151.425	151.352	151.124	154.182	155.063	156.497	157.995	158.996	159.879	161.430	163.564
Jumlah Aset / *Total Assets*															
Bank Umum / *Commercial Banks*	9.177.894	10.112.304	11.113.321	10.932.183	10.947.533	10.979.992	10.932.358	10.888.888	11.052.100	11.030.031	11.049.414	11.234.971	11.345.365	11.427.957	11.765.838
Bank Perkreditan Rakyat / *Rural Banks*	155.075	168.443	182.302	180.988	181.895	181.603	180.767	184.477	185.702	187.124	188.874	190.324	191.363	193.019	194.984
Jumlah Bank / *Total Banks*															
Bank Umum / *Commercial Banks*	109	107	106	106	106	106	106	105	105	105	105	105	105	105	105
Bank Perkreditan Rakyat / *Rural Banks*	1.506	1.468	1.442	1.441	1.437	1.429	1.426	1.416	1.413	1.413	1.413	1.412	1.411	1.410	1.405
Jumlah Kantor / *Total Bank Offices*															
Bank Umum / *Commercial Banks*	30.733	32.366	25.377	25.298	25.062	24.976	24.982	24.843	24.784	24.741	24.642	24.459	24.324	24.280	24.276
Bank Perkreditan Rakyat / *Rural Banks*	5.913	5.871	6.046	6.044	6.039	6.047	6.031	6.053	6.033	6.044	6.049	6.055	6.054	6.043	6.049

Source: OJK Report, 2023: Indonesian Banking Statistics - Vol 22 No.1 December 2023

Researchers conducted an empirical study of the phenomenon of banking financial performance problems through Return on Assets (ROA), which is one of the profitability ratios that shows the company's ability to generate profits. In financial statement analysis, this ratio is most often highlighted, because it is able to show the company's success in generating profits.

ROA is able to measure the company's ability to generate profits compared to the assets owned. A positive ROA indicates that from the total assets used to operate, the company is able to provide profits for the company. Conversely, if the ROA is negative, it indicates that from the total assets used, the company is making losses. So if a company has a high ROA, the company has a great opportunity to increase growth. However, if the total assets used by the company do not provide profits, the company will experience losses and will hinder growth.

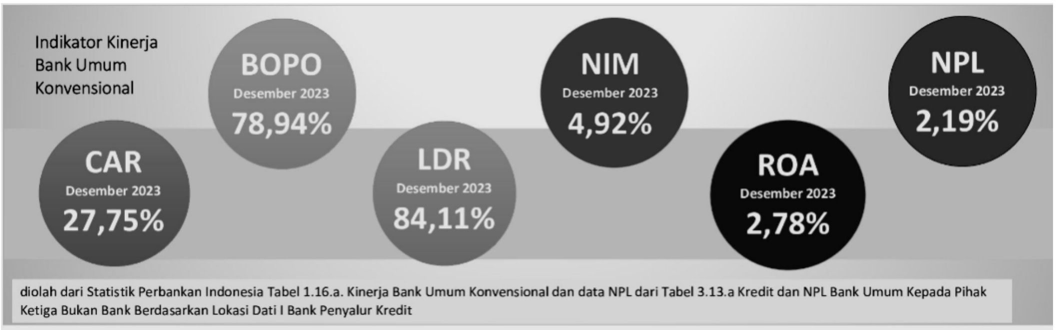

Figure 1.1 Conventional Commercial Bank Performance Indicators
Source: OJK Report, 2023: Indonesian Banking Statistics - Vol 22 No.1 December 2023

GCG provides mutual trust between government, society, and private sector based on the principles of transparency, accountability and participation. The connection between stakeholders, residents and the business world is a requirement needed and the success of policy implementation. Every bank needs to implement the principles of Good Corporate Governance (GCG) that have been set in accordance with Bank Indonesia Regulations.

The implementation and management of good corporate governance or better known as good corporate governance is a concept that emphasizes the importance of shareholders' rights to obtain information correctly, accurately, and on time. Good Corporate Governance or Good Banking Governance helps create a conducive and accountable relationship between elements in the company (institutional ownership, activities of the Board of Commissioners, Board of

Directors, independent board of commissioners and audit committee) in order to improve banking performance.

Banking business is a business that has risks. Risk management is a core advantage that must be relied on in order to survive and provide sustainable profits. In today's era, banks will be faced with many problems. These problems can come from increasingly complex risks or unexpected challenges. Risk management is a series of methodologies and procedures used to identify, measure, monitor, and control risks arising from all bank business activities. In the banking world, risk is inseparable from every operational activity.

Banking companies listed on the Indonesia Stock Exchange have short-term goals to obtain maximum profit, in the long term to prosper the owners and shareholders and maximize the company's value against the stock price of the manufacturing company. In maximizing the company's value, it can be seen from the stock price of the manufacturing company, the higher the stock price, the higher the company's value. High company value is the desire of company owners, because high value shows that shareholder prosperity is also high.

Company Value is certainly related to the profit and stock price obtained by the company. Stock value can be interpreted as the number of shares multiplied by the market value per share plus the debt value, with the estimate that the debt value does not change or is constant. This is to prove whether the Implementation of Good Corporate Governance (GCG) and Risk Management have an effect on Banking Financial Performance and its Impact on Company Value. Therefore, researchers conducted a re-research on the influence and impacts that can affect banking financial performance. As a solution to the research gap, researchers tried to add company value as an intervening variable in the renewal of this research to see the differences from other previous researchers.

RESEARCH METHODS

This research was conducted at the Indonesia Stock Exchange covering data on company value obtained from IDX Statistics or the Indonesian Capital Market Dictionary (ICMD). The data used in this study concerns quantitative data. In this study the author uses secondary data obtained from the financial statements of PT. Bank Negara Indonesia (Persero) Tbk.

Data analysis uses classical assumption tests, normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests.

Multiple linear regression analysis using two models, namely

Regression Model I

$Y = \alpha + b1x1 + b2x2 + e$

Regression Model II

$Z = \alpha + b1x1 + b2x2 + b3Y + e$

Hypothesis testing and path analysis

Path model I

$Y = \rho yx1 + \rho yx2 + \rho zy + \varepsilon 1$

Path model II

$Z = \rho zx1 + \rho zx2 + \varepsilon 2$

RESULTS AND DISCUSSION

Multicollinearity test results

Table 1

Results of multicollinearity tolerance and VIF tests (model one)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	162.817	18.943		8.595	.000
1	GCG	-2.009	.154	-.931	-13.053	.000
	BOPO	-.954	.209	-.326	-4.564	.006

a. Dependent Variable: ROA

Table 2
Results of multicollinearity tolerance and VIF tests (model two)
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	161.719	18.433		8.773	.001
	GCG	-1.913	.154	-1.733	-12.421	.000
	BOPO	-.943	.155	-.539	-6.089	.004
	ROA	-.722	.088	-1.211	-8.202	.001

a. Dependent Variable: NP

Autocorrelation test results

Table 3
Autocorrelation test results (model one)
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.987[a]	.975	.964	11.83272	2.760

a. Predictors: (Constant), BOPO, GCG
b. Dependent Variable: ROA

Table 4
Autocorrelation test results (model two)
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.989[a]	.978	.961	7.35358	2.471

a. Predictors: (Constant), ROA, BOPO, GCG
b. Dependent Variable: NP

Hypothesis Testing Results

Table 5
Hypothesis testing of all variables simultaneously
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26817.933	2	13408.967	95.769	.000[b]
	Residual	700.067	5	140.013		
	Total	27518.000	7			

a. Dependent Variable: ROA
b. Predictors: (Constant), BOPO, GCG

Table 6
Hypothesis testing of all variables simultaneously
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9564.575	3	3188.192	58.959	.001[b]
	Residual	216.300	4	54.075		
	Total	9780.875	7			

a. Dependent Variable: NP
b. Predictors: (Constant), ROA, BOPO, GCG

DISCUSSION

Table 7
Hypothesis testing results

Hypothesis				B	Sign	Comparator	Decision
Ha 1	GCG	Terhadap	ROA	-0,931	0,000	0,05	Accepted
Ha 2	BOPO	Terhadap	ROA	-0,326	0,006	0,05	Accepted
Ha 3	GCG	Terhadap	NP	-1,733	0,000	0,05	Accepted
Ha 4	BOPO	Terhadap	NP	-0,539	0,004	0,05	Accepted
Ha 5	GCG, ROA	Terhadap	NP	1,125	0,000	0,05	Accepted
Ha 6	BOPO, ROA	Terhadap	NP	-0,4215	0,093	0,05	Rejected
Ha 7	NP	Terhadap	ROA	-1,211	-0,001	0,05	Rejected

CONCLUSION

In table 7 above, the results of testing and discussion related to the Implementation of Good Corporate Governance (GCG) and Risk Management on Banking Financial Performance, its Impact on Company Value as an Intervening Variable, both partially and simultaneously, some have a positive and significant effect and some have a negative and insignificant effect.

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