

The Effect of Bank Soundness Ratio towards Financial Performance on Commercial Banks Moderated by Good Corporate Governance

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Abstract:- The purpose of this study is to determine the impact of bank health indicators on bank financial performance governed by good corporate governance. The subjects of this study are commercial banks KBMI IV registered with the Indonesian Financial Authority (OJK) in the period from 2017 to 2021. The sampling technique uses the saturation sampling method (census), and the total sample consists of 4 commercial banks. The measurement of the variables used in this study was made in the form of a scale of coefficients with a quantitative approach, using 5 (five) year time series data from the reports published by KBMI IV Bank in the period from 2017 to 2021. The analysis method used in this study is panel data regression analysis supported by Eviews 10 software. The results show that the financial indicators of banks can be optimized by maintaining the values of capital adequacy and lending indicators within predetermined safety limits and further strengthening by publicizing good corporate governance by the company. Meanwhile, non-performing loans and corporate social responsibility do not affect banks' financial performance, although they are supported by corporate governance information.

Keywords:- Financial Performance, Capital Adequacy Ratio, Non-Performing Loans, Loan-To-Deposit Ratio, Corporate Social Responsibility, Good Corporate Governance.

I. INTRODUCTION

The global economy is developing rapidly, as evidenced by the economic progress that Indonesia has experienced in both developed and developing countries. Even with global and domestic economic conditions still affected by the Covid-19 pandemic, Bank Indonesia, especially commercial bank KBMI IV, has proven to be stable until 2021, which is reflected in the bank's fairly stable capital and sufficient liquidity support (OJK, 2021).

The banking sector is one of the most significant keys to the country's economic activity since it is critical for the continuous growth of significant economic activity. If the monetary sector does not perform well, the real sector will not perform well. Banks act as financial institutions to collect funds from the public in the form of savings and channel the funds back in the form of loans or act as financial intermediaries (Dewi and Suryanawa, 2018).

With the rapid development of the banking sector, the complexity of banking is also increasing, which affects banking operations. The high complexity of banking operations can increase the risks faced by Indonesian banks. Banking is an industry that relies on the public's trust in its business, and therefore a stable level of banking must be maintained.

According to a World Bank study, the weak implementation of corporate governance systems commonly referred to as corporate governance is one of the decisive factors in the direction of the global economic crisis (Nurdiwati et al., 2019). The low level of implementation of good governance has been the root cause of various financial scandals. The frequent appearance of various banking cases in Indonesia provides an opportunity for all business managers to learn and understand the importance of good corporate governance.

II. LITERATURE REVIEW

A. Agency Theory

Jensen and Meckling (1976) define agency theory as a contractual connection between agent and principle in which the tasks, authority, rights, and obligations of agents and principals are defined by a mutually negotiated work contract. The goal of agency theory is to find the most efficient contracts that affect principal-agent interactions. Because bank management cannot be divorced from the attainment of goals and the performance of a bank, agency theory presents an updated understanding of banking financial performance. The total assets of a corporation can be used to measure its success. The higher the company's size, the greater the company's assets.

B. Signal Theory

According to Spence (1973), the signal theory suggests that the sender (owner of the information) attempts to offer relevant information in the form of signals or cues that the receiver may use, and that the receiver subsequently modifies his *behaviour* by his comprehension of the signal. This explains why *businesses must give* users of financial reports clear and accurate indications. This signal takes the form of details regarding the steps taken by management to carry out the owner's wishes. Signals can take the shape of advertisements or details about the company's benefits so that investors can use the financial ratios supplied as a reference to determine the company's possibilities.

C. Commercial Banks

Commercial banks are defined as banks that conduct business activities traditionally and/or based on sharia principles, and who through their activities provide services in payment traffic, under Law Number 10 of 1998 about banking. According to the most recent Financial Services Authority rule (12/POJK.03/2021) about commercial banks, there are four (4) different bank groups based on core capital (KBMI), with KBMI IV being the biggest bank group having a core capital of more than 70 trillion rupiahs. As a result, KBMI IV is a massive bank group with the highest total assets and money circulation, making it one of the primary foundations of banking in Indonesia and a good indicator of how Indonesian commercial banks are doing financially.

D. Financial Performance

Financial performance is a description of the company's financial health during a specific period, including features of raising and dispersing cash. These factors are often gauged by indices of capital sufficiency, liquidity, and profitability (Siswanti, 2018). Financial benchmarks known as financial ratios can be used to assess the success or failure of achieving sufficient corporate performance, as well as good or bad banking financial performance. Profitability is the most appropriate ratio indicator to use for determining how well a bank is performing, as represented by Return on Assets, among all the many types of financial ratios now in use (ROA). This is so because ROA is concerned with how well a firm can profit from all of the assets it is in charge of.

E. Capital Adequacy Ratio

Rembet & Baramuli (2020) suggest that a bank's ability to govern its activities with adequate capital is crucial to the institution's existence. The capital adequacy ratio gauges how much a bank's hazardous assets—loans, investments in securities, and claims against other banks—are supported by its capital in addition to obtaining external funding from sources including government money, loans (debt), and other sources. The bank is in better shape if it has a greater capital adequacy ratio since it can finance bank activities and, under ideal circumstances, contribute significantly to the profitability of the organization.

F. Non-Performing Loan

According to Setyarini (2020), the ratio of non-performing loans serves as a measure of both the business risk and the risk of non-performing loans in a bank. Fixed principle and interest payments, which result in non-performing loans, can directly impact a bank's efficiency and render it ineffective (PBI No. 7/2/PB/2005). Credit quality is divided into five categories by Bank Indonesia: current, on special notice, substandard, questionable, and bad, with a total limitation of 5%.

G. Loan to Deposit Ratio

One ratio used to assess a bank's liquidity, or its capacity to meet its financial commitments, is the ratio of loans to third-party funds (Revita, 2018). In other words, it analyzes the proportion of total loans made by banks to customers to the money the banks receive from depositors. This ratio assesses how the loan amount is distributed in relation to the size of the

public and the equity capital employed. Based on Bank Indonesia's regulations No. 6/23/DPNP 2004, which state that the acceptable range for healthy liquidity is 78% to 92%.

H. Corporate Social Responsibility

Corporate social responsibility is defined as a company's or organization's ongoing commitment to uphold moral principles, comply with the law, and encourage economic progress while improving the lives of employees, their families, the local community, and society as a whole (Pratiwi & Bahari, 2020). Furthermore, as a means of enhancing business sustainability, by taking responsibility for the company's social, economic, and environmental effects of its operational operations.

The forms of liability given also vary, ranging from carrying out activities likely to improve the well-being of the community environmental improvements, the granting of scholarships for studies, the provision of funds for the maintenance of public facilities, as well as community which are social and helpful, especially people who are in the corporate environment (Aristananda & Risman, 2022). Refers to the GRI (Global Reporting Initiative) G4 instrument, the corporate responsibility disclosure index, which includes economic performance, environmental performance, social performance, human rights performance, community performance, and product performance, and is expected to have a positive impact on the economy, social, and corporate environment if implemented (GRI, 2016).

I. Good Corporate Governance

Siswanti (2016) proposed a connection between good corporate governance and risk management on financial performance, stating that good corporate governance implementation will minimize or minimize the risks that exist in banking, so if these two variables are applied together, and obtaining a good predicate will affect the condition of a bank's financial performance. In a bank, openness, accountability, responsibility, independence, and justice are all evaluated (Argantara et al., 2021). This promotes professional, optimum, efficient, and effective corporate management, as well as empowering functions and enhancing the structure's independence.

III. RESEARCH METHODS

This study employs a quantitative method or one that employs data in the form of numbers through statistical analysis. This research, according to this definition, is research that tries to identify the link between two or more variables. This study is causally associative, to test hypotheses and determine the causal link (impact) between the independent variable (X) and the dependent variable (Y). Furthermore, this research analysis discusses the influence of the independent variable (bank soundness indicator) on the dependent variable (financial performance) with the moderating variable in this study, namely good corporate governance.

IV. RESULTS AND DISCUSSION

This study employs secondary data in the form of KBMI IV public bank publication reports for the 2017-2021 period, which include a summary of banking performance obtained from each annual report, governance report, and social responsibility report for a total of four companies registered with the financial services authority.

A. Results of Descriptive Statistical Analysis

Descriptive statistics provide an overview of the data that will be used to create study variables (Kurniawan et al., 2021). The average value (mean), median value (median), maximum value (mode), and minimum value of the study data will be produced through descriptive statistical analysis. The following are the findings of the statistical analysis of the study.

	ROA	CAR	NPL	LDR	CSR	GCG
Mean	2.861500	21.42150	0.756000	83.93750	0.624000	1.650000
Median	2.905000	21.30000	0.760000	84.62500	0.600000	2.000000
Maximum	4.020000	25.83000	1.250000	96.74000	0.700000	2.000000
Minimum	0.540000	15.83000	0.410000	61.96000	0.550000	1.000000
Std. Dev.	0.923074	2.731077	0.232275	8.583174	0.049778	0.489360
Sum	57.23000	428.4300	15.12000	1678.750	12.48000	33.00000
Sum Sq. Dev.	16.18926	141.7169	1.025080	1399.747	0.047080	4.550000
Observations	20	20	20	20	20	20

Fig 2. Results of Statistic Descriptive Analysis - Eviews 10

According to Figure 2, the return on assets variable has a mean value of 2.86% or greater than 0.5%, indicating that the KBMI IV Commercial Bank may still make profits from asset management throughout the 2017-2021 period. PT. Bank Negara Indonesia, Tbk received the lowest score of 0.54% in 2020, with a net profit of 2020 declining by 78.6% from 2019. While PT. Bank Central Asia, Tbk reached the greatest value of 4.02% in 2019, this was due to BCA's outstanding financial performance, which increased by 10.5% from the previous year.

Based on Figure 2, the capital adequacy ratio variable has a mean value of 21.42% or > 8%, meaning that the KBMI IV commercial bank has good financial conditions sourced from the capital. With the lowest score of 15.83% achieved by PT. Bank Negara Indonesia, Tbk in 2017 due to BNI providing high loans, there were restructured loans with an extension of the loan maturity, and a decrease in interest rates. While the highest value of 25.83% was achieved by PT. Bank Central Asia, Tbk in 2020 because BCA always maintains adequate capital conditions.

Figure 2 shows that the nonperforming loan variable has a mean value of 0.76%, or 2%. PT. Bank Mandiri, Tbk got the lowest score of 0.41% in 2021 because Bank Mandiri received an AA (idn) credit rating from Fitch Rating Indonesia, indicating a very low risk of default. While PT. Bank Negara Indonesia, Tbk obtained the highest score of 1.25% in 2019, this was owing to a drop in commercial business productivity and the quality of corporate loans during the year.

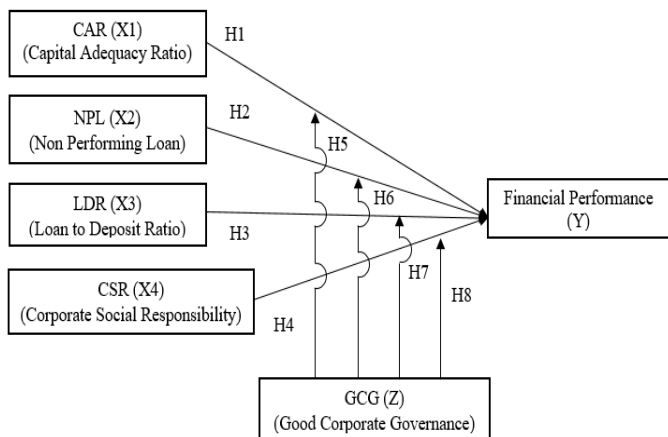


Fig 1. Framework

Panel data regression analysis was employed in this study. Panel data is a mix of time series and cross-section data. Time series data is data that consists of one or more variables that will be monitored in one observation unit for a certain length of time in this study, particularly for five years, from 2017 to 2021. Meanwhile, cross-section data is observation data from several observation units at the same time, which in this study are the banking sector firms in the commercial bank sub-sector KBMI IV that are registered with the financial services administration (OJK). The Eviews 10 program is used to select the regression model, assess the influence of independent variables, and perform moderated regression analysis on research panel data.

A. Population

According to Sugiyono (2017), the population is a broad category of items or subjects with certain attributes and characteristics chosen by the researcher to be explored and conclusions produced. In this study, the population consisted of all banking sector enterprises in the commercial bank sub-sector that, based on their Core Capital, entered KBMI IV between 2017 and 2021, namely four banks. This research population data is presented in the table below:

No	Bank	Core Capital (Millions Rupiah)
1	PT. Bank Rakyat Indonesia, Tbk	Rp 231.982.043
2	PT. Bank Mandiri, Tbk	Rp 165.492.705
3	PT. Bank Negara Indonesia, Tbk	Rp 112.685.137
4	PT. Bank Central Asia, Tbk	Rp 203.621.000

Table 1. Population and Sample

B. Sample

A sample is a smaller portion of a population's actual amount and characteristics (Sugiyono, 2017). The saturation sampling approach was used in this study to determine the sample if Every member of the population is sampled. This is done when the population size is very small, less than 30, or when the research aims to make broad generalizations with relatively small inaccuracies. As can be observed in Table 1, the bank sample in this research includes all KBMI IV commercial banks registered with the financial services authorities for the 2017-2021 period.

According to Figure 2, the loan-to-deposit ratio variable has a mean value of 83.94%, indicating that the commercial bank KBMI IV has a liquidity capability larger than the quantity of credit. PT. Bank Central Asia, Tbk obtained the lowest score of 61.96% in December 2021 owing to CASA, which is substantially larger than credit growth. While PT. Bank Mandiri, Tbk received the highest score of 96.74% in 2018, this was owing to a reaction to the depreciation of the Rupiah currency rate and the increasing current account deficit, which caused banks' liquidity conditions to tighten due to a rise in LDR.

According to Figure 2, the corporate social responsibility variable has a mean value of 0.62%, indicating that the KBMI IV Public Bank appropriately implements social responsibility disclosures in order to improve the company's reputation and contribute to overall performance improvement. With the lowest score of 0.55% in 2017, PT. Bank Mandiri, Tbk will focus more on implementing community empowerment initiatives. PT. Bank Rakyat Indonesia, Tbk had the best score of 0.70% from 2017 to 2021.

According to Figure 2, the excellent corporate governance variable has a mean value of 1.65%, indicating that the KBMI IV commercial bank employs solid management practices in managing the organization in order to improve its performance. The four organizations with the lowest score, namely the composite score of '2', were PT. Bank Rakyat Indonesia, Tbk; PT. Bank Mandiri, Tbk; PT. Bank Negara Indonesia, Tbk; and PT. Bank Central Asia, Tbk. With a composite value of '1,' PT. Bank Rakyat Indonesia, Tbk, PT. Bank Mandiri, Tbk, and PT. Bank Central Asia, Tbk received the highest score.

B. Panel Data Regression Results

Panel data regression analysis may be used to evaluate model estimates using one of three approaches: the common effect model, the fixed effect model, or the random effect model (Prawoto, 2017). The most appropriate model for handling research panel data is chosen based on statistical considerations in order to generate precise and efficient estimates using tests such as the Chow Test and the Hausman Test.

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.793044	(3,11)	0.2066
Cross-section Chi-square	7.962256	3	0.0468

Fig 3. Chow Test Results - Eviews 10

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.422708	5	0.0410

Fig 4. Hausman Test Results - Eviews 10

Based on the test results, it is possible to infer that the fixed effect model is the best model for estimating panel data regression in this study.

C. Coefficient of Determination (R²) Test Results

The coefficient of determination indicates how the independent variable's impact on the dependent variable varies. In other words, as a percentage of all independent factors' effect on the dependent variable. The value of R-Square or Adjusted R-Square may be used to calculate the coefficient of determination. With a threshold value between '0' and '1', the higher the R-Square value, the better the prediction model of the suggested research model.

R-squared	0.674425	Mean dependent var	2.861500
Adjusted R-squared	0.537643	S.D. dependent var	0.923074
S.E. of regression	0.692217	Akaike info criterion	2.404330
Sum squared resid	5.270814	Schwarz criterion	2.852409
Log likelihood	-15.04330	Hannan-Quinn criter.	2.491799
F-statistic	2.848299	Durbin-Watson stat	1.916905
Prob(F-statistic)	0.045413		

Fig 5. R² Test Results - Eviews 10

The Adjusted R-Square value in the graph above is 0.537643, which means that 53.76% of the influence of the independent variable (banking health indicator) on the dependent variable (financial performance) is influenced by other variables that are not in regression models, such as credit risk, operational costs, or management efficiency.

D. Results of t-Test (Partial)

The Partial t-test seeks to demonstrate how far the independent factors' effect is in partially explaining the dependent variable (Ghozali, 2018).

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.922947	5.687886	-0.513890	0.6175
CAR	0.058202	0.137985	0.042179	0.0068
NPL	-0.671680	1.035881	-0.084148	0.0557
LDR	0.006147	0.030699	0.002459	0.0070
CSR	-0.184797	8.894726	-0.020776	0.2983

Fig 6. t Test Results – Eviews 10

➤ *The influence of the Capital Adequacy Ratio on the Financial Performance of Commercial Banks KBMI IV*

Based on Figure 6, it is known that the probability value of the CAR variable is $0.0068 < \alpha = 0.05$. This means that CAR has an effect on the financial performance of Commercial Banks KBMI IV. Thus the hypothesis proposed by the author which states that CAR has a significant positive effect on the financial performance of Commercial Banks KBMI IV is pronounced proven.

➤ *The Influence of Non-Performing Loans on the Financial Performance of Commercial Banks KBMI IV*

Figure 6 shows that the probability value of the NPL variable is $0.0557 > \alpha = 0.05$. This indicates that the NPL has no impact on the KBMI IV Commercial Bank's financial performance. Thus, the author's premise that NPLs have a major negative influence on the financial performance of Commercial Banks KBMI IV is pronounced unproven.

➤ *The Influence of Loan to Deposit Ratio on the Financial Performance of Commercial Banks KBMI IV*

According to Figure 6, the probability value of the LDR variable is $0.0070 < \alpha = 0.05$. This suggests that LDR has an impact on the KBMI IV financial performance of commercial banks. Thus, the author's premise that LDR has a considerable favourable influence on the financial performance of Commercial Banks KBMI IV is pronounced proven.

➤ *The influence of Corporate Social Responsibility on Financial Performance of Commercial Banks KBMI IV*

According to Figure 6, the probability value of the CSR variable is known to be $0.2983 > \alpha = 0.05$. This indicates that CSR has no impact on KBMI IV Commercial Banks' financial performance. Thus, the author's premise that CSR has a considerable beneficial influence on the financial performance of Commercial Banks KBMI IV is pronounced unproven.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.922947	5.687886	-0.513890	0.6175
CAR*GCG	0.027271	0.022397	1.021762	0.0245
NPL*GCG	1.139036	1.883044	0.604891	0.5058
LDR*GCG	0.023497	0.043790	0.053658	0.0460
CSR*GCG	-2.253268	9.755404	-0.230976	0.8209

Fig 7. t Test Results with Moderation Variable – Eviews 10

➤ *Good Corporate Governance (GCG) moderates the effect of Capital Adequacy Ratio (CAR) on Financial Performance of Commercial Banks KBMI IV*

According to Figure 7, the likelihood value of the GCG variable playing a significant role in moderating the effect of CAR on ROA is $0.0245 < \alpha = 0.05$. This indicates that GCG mitigates CAR's influence on ROA. Thus, the author's hypothesis that GCG moderates the effect of CAR on the financial performance of Commercial Banks KBMI IV is pronounced proven.

➤ *Good Corporate Governance (GCG) moderates the effect of Non-Performing Loans (NPL) on the Financial Performance of Commercial Banks KBMI IV*

According to Figure 7, the probability value of the GCG variable playing a significant role in minimizing the impact of NPL on ROA is $0.5058 > \alpha = 0.05$. This indicates that GCG has no influence on NPL's effect on ROA. Thus, the author's claim

that GCG moderates the effect of NPLs on the financial performance of Commercial Banks KBMI IV is pronounced unproven.

➤ *Good Corporate Governance (GCG) moderates the influence of the Loan to Deposit Ratio (LDR) on the Financial Performance of Commercial Banks KBMI IV*

According to Figure 7, the probability value of the GCG variable that plays a significant role in minimizing the impact of LDR on ROA is $0.0460 < \alpha = 0.05$. This indicates that GCG reduces LDR's influence on ROA. Thus, the author's hypothesis that GCG moderates the effect of LDR on the financial performance of Commercial Banks KBMI IV is pronounced proven.

➤ *Good Corporate Governance (GCG) moderates the influence of Corporate Social Responsibility (CSR) on the Financial Performance of Commercial Banks KBMI IV*

According to Figure 7, the probability value of the GCG variable that plays a significant role in moderating the effect of CSR on ROA is $0.8209 > \alpha = 0.05$. This indicates that GCG has no influence on CSR's effect on ROA. Thus, the author's claim that GCG moderates the impact of CSR on the financial performance of Commercial Banks KBMI IV is pronounced unproven.

E. Results of Moderation Regression Analysis (MRA)

Moderation is used to assess how significant the regression analysis connection of more than one variable through the regression. The regression equation found in this study is shown below.

$$ROA = - 2.922947 + 0.058202 \text{ CAR} - 0.671680 \text{ NPL} + 0.006147 \text{ LDR} - 0.184797 \text{ CSR} + 0.027271 \text{ CAR*GCG} + 1.139036 \text{ NPL*GCG} + 0.023497 \text{ LDR*GCG} - 2.253268 \text{ CSR*GCG}$$

- The coefficient value for the Capital Adequacy Ratio (CAR) variable is $0.058202 < 0.05$. Because the regression coefficient is lower than the alpha, CAR has a positive influence on financial performance. If CAR improves by 1% and all other factors remain constant, financial performance will improve by 0.058202%.
- The Non-Performing Loan (NPL) variable has a coefficient value of $0.671680 > 0.05$. The regression coefficient has a bigger value than the alpha, indicating that NPL has no influence on financial performance.
- The Loan to Deposit Ratio (LDR) variable has a coefficient value of $0.006147 < 0.05$. Because the regression coefficient is lower than the alpha, LDR has an influence on financial performance. If the LDR rises by 1% and all other factors remain constant, financial performance will rise by 0.006147%.
- The Corporate Social Responsibility (CSR) variable has a coefficient value of $0.184797 > 0.05$. The regression coefficient has a larger value than the alpha, indicating that CSR has no influence on financial performance.
- The interaction variable Capital Adequacy Ratio (CAR) with Good Corporate Governance (GCG) has a coefficient value of $0.027271 < 0.05$. The regression coefficient value is less than the alpha, indicating that the interaction between CAR and GCG has a positive influence on financial

performance. This demonstrates that GCG enhances CAR's effect on financial performance. If the interaction between CAR and GCG grows by 1% and all other variables remain constant, financial performance will improve by 0.027271%.

- The interaction variable of Non-Performing Loans (NPL) with Good Corporate Governance (GCG) has a coefficient value of $1.139036 > 0.05$. Because the coefficient value is higher than the alpha, the interaction between NPL and GCG has no influence on financial performance. This indicates that increasing the interaction of NPL with GCG by 1%, providing all other variables remain constant, has no effect on financial performance.
- The interaction variable of Loan to Deposit Ratio (LDR) with Good Corporate Governance (GCG) has a coefficient value of $0.023497 < 0.05$. Because the coefficient value is lower than alpha, the interaction between LDR and GCG has a positive influence on financial performance. This indicates that GCG increases the influence of LDR on financial performance. If the interaction between LDR and GCG grows by 1% while all other variables remain constant, financial performance will improve by 0.023497%.
- Variabel The interaction variable of Corporate Social Responsibility (CSR) with Good Corporate Governance (GCG) has a coefficient value of $2.253268 > 0.05$. The regression coefficient has a bigger value than alpha, indicating that the interaction between CSR and GCG has no influence on financial performance. This indicates that increasing the interaction of CSR with GCG by 1%, while all other variables remain constant, has no effect on financial performance.

V. CONCLUSION

According to the findings of this study, the management of Commercial Bank KBMI IV must make several efforts to improve the quality of company capital and maintain the stability of financial ratios, as well as implement aspects of good corporate governance in order to achieve the company's sustainability and sustainability.

KBMI IV can fulfil capital demands organically. The more the capital of the bank, the larger the chance to boost profitability. Companies must drastically boost their capital ratio in order to continue functioning and generating optimal profits. In other words, the stronger the bank's capital situation, the greater its potential to support the long-term growth of the company.

KBMI IV has an extremely low default risk, with an average of 2%. This proves that non-performing loans do not have a significant impact on the profitability of KBMI IV Commercial Banks. It is hoped, however, that the company would continue to enhance credit quality and default risk management, in addition to better quality and focused credit expansion.

KBMI IV has a strong ability to channel third-party funding. As a result, the bank's situation is becoming increasingly liquid. This proves that the bank is able to meet its commitments to pay funds to customers or depositors for loans provided, as well as that, while credit provision is high, it is

accompanied by a high rate of return, which can boost bank profitability.

In order to boost the company's reputation, KBMI IV has properly declared its social responsibilities. However, these disclosures have not improved the company's overall performance. This is because social disclosure is still not a standard for investors, and the public views it primarily as a promotional event, resulting in low positive opinions.

KBMI IV establishes a strong governance structure within the organization in order to control the risk of potential losses. The establishment of corporate governance has had a positive effect as a finance control tool, as evidenced by the bank's capital and liquidity improvement. Even if the corporation does not adopt effective corporate governance, it will continue to issue a credit to the public and earn credit interest. And there are still many investors who do not base their investment decisions on social responsibility disclosure or governance reports. Thus, persistent implementation of good corporate governance is anticipated to continue for the sake of the company's long-term viability.

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