

## THE INFLUENCE OF SHARIA GOOD CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE (ROA) OF SHARIA BANKING IN INDONESIA FOR THE 2016-2020 PERIOD

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Diterima 28-11-2022 / Disetujui 07-02-2023

### ABSTRACT

The following indicators will be used in this study, the board of directors, board of commissioners, audit committee, and board of sharia supervisory are used as indicators to examine the partial impact of good corporate governance on financial performance using financial measures, namely ROA (return on assets) between 2016 and 2020. The population of this study consists of Indonesia Stock Exchange-listed Islamic banking institutions. Up to 11 samples of businesses were included in the purposive sampling used to determine the sample during a five-year period. Multiple regression analysis employing the panel data approach is the data analysis strategy used in this study. According to the study's findings, the audit committee and sharia supervisory board have no bearing on financial performance, while the board of directors and board of commissioners have a limited impact. The value of R square shows that variable X has a significant impact on variable Y. In addition, the indicators of Good Corporate Governance (board of directors, board of commissioners, audit committee, board of sharia supervisory) simultaneously affect the financial performance.

Keywords: Good Corporate Governance, ROA (Return on Assets), Financial Performance

### ABSTRAK

Tujuan penelitian ini untuk menguji adanya pengaruh secara parsial *Good Corporate Governance* dengan indikator (dewan direksi, dewan komisaris, komite audit, dewan pengawas syariah) terhadap Kinerja Keuangan penggunaan rasio keuangan khususnya ROA (return on assets) selama periode 2016-2020. Populasi penelitian ini merupakan perusahaan perbankan syariah yang terdaftar di Bursa Efek Indonesia Dalam lima tahun, sebanyak 11 sampel usaha digunakan dalam proses purposive sampling untuk memilih sampel. Penelitian ini menggunakan analisis regresi berganda data panel sebagai metode analisis data. Hasil penelitian menemukan bahwa secara parsial komite audit dan dewan pengawas syariah tidak berpengaruh terhadap kinerja keuangan, sedangkan dewan direksi dan dewan komisaris memiliki pengaruh. berpengaruh terhadap kinerja keuangan, Kemudian secara simultan atau secara bersamaan indikator *Good Corporate Governance* (dewan direksi, dewan komisaris, komite audit, dewan pengawas syariah) berpengaruh terhadap kinerja keuangan dengan nilai R square menunjukkan bahwa variabel X memiliki kontribusi yang besar terhadap variabel Y.

Kata Kunci : *good corporate governance*, ROA, kinerja keuangan

### INTRODUCTION

A company's performance appraisal that is carried out properly and correctly will certainly have an impact on the success of the company. Performance appraisal system including evaluation and measurement in the context of accounting

has an important role for internal organizations and external parties. The results of the performance appraisal can be used by internal parties as a basis for formulating policies in planning, organizing, directing, and monitoring for further performance improvement

(Niswatin et al., 2014).

The performance of Islamic banking shows improvement in its management even though it is still below the performance of Conventional Commercial Banks. The financial performance of Islamic banking in June 2020 grew by 9.22% from the banking industry in Indonesia with total assets of Rp. 545.4 trillion, while Islamic Commercial Banks (BUS) with total assets up to Rp.356.33 trillion. With the condition of the largest Muslim population in Indonesia, the performance of Islamic banks should be better than conventional commercial banks or at least equal (Ronny. S, 2020).

The discussion about work performance is listed in QS. Al-Jumu'ah Verse 10: Meaning "And when the prayer has been concluded, disperse within the land and seek from the bounty of Allah, and remember Allah often that you may succeed.". Another verse related to work performance is also listed in QS. At-Taubah verse 105; Meaning: "Do [as you will], for Allah will see your deeds, and [so, will] His Messenger and the believers. And you will be returned to the Knower of the unseen and the witnessed, and He will inform you of what you used to do."

The growth of the banking industry cannot be separated from the bitter experience in 1997 that Indonesia experienced a decline in national banking performance due to poor implementation of Good Corporate Governance (GCG). Furthermore, in 2013, a crisis occurred which was similar to the 2008 case where the value of the rupiah against the dollar collapsed. Several banking companies went bankrupt due to the lack of implementation of Good Corporate Governance (GCG) and the underlying ethics. This is not merely an economic

crisis, but also poor corporate governance.

Good corporate governance is a key element to create a conducive relationship between the company's organs (Board of commissioners, board of directors, and shareholders) to improve company performance. Islamic banking as one of the financial institutions based on Islamic law is expected to be *uswah* repertoire in the implementation of Good Corporate Governance (Mariana Ulfa, Abd. Wahid Mahsuni, 2021). Islamic banks must be at the forefront

of implementing good corporate governance. A study by the World Bank shows that the weak implementation of corporate governance is a factor that determines the severity of the crisis in Asia. These weaknesses can be seen from the lack of reporting on financial performance and company obligations, lack of supervision over management activities by the commissioners and auditors, as well as the lack of incentives to encourage the creation of efficiency in the company through fair competition mechanisms (Novitasari, 2017).

Financial performance is one of the tools to measure whether banking performance is going well or not. Islamic banks that have not fully implemented GCG can trigger fraud, such as corruption, collusion, nepotism (KKN), and other things that can lead the company to collapse. This phenomenon can reduce investor confidence in the bank as well. Therefore, one of the efforts to restore public confidence in the banking world and improve banking performance is by implementing GCG (Ekaningsih & Afkarina, 2021)

The results of the calculation of Return On Assets (ROA) show that there are ups and downs in financial

performance in several companies in the last five periods. Therefore, it can be explained that the financial performance of banking companies is still lacking. And Implementing sound corporate governance in the banking industry is still not optimal, this happens because of fluctuations in each banking company and will affect the stakeholders as well.

Problems that often occur in Islamic banks include the quality of performance. Islamic banks are required to be able to maximize benefits for the community and be responsible for all activities carried out with guidelines based on sharia principles. The existence of Islamic banking aims to meet the needs of the community for the availability of financial transaction services that are in line with Islamic *sharia* principles, such as being free from *ghara*, *masyir*, and *and usury* in theory as a result of the decision of the National Sharia Council (DSN) Fatwa of the Indonesian Ulema Council (MUI) in 2000. which states that interest is not in accordance with Shari'ah (Amelinda, 2021).

Based on the phenomena and differences in research results (GAP) that have been described, research focus on to test the partial the effect board of directors, commissioners, audit committee, and sharia supervisory board on financial performance, So there are limitations to the study of Good Corporate governance, the authors are interested in conducting a study entitled: The Influence of Sharia Good Corporate Governance on Financial Performance (ROA) of Sharia Banking in Indonesia for the 2016-2020 Period.

### **Trust Metaphor**

According to Triyuwono (2015: 208) in the study of (Ismail et al., 2021),

the metaphor of trust has three important parts that must be considered, namely the giver of the trust, the recipient of the trust, and the trust itself. The trustee in this case is God, the Creator of the Universe. Meanwhile, according to (Da & Am, 2016) (Sanjaya, 2019) Husain and Abdullah (2015), the intended mandate will be

more focused on the concept of safeguarding assets (assets) which must be following the principles or the nature of sharia. The form of the metaphor of trust is reflected in the transparency of financial information to all parties, including to Allah in the form of the application of sharia principles.

The metaphor of trust is the concept used to design the form, structure, and management of the organization where the organization is the instrument used by the caliph to carry out his noble duties on earth, namely providing welfare (material and non-material) for all humans and the universe.

### **Definition of Good Corporate Governance**

In general, the term Good Corporate Governance is a company control and regulation system that can be seen from the mechanism of the relationship between the various parties that manage the company (hard definition), as well as in terms of the "values" contained in the management mechanism itself (soft definition). (Kusmayadi et al., 2018).

### **Principles of Good Corporate Governance**

The OECD principles (in Sukrisno Agos, 2006) in the book (Agoes & Ardana, 2011) cover five main areas, namely: the rights of shareholders and

their protection; the role of employees and other interested parties (stakeholders); accurate and timely disclosure; transparency regarding the structure and operations of the company; and the responsibility of the gods (meaning the Board of Commissioners and the Board of Directors) to the company, shareholders and other interested parties. In summary, these principles can be summarized as follows: Equal treatment among stakeholders (fairness), Transparency, Accountability and Responsibility

### **Benefits of Good Corporate Governance**

In addition to the things mentioned above, Good Corporate Governance can also be categorized according to (Kusmayadi et al., 2018): lowering agency fees, lowering capital costs, increasing the share price of the company while improving the company's image to the wider public in the long term at the same time and Creating stakeholder support (interested parties).

### **Islamic Banking Financial Performance**

Performance measurement of Islamic commercial banks in Indonesia is regulated in Sharia Banking Regulations (PBI) No. 9/1/PBI/2007 concerning the rating system for the soundness of commercial banks based on *sharia* principles as amended by OJK regulation Number 8/POJK.03/2014 concerning the assessment of the soundness of sharia commercial banks and sharia business

units with a risk-based approach (Risk-based bank rating). Furthermore, factors that assess bank soundness for Islamic commercial banks are risk profile, GCG, profitability, and capital (Fadhillah, 2018).

### **Hypothesis**

Based on empirical facts obtained through data collection. then formulate the hypothesis as follows :

H1 = Board of Directors affects financial performance in Islamic banking

H2 = Board of Commissioners affects financial performance in Islamic banking

H3 = Audit Committee affects financial performance in Islamic banking

H4= Islamic banking's financial performance is impacted by the Sharia Supervisory Board.

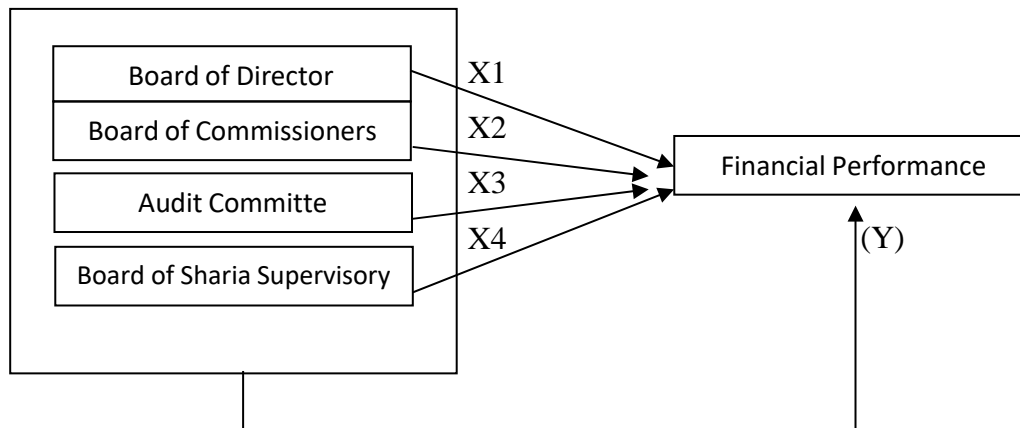
H5 = Board of Directors, Board of Commissioners, Audit Committee, Sharia Supervisory Board affect the financial performance of Islamic banking.

## **RESEARCH METHODS**

### **Research design**

The research variable X is the Good Corporate Governance mechanism used, which is measured by the proportion of the board of directors, board of commissioners, audit committee, and *sharia* supervisory board. Meanwhile, variable Y is the financial performance that is measured by Return On Assets ROA.

**Figure 1** Research Design



**Variables and Operational Definitions of Research Variables**

The variables used in this study are the

Independent variable (free) and the dependent variable (bound). Table 1 Operational Definition

Variable	Dimension	Indicator	Scale
X1 Board of Directors	The board of directors is a company organ that is authorized and fully responsible for the management of the Company for the benefit of the Company, represents the Company, both inside and outside the court following the provisions of the articles of association (Widyati, 2013) in (Julastari & Dewi, 2019).	Size of the board of directors = number of members of the board of directors	Interval

X2 Board of Commissioners	The board of commissioners is in charge of supervising and providing input to the company's dean of directors. The main function of the board of commissioners is to oversee the completeness and quality of report information on the performance of the board of directors (Sukandar & Rahardja, 2014).	Size of the board of commissioners = number of members of the board of commissioners	Interval
X3 Audit Committee	The audit committee is one of the committees formed by the board of commissioners and is responsible to the board of commissioners with the main duties and responsibilities to ensure the principles of good corporate governance, especially transparency and disclosure are applied consistently and adequately by executives (Tjager et al., 2003) in (Makhrus, 2019).	Audit committee size = number of audit committee membership	Interval
X4 Sharia Supervisory Board	The main task of the Sharia Supervisory Board is to supervise Islamic banks which refers to the fatwa of the National Sharia Council (DSN) as well as sharia norms regarding bank operations, Islamic bank products, and management morals (Ariandhini, 2019)	DPS Size = Number of DPS membership	Interval

Y Financial Performance According to Fahmi (2014: 2) in Kustiani et al., (2019) "Financial performance is an analysis conducted to see the extent to which a company has implemented financial implementation rules properly and correctly."

$$ROA = \frac{\text{net profit}}{\text{total asset}} \times 100\%$$

Ratio

### Population

According to (Sugiono, 2018) population can be interpreted as a generalization area consisting of objects/subjects that have certain qualities and characteristics determined by researchers to be studied, and then to be drawn conclusions. So that the population in the study is Islamic banking companies listed on the Indonesia Stock Exchange for the 2016-2020 period, as many as 14 companies.

### Sample

The sample used as a data source must be representative. This can be done by taking samples from the population

Therefore, the number taken for the study amounted to 11 companies listed on the Indonesia Stock Exchange for the 2016-2020 period as many as 55 samples, using a sampling technique (purposive sampling).

## RESEARCH RESULT

### Descriptive Test

Testing the data in a study starts from

randomly up to a certain amount. The sampling technique in this study used purposive sampling, which is a sampling technique with certain considerations.

**Table 2.** Population

Number of Companies	14
Companies that do not include financial Statements	3
<b>Number of Remaining Companies</b>	11
<b>Sample</b>	11 x 5 period = 55

descriptive statistical analysis of each variable. According to descriptive statistics, it is used to analyze data by describing the data that has been collected as it is without intending to make conclusions that apply to the public or generalizations. The The outcomes of descriptive statistical analysis are as follows using Eviews 10

**Table 3 descriptive statistical analysis**

Decriptive	DD	DK	KA	DPS	Y
Mean	4.490909	3.563636	3.6	2.218182	0.013613
Median	4	3	3	2	0.010400
Maximum	8	6	6	3	0.135800
Minimum	2	2	2	2	-0.102700
Std. Dev	1.489130	0.897809	0.894427	1.364699	0.038467
Observations	55	55	55	55	55

Source: Data processing Eviews 10, 2022Panel Data Regression Model Selection Test

#### Chow test

Chow test was conducted to determine which one is more appropriate between Common Effect Model (CEM) and Fixed Effect Model (FEM) in estimating panel data. The Chow test hypotheses are:

H0: Use Common Effect Model (Accepted if cross-section  $F > 0.05$ )

H1: Use Fixed Effect Model (Accepted if Cross-section  $F < 0.05$ )

From the results of the Chow test data, it can be concluded in the selection of the model whether to use CEM or FEM, the following are the results of the estimation of the model selection:

Based on the output results below, The Cross-section Random has a Statistic value of 6.414408 and probability value of 0.0000, so it can be concluded that H1 is accepted

#### Hausman Test

Then the next test is the Hausman test to determine whether to use the Common Effect Model (CEM) or the Fixed Effect Model (FEM).

H0: Use Random Effect Model (Accepted if cross-section  $F > 0.05$ )

H1: Use Fixed Effect Model (Accepted if cross-section  $F < 0.05$ )

From the results of the Hausman test data, it can be concluded in the selection of the model whether to use REM or FEM, the following are the results of the estimation of the model selection:

Based on the output results below, The Cross-section Random has a Statistic value of 6.414408 and probability value of 0.0000, so it can be concluded that H1 is accepted.

From several model estimations, 2 tests state the selection of the same model, namely Chow, Hausman. Therefore, a suitable test for the selection of the model in this study is the FEM model.

#### Normality Test

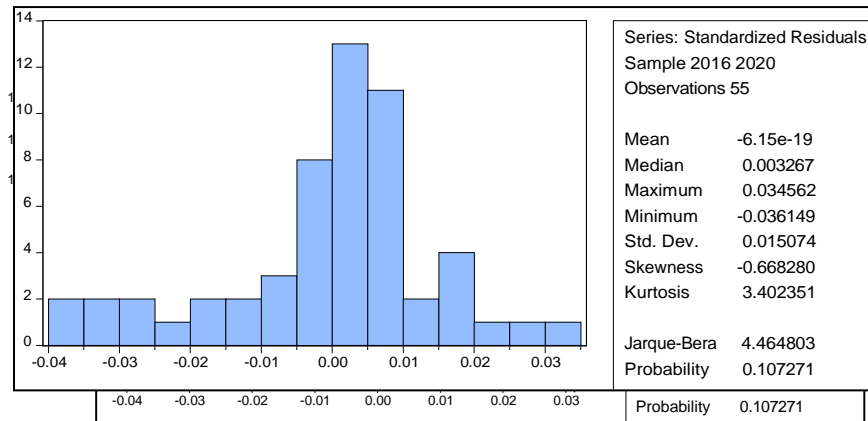
Based on the output results below, the Jarque-Bera value is 4.48, this value is smaller than the Chi-Square Table 72.15. While the probability value of  $0.10 > 0.05$  then H0 can be accepted so that it can be concluded that this study is normally distributed.

#### Multicollinearity Test

Based on the results of calculations using the formula below, it can be concluded that the value of  $VIF < 10$ , we accepts H0 so that there are no symptoms of multicollinearity between the independent



**Figure 2 Data Normality**



Source: Data processing Eviews 10, 2022

**Table 4 Multicollinearity Test**

Variable	VIF
Board of director	2,614
Board of commissioners	3,447
Audit committee	2,327
Board of Sharia supervisory	1,810

Source: Data processing Eviews 10, 2022

### Heteroscedasticity Test

**Table 5 Uji Heteroscedasticity Test**

Variable	Probability
Board of director	0.6424
Board of commissioners	0.8680
Audit committee	0.6421
Board of Sharia supervisory	0.4086

Source: Data processing Eviews 10, 2022

The board of directors (X1) has a probability value of  $0.6424 > 0.05$ , so it can be concluded that  $H_0$  is accepted so that there are no symptoms of heteroscedasticity.

a. The Board of Commissioners (X2) has a probability value of  $0.8680 > 0.05$ , so it can be concluded that  $H_0$  is accepted so that there are no symptoms of

heteroscedasticity.

b. The Audit Committee (X3) has a probability value of  $0.6421 > 0.05$ , so it can be concluded that  $H_0$  is accepted so that there are no symptoms of heteroscedasticity.

c. The Sharia Supervisory Board (X4) has a probability value of  $0.4086 > 0.05$ , so it can be concluded that  $H_0$  is accepted

so that there are no symptoms of heteroscedasticity.

#### Autocorrelation Test

The value of  $du$  is searched for the distribution of values in the Durbin Watson table in the appendix based on  $K$  (4) and  $N$  (55).

Based on the output results, there is a  $du$  value of 1.724, the value of Durbin Watson is 1.745988. Then it can be seen by using the formula  $(4-du) = 4 - 1.724$  the result is 2.276., so it can be concluded that the value of  $du$  ( $1.724$ ) < value of  $dw$

(1.745988) <  $4-du$  (2.276). In this study, there were no autocorrelation symptoms.

#### Multiple Regression Analysis Results

After testing the classical assumption test and testing the selection of panel data regression models, then continued with multiple regression analysis testing between the independent variables (board of directors, board of commissioners, audit committee, sharia supervisory board) on the dependent variable of financial performance

**Table 6** Multiple Regression

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	1.27E-14	5.31E-15	2.392601	0.0215
X1	1.000000	2.22E-15	4.50E+14	0.0000
X2	-2.08E-14	3.44E-15	-6.041722	0.0000
X3	0.000000	2.83E-15	0.000000	1.0000
X4	0.000000	3.38E-15	0.000000	1.0000

Source: Data processing Eviews 10, 2022

Based on the table above, it can be arranged with the following equation:

$$Y = \alpha + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + e$$

$$ROA = 1.27 + 1.00 - 2.08 + 0.00 + 0.00 + e$$

#### t test results

**Table 7** t test (Partial)

Variable	t-statistic	Prob.
C	2.392601	0.0215
X1	4.50E+14	0.0000
X2	-6.041722	0.0000
X3	0.000000	1.0000
X4	0.000000	1.0000

Source: Data processing Eviews 10, 2022

#### Influence of the Board of Directors on Financial Performance

Based on the analysis, it is obtained

that the  $t_{count}$  for the board of directors variable is 4.50 when compared to the  $t_{table}$  value of 2.007, so  $t_{count}$  is greater than  $t_{table}$ ; while the significance value of the board of

directors is 0.00 less than the probability value of 0.05. **Therefore, H0 is rejected**, so it can be concluded that the board of directors affects financial performance.

### **Influence of the Board of Commissioners on Financial Performance**

Based on the analysis, it is obtained that the  $t_{count}$  for the board of commissioners variable is -6.04 when compared to the  $t_{table}$  value of 2.007, so  $t_{count}$  is greater than  $t_{table}$ ; while the significance value of the board of directors is 0.00 less than the probability value of 0.05. **Therefore, H0 is rejected**, so it can be concluded that the board of commissioners affects financial performance.

### **Influence of the Audit Committee on Financial Performance**

Based on the analysis, the value of  $t_{count}$  for the audit committee variable is 0.00 when compared to the  $t_{table}$  value of 2.007, so  $t_{count}$  is smaller than  $t_{table}$ ; while the significance value of the audit committee is 1.00 greater than the probability value of 0.05. **Therefore, H0 is accepted**, so it can be concluded that the audit committee **does not affect** financial performance.

### **The influence of the Sharia Supervisory Board on Financial Performance**

Based on the analysis, the value of  $t_{count}$  for the sharia supervisory board variable is 0.00 when compared to the  $t_{table}$  value of 2.007, so  $t_{count}$  is smaller than  $t_{table}$ ; while the significance value of the audit committee is 1.00 greater than the probability value of 0.05. **Therefore, H0 is accepted**, so it can be concluded that the sharia supervisory board **does not affect** financial performance.

### **F test result**

Based on the output results, shows that the F-count of 4.47 is greater than the F-table of 2.79; while the significance value of 0.00 is less than the value of 0.05. **Therefore, H0 is rejected**, so it can be concluded that it simultaneously **affects** financial performance, because there is one independent variable (X) that affects the dependent variable (Y).

**Source: Data processing Eviews 10, 2022**

### **Determinant Coefficient Test of R**

Based on the output results, it can be obtained the value of R square or the Coefficient of Determination (KD) which shows how well the regression model formed by the interaction of the independent variable and the dependent variable is. The KD value obtained is 1.00 which means that the independent variable (X) has a contribution effect of 100% on the dependent variable (Y).

## **DISCUSSION**

### **The Influence of the Board of Directors on Financial Performance in Islamic Banking**

The results of hypothesis testing to test the effect of the board of directors on financial performance (ROA) partially found that at the 95% confidence level (alpha 0.05) the board of directors affected the financial performance of Islamic banking companies listed on the Indonesia Stock Exchange for the 2016-2020 period. This is because the  $t_{count}$  for the board of directors variable is 4.50 when compared to the  $t_{table}$  value of 2.007, **Therefore,  $t_{count}$  is greater than  $t_{table}$** ; while the significance value of the board of directors is 0.00 less than the probability value of 0.05. With a positive t value, it indicates a unidirectional relationship between the board of directors

and financial performance.

For this reason, the size of the board of directors seen from the financial statements varies from year to year. This shows that several emphases must be carried out by a bank in increasing the proxy in a given responsibility so that optimization can occur in a bank that affects the quality of implementation in Good Corporate Governance itself. A good GCG may not necessarily increase ROA because Islamic Commercial Banks are not always able to optimize the empowerment of their assets, it can be seen in the data for 5 years that the ROA that occurs in Islamic Commercial Banks fluctuates or there is an imbalance from year to year.

The presentation of the results above illustrates that the number of boards of directors listed in the financial statements will create communication, improvement, and effectiveness of coordination, and decisions taken can be more effective and faster in providing solutions to the problems encountered. This is following the verses of the Qur'an relating to the role of the board of directors in a company, namely:

Meaning: And (remember) when your Lord said to the angels: "Verily, I am going to place on the earth a vicegerent (Caliph)", they said: "Will you place therein those who will make mischief therein and shed blood and we glorify you with praises and sanctify You"? He said: "Surely I know what you do not know". (Q.S Al-Baqarah: 30).

The content of the paragraph above explains that the board of directors in carrying out its role must have a caliph (leadership) character that is responsible and has full authority in making decisions on how to direct, control, and supervise

resource management following company goals.

### **The Influence of the Board of Commissioners on Financial Performance in Islamic Banking**

Testing the hypothesis obtained that the  $t_{count}$  for the board of commissioners variable is -6.04 when compared to the  $t_{table}$  value of 2.007, so  $t_{count}$  is greater than  $t_{table}$ ; while the significance value of the board of directors is 0.00 less than the probability value of 0.05. Therefore,  $H_0$  is rejected, so it can be concluded that the board of commissioners affects financial performance.

From this study, it can be stated that the effect of the number of commissioners based on a negative t-value on financial performance has a less synergistic effect with the increase in the number of commissioners. This can be presumably caused by macroeconomic conditions at the time of the study (2016 - 2020) that were not in normal conditions such as a budget deficit, a tax amnesty, a trade war, a health crisis in 2019-2020, uncertainty or difficulty in predicting the direction of global economic movement that is likely to have an impact on company performance. Furthermore, other factors outside of this research that are thought to

affect financial performance are the lack of cooperation between regulators and the government in the development of the Islamic finance industry, where the government can provide assistance in the form of tax incentives, tax holidays, studies and budget management, which is a problem with Islamic banking capital that must be independent. before being independent following the mission of Islamic banks, the lack of cooperation between the Islamic banking regulators and the government in

building and developing the sharia-based financial industry. The verses of the Qur'an relating to the role of the board of commissioners in a company are:

Meaning: "O you who believe (who are *âmenû*)! Be the witnesses of justice for Allah's sake, even though it may be against your selves or your parents or near relatives; if rich or poor. Allah is nearer to them both, therefore, do not follow your vain desires (ego), to be just. And if you bend your tongues (if you change the truth) and turn aside (from the truth, justice) then surely Allah is Well-Acquainted with what you do."  
 (Q.S An-Nisa: 135).

The content of the paragraph above explains that the board of commissioners in carrying out their role must have good character, be honest, fair, and trustworthy. The primary responsibility for the way a bank does business rests with the board of commissioners. The Board of Directors sets strategic directions, appoints management, establishes operational policies, and most importantly is responsible for ensuring the soundness of the bank. The board is accountable to depositors and shareholders for the administration of the institution in a lawful, clear, efficient, and capable manner.

### **The Influence of the Audit Committee on Financial Performance in Islamic Banking**

Based on the analysis, the value of  $t_{count}$  for the audit committee variable is 0.00 when compared to the  $t_{table}$  value of 2.007, so  $t_{count}$  is smaller than  $t_{table}$ ; while the significance value of the audit committee is 1.00 greater than the probability value of 0.05. Then  $H_0$  is accepted, so it can be concluded that the audit committee does not affect financial

performance.

Based on the theory of Indra Surya Ivan Yustiavanda in Agoes & Ardana, (2011) the audit committee is a special organ in implementing good corporate governance. In this case, the theory of Agoes and Ardana studied by (Sejati et al., 2018) states that the influence of the audit committee has no effect on financial performance, which is the same as (Kustiani et al., 2019) Roza's research, Mulyadi (2016). Likewise, (Dewi & Tenaya, 2017) says that the audit committee does not affect financial performance in banking. This is also in line with Makhrus' research,

(2019) that the audit committee has no effect on company performance and does not affect earnings management either.

The verses of the Qur'an relating to the role of the audit committee in a company are:

Meaning: O you who believe (who are *âmenû*)! If a Fasiq (who is not in the Way of Allah or has gone out of it) brings you news, inquire into it carefully, lest you should harm a people in ignorance, then be regretful for what you have done.  
 (Q.S. Al-Hujurat: 6)

The content of the paragraph above explains the impartiality between the audit committee and the company's management and does not influence the existence of special relationships that will affect the agreed decisions. This of course makes the audit committee not be influenced or duplicitous in terms of reviewing and reviewing the adequacy of the financial statements. As the Prophet *sallallahu 'alaihi wasallam* called people who are two-faced (*al-wajhain*) and that is a bad human being.

One of the previous studies used in this study is the research conducted by Arry

Eksandy in 2018. The findings demonstrate that the board variable significantly influences financial performance. While the variables of the board of commissioners, sharia supervisory board and audit committee have no significant effect on financial performance. In addition, banks must maintain their performance in order to function at their best. Islamic banks also have to compete with regular banks, which are well-established and have grown quickly in Indonesia.

There are several previous studies that examine the effect of Good Corporate Governance on banking financial performance sharia, namely research by (Mariana Ulfa, Abd. Wahid Mahsuni, 2021) states that the board, board of commissioners, audit committee, sharia supervisory board, and institutional ownership have no effect on financial performance. However, in contrast to research (Ekaningsih & Afkarina, 2021) which states that GCG has an effect on financial performance. This is evidenced by the composite average value of Islamic banking which has the predicate "Good". While the average value of the ROA has increased.

### **The Influence of the Sharia Supervisory Board on Financial Performance in Sharia Banking**

Based on the analysis, the value of  $t_{count}$  for the *sharia* supervisory board variable is

0.00 when compared to the  $t_{table}$  value of 2.007, so  $t_{count}$  is smaller than  $t_{table}$ ; while the significance value of the audit committee is 1.00 greater than the probability value of 0.05. Then  $H_0$  is accepted, so it can be concluded that the sharia supervisory board does not affect financial performance.

From the explanation of the study, financial performance is influenced by several factors outside of Islamic banking with the variable number of DPS being the important role of DPS in providing guarantees that Islamic banks operate based on sharia principles and an extension of the regulator's arm can be given to DPS in ensuring the growth and development of the healthy Islamic banking in Indonesia.

The verses of the Qur'an relating to the sharia supervisory board's function (DPS) in accompany are:

Meaning: "He regulates the Orders (all that come from Allah and return to Allah) from the heaven to the earth. Then it ascends to Him in a day the measure of it (that one day) is a thousand years of what you count (according to your measurements in the world)." (Q.S.As-Sajadah: 5)

The content of the paragraph above explains that DPS is given broad powers and authority to review and supervise every contract, method, or activity related to the rules on Sharia BUS compliance. Arry Eksandy in 2018. His research results show that the research board variable has a significant effect on financial performance. While the variables of the board of commissioners, sharia supervisory board and audit committee have no significant effect on financial performance. In addition, banks must keep up their performance in order to run efficiently. Furthermore, Islamic banks in Indonesia must contend with the dominance and quick development of conventional banks.

### **Influence of the Board of Directors, Board of Commissioners, Audit Committee, and Sharia Supervisory**

### **Board on Financial Performance**

Based on the analysis shows that the F-count of 10.26 is greater than the F-table of 2.79; while the significance value of 0.00 is less than the value of 0.05. Then  $H_0$  is rejected, so it can be concluded that it simultaneously affects financial performance, because there is one independent variable (X) that affects the dependent variable (Y).

The same thing is also obtained by the value of R square or Coefficient of Determination (KD) which shows how well the regression model formed by the interaction of the independent variable and the dependent variable is. The KD value obtained is 1.00 which means that the independent variable (X) has a contribution effect of 100% on the dependent variable (Y).

There are several previous studies that examine The impact of good corporate governance on Islamic banking's financial success, namely research by (Mariana Ulfa & Abd. Wahid Mahsuni, 2021) which states that the board of directors, board of commissioners, audit committee, sharia supervisory board, and institutional ownership have no effect on financial performance. However, in contrast to research (Ekaningsih & Afkarina, 2021) which states that GCG has an effect on financial performance. This is evidenced by the composite average value of Islamic banking which has the predicate "Good". While the average value of the ROA has increased.

### **Conclusion**

The results of hypothesis testing for the first time testing the effect of the board of directors on financial performance (ROA) found that the board of directors partially affects the financial performance of Islamic banking companies listed on the

Indonesia Stock Exchange for the 2016-2020 period. With a positive t value indicating a unidirectional relationship between the board of directors and financial performance, the results of the second hypothesis testing that the board of commissioners partially affect the financial performance of Islamic banking companies listed on the Indonesia Stock Exchange for the 2016-2020 period. With a negative t value, it indicates a lack of synergy between the board of commissioners and financial performance. this can be presumably caused by macroeconomic conditions at the time of the study (2016-2020) that were not in normal conditions such as a budget deficit, a tax amnesty, a trade war, a health crisis in 2019-2020, uncertainty or difficulty in predicting the direction of global economic movement that is likely to have an impact on company performance. The results of testing the third hypothesis are that the audit committee partially has no effect on the financial performance of Islamic banking companies listed on the Indonesia Stock Exchange for the 2016-2020 period. With a positive t value, it indicates a unidirectional relationship between the audit committee and financial performance. The results of the fourth hypothesis testing that the sharia supervisory board partially has no effect on financial performance. From the explanation of the study, financial performance is influenced by several factors outside of Islamic banking with the variable number of DPS being the important role of DPS in providing guarantees that Islamic banks operate based on sharia principles and an extension of the regulator's arm can be given to DPS in ensuring the growth and development of Islamic banking. healthy in Indonesia. With a positive t value, it shows a unidirectional relationship between the financial

performance and the sharia supervision board and the results of hypothesis testing that simultaneously affect financial performance, because there are two independent variables (X) that affect the dependent variable (Y). The same thing is also obtained by the value of R square or Coefficient of Determination (KD) which shows how well the regression model formed by the interaction of the independent variable and the dependent variable is.

### Suggestion

It is better if the board of commissioners does not need too much to supervise and advise the board of directors in making decisions, when compared to companies that have a few boards of commissioners will be better in supervision and advice, taking into account the principles (equal treatment, transparency, accountability, and responsibility), preferably the board of directors, needs to be added in order to be able to coordinate when making decisions for the business's management, the audit committee responsible to the board of commissioners should maintain the creation of an adequate supervisory system, with a large number of audit committees will increase focus so that the company will be better, the Company should be able to increase the number of sharia supervisory boards, in order to provide advice and advice to the board of directors and oversee the activities of the Bank to be in accordance with sharia principles and furthermore for future researchers, to carry out research related to the same topic for different types of companies as well as companies listed on the Indonesia Stock Exchange so as to increase the variables studied and the number of companies listed. adequate and different years of research so

that it can be clearly identified which variables are more dominant in influencing financial performance.

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