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The Effect of Corporate Governance Mechanisms and Banking Performance in Indonesia

Dinda Intan Tri Maharani[1], Sutrisno[2]

[1,2] Management Department, Faculty of Business and Economics, Universitas Islam Indonesia

ABSTRACT: The company's main goal is to grow and develop well. To be able to grow, company management must be able to improve company performance which is usually measured by profitability. There are several factors that influence profitability, including corporate governance mechanisms. This research aims to examine the influence of corporate governance mechanisms on banking performance. In this research, corporate governance mechanisms are measured by institutional ownership, managerial ownership, independent board of commissioners, size of the board of directors and size of the audit committee, while banking performance is measured by Return On Assets (ROA). The population in this research is the banking industry listed on the Indonesia Stock Exchange, totaling 46 banks and all of them were taken as samples. The observation period is 4 years (2019 – 2022) with quarterly data. To test the hypothesis, use multiple regression analysis with a significance requirement of 0.05. The data was processed using the SPSS version 25 program. The results of this study show that institutional ownership and the board of directors have no effect on financial performance, while managerial ownership has a significant effect but with a negative coefficient. Meanwhile, independent commissioners and audit committee size have a positive effect on performance.

KEYWORD: institutional ownership, managerial ownership, board of commissioners, board of directors, audit committee

INTRODUCTION

Banking is one of the financial institutions that plays an important role in the economy of a country so that banking performance is an important thing not only for banking itself but also something that has an important influence on the wider economy or macroeconomic scope (Derbali, 2021). Banks are institutions that have special regulations regarding good corporate governance (Dao & Nguyen, 2020). Banks will try hard to maximize their profits based on the results of their operations to maintain the continuity of the bank and must also continue to manage risks appropriately. Corporate governance is needed to achieve this goal because corporate governance itself is an element for implementing appropriate company management (Kakar et al., 2021). Corporate governance regulates relationships between related parties such as management, shareholders, board of commissioners and other stakeholders (El-Chaarani, Abraham, & Skaf, 2022). The regulation of the relationship between the parties involved will be related to their rights and obligations and will give rise to an agency theory where management of the banking sector will be separate from ownership (Nikolić, Nielsen, & Peković, 2022). Separating management from ownership will create a conflict of interest between banking owners and banking administrators such as management or directors (Al-Janadi, 2021). This conflict will be reduced if banks have good corporate governance mechanisms (Hossain, Sultan, & Ahmed, 2021).

Corporate governance is a process and structure used by shareholders, capital owners, commissioners, supervisory boards and directors which aims to increase the success of the company and its accountability for shareholder value to be realized in the long term but still paying attention to other stakeholders based on statutory regulations and ethical values (Widiatmoko, 2020). One aspect of corporate governance is the ownership structure. This ownership structure is one of the mechanisms used in a good corporate governance or GCG system to measure performance. Corporate governance will have an influence on financial performance in banking through its mechanisms (Molla, Islam, & Rahaman, 2021). If a bank has a good corporate governance mechanism, the financial performance of that bank will also be good (El-Chaarani et al., 2022). Banking needs to improve corporate governance, therefore Bank Indonesia issued regulations, namely Bank Indonesia Regulation No. 8/4/PBI/2006 and Number 8/14/PBI/2006 concerning Amendments to Bank Indonesia Regulation Number 8/4/PBI/2006 which regulate regarding the implementation of good corporate governance for Commercial Banks. This regulation is an effort by the national banking industry in accordance with the increasingly strong Indonesian Banking Architecture (Bansal, Singh, Kumar, & Gupta, 2018). It is possible that good corporate governance mechanisms will improve financial performance in banking. The corporate governance mechanism includes several variables, namely managerial ownership, institutional

ownership, board of commissioners, independent board of commissioners and audit committee.

Institutional ownership plays an important role in monitoring so that it increases and is maximized, or in other words, managerial ownership plays a role in monitoring management. If managerial ownership is greater in terms of voting power and encouragement from financial institutions to supervise management, then the company's performance will be more optimal (Mahrani & Soewarno, 2018). In her research, Rasyid & Linda, (2019) shows the results that institutional ownership has a significant positive influence on financial performance. In line with this research, research from Rashid, (2020) also shows the results that institutional ownership has a significant influence on financial performance. Research from Nuswantara, Carolina, & Krisprimandoyo, (2020) shows results that institutional ownership has a significant positive influence on financial performance when measured by ROA. Other results shown by Maharani & Noorlailie (2018) in their research produced the result that institutional ownership has a positive influence on financial performance. However, research by Nuswantara et al., (2020) shows that institutional ownership is not effect on financial performance.

Managerial ownership has a role to help in uniting the interests of shareholders with managers. If the proportion of managerial share ownership increases, the company's performance will also get better (Abbasi, Kalantari, & Abbasi, 2012). The results of Ogabo, Ogar, & Nuipoko, (2021) research show that managerial ownership has a significant positive influence on financial performance. In line with the results of this research, Amin & Hamdan., (2018) also show the results that managerial ownership has a significant positive effect on financial performance. Likewise, research by Dakhlallh, Rashid, Amalina, Abdullah, & Dakhlallh., (2021) states that managerial ownership has a significant positive influence on financial performance as measured by ROA. However, in his research, Ogabo et al., (2021) also stated that managerial ownership does not have a significant influence on financial performance when measured by ROA. In line with this research of Rashid, (2020) also show results that managerial ownership does not have a significant influence on financial performance.

The independent board of commissioners includes members of the board of commissioners but has no relationship and does not take sides with the company management. The board of commissioners is neutral with decisions made by managers and must pay attention to whether good corporate governance in the company has been implemented (Setiawan, Handiliastawan, & Jafar, 2020). The research results of Basyith, Fauzi, & Idris, (2015) show that independent commissioners do not have a significant effect on financial performance. In line with research from Widiatmoko, (2020) and Wulandari, (2020) shows the results that an independent board of commissioners does not have a significant effect on financial performance.

The board of directors is a company organ that has full responsibility and authority for managing the company for the interests of the company. On the other hand, the board of directors also represents the company inside and outside the court in accordance with the provisions of the articles of association. The board of directors has an important role in the company. The board of directors, which is entrusted to be the leader of the company, will ensure whether management or other parties carry out their duties in line with the company's goals and plans (Bekiaris, 2021). The board of directors also manages all existing resources in the company and determines the direction of policy and resource strategy in the long term and short term (Yang & Wang, 2018). The board of directors will have an influence in terms of monitoring according to the composition of the board of directors, influencing the relationship between institutional ownership and managerial ownership on company performance. This task will improve the performance of the company (Yasser, Mamun, & Rodrigs, 2017). In research of Basyith et al., (2015), show that board size does not have a significant effect on financial performance, where the greater the composition of the board of directors does not necessarily benefit the company, due to the difficulty of coordinating and exchanging ideas and suggestions from the directors in running the company's activities, thereby slowing down decision making. impact on company performance. In line with previous research, Rashid (2020) research shows that the board of directors does not have a significant influence on the company's financial performance. However, research from Bekiaris (2021) in their research concluded that the size of the board of commissioners has a significant effect on company performance. In line with research from Bekiaris (2021), research by Yang & Wang., (2018) states that the size of the board of commissioners has a significant effect on company performance.

The audit committee is responsible for helping carry out the duties of the board of commissioners. This research uses the number of committees to measure the influence of the audit committee on financial performance. The research results of Nuryana & Dwi Surjandari., (2019) and Nuswantara et al., (2020) show that the audit committee does not have a significant effect on financial performance. However, Alsagr, Belkhaoui, & Aldosari., (2018) research has different results, namely that the audit committee has a significant influence on financial performance. In line with the research results of Alsagr et al., (2018), research from Indriastuti, Suhendi, & Hanafi., (2020) shows that the audit committee has a significant positive influence on financial performance.

THEORETICAL REVIEW AND HYPOTHESES DEVELOPMENT

Banking financial performance is the result of management policies and decisions that show the success achieved by banking (Adusei, 2011). Financial performance

can produce good performance from good corporate governance mechanisms. The definition of corporate governance according to Bank Indonesia regulations is bank governance by implementing transparency, accountability, responsibility, independence and fairness. to improve bank performance, protect stakeholder interests and increase compliance with applicable laws and regulations and ethical values set in banking (Financial Services Authority, 2013). Factors that influence corporate governance are institutional ownership, managerial ownership, independent board of commissioners, board of directors and audit committee. If institutional ownership is greater, supervision will increase so that company performance will be more optimal (Hossain et al., 2021). Managerial ownership has a role to help in uniting the interests of shareholders with managers. If the proportion of managerial share ownership increases, the company's performance will also get better (Rashid, 2020). The monitoring function can be carried out optimally through an independent board of commissioners. This monitoring can create good corporate governance in the company. If the number of independent commissioners increases, it will affect the company's performance because the decisions made by the board of commissioners will prioritize the interests of the company (Hanh, Ting, Kweh, & Hoanh, 2018). The board of directors will also have an influence in terms of monitoring according to the composition of the board of directors, influencing the relationship between institutional ownership and managerial ownership on company performance. This task will improve the performance of the company (Yasser et al., 2017). The audit committee assists the board of commissioners in carrying out its duties to supervise and maintain the process of preparing financial reports so that there is sufficient supervision for the implementation of good corporate governance (Yanti & Patrisia, 2019).

Institutional Ownership and Financial Performance

Institutional ownership will have a role in carrying out good corporate governance where institutional ownership is share ownership by other institutions, namely ownership by companies or other institutions. Where the existence of institutional ownership can reduce agency conflicts that occur in the company. Institutional ownership is tasked with supervising management so that it can improve more optimal supervision. If institutional ownership is greater, supervision will increase so that company performance will be more optimal (Demsetz & Villalonga, 2001). This supervision will ensure prosperity for shareholders. Theoretically, if control over the company is stronger, institutional ownership will be higher in the company so that company performance will increase. This increase in company performance is carried out if the company owner can control the behavior of his management so that it is in line with the company's goals. (Hossain et al., 2021) shows the results that institutional ownership has a significant positive influence on financial performance. In line with this research, research from Al-Janadi (2021) also shows the results that institutional ownership has a significant influence on financial performance. Research from (Dakhlallh et al., 2021) shows results that institutional ownership has a significant positive influence on financial performance when measured by ROA.

H_1: Institutional ownership has a positive effect on banking financial performance

Managerial Ownership and Financial Performance

Managerial ownership is the amount of ordinary share ownership owned by management in a company. Managerial ownership has an important role in a company where if the management of a company owns company shares, the company's performance will be better (Rashid, 2020). Managerial ownership is related to agency theory, where in this theory there is a relationship between managers and shareholders. This relationship can be described as agent and principal. This agency is carried out by managers who hold shares who act as principal in running the company and maximizing resources. This aims to achieve the goals of the company. Agency theory also contains a basic problem, namely that there will be a conflict of interest between shareholders and managers. So if a manager fails to carry out his function it means he is at risk of not being selected again as a manager. The risk that arises if shareholders choose the wrong manager is that they will lose their capital. Likewise, the more the company's managerial share ownership increases, the better the company's performance. This means that managerial ownership has an influence on company performance. The results of Dakhlallh et al., (2021) research show that managerial ownership has a significant positive influence on financial performance. In line with the results of this research, Sahrul & Novita., (2020) also show the results that managerial ownership has a significant positive effect on financial performance. Likewise, research by Amin & Hamdan., (2018) states that managerial ownership has a significant positive influence on financial performance. Thus the hypothesis can be formulated as follows:

H_2: Managerial ownership has a positive effect on banking financial performance

Independent commissioners and financial performance

The independent board of commissioners balances the decision making of the board of commissioners. However, the independent board of commissioners has no relationship with the company. The proportion of the independent board of commissioners will influence the company's performance as a mediator when there are disputes between internal managers and as a supervisor of management policies (Setiawan et al., 2020). The size of the independent board of commissioners in the company will influence control over management. Thus, the greater the proportion of the board of independent commissioners, the more objective the level of interdependence in controlling management. In other words, the greater the proportion of the board of independent

commissioners, the better the supervisory function will be. The independent board of commissioners will carry out a monitoring function so that good corporate governance is created in the company (Basyith et al., 2015). In research by Utama & Utama., (2019) show that the size of the board of commissioners has a significant positive influence on financial performance. In line with this research of Filip, Vesna, & Kiril., (2014) also shows that the size of the board of commissioners has a significant positive influence on financial performance as measured by ROA. Research results shown by Indriastuti et al., (2020); Yanti & Patrisia., (2019), and Nuryana & Dwi Surjandari., (2019) show that the independent board of commissioners has a significant positive influence on financial performance. Thus the hypothesis can be formulated as follows:

H_3: The independent board of commissioners has a positive effect on banking financial performance

Board of Directors Size and Financial Performance

The board of directors has an important role in the company where the board of directors will manage all existing resources in the company and determine the direction of policy and resource strategy in the long and short term (Fajarwati & Witiastuti, 2022). The board of directors will also have an influence in terms of monitoring according to the composition of the board of directors, influencing the relationship between institutional ownership and managerial ownership on company performance. This task will improve the performance of the company (Filip et al., 2014). If the composition of the board of directors becomes greater, it will have a good and positive impact on the company's performance. The research results shown by Asare, Muah, Frimpong, & Anyass., (2022) show that the size of the board of directors has a significant positive influence on company performance. In line with previous research, Kakar et al., (2021) and Yanti & Patrisia., (2019) concluded that the size of the board of director has a significant effect on company performance. In line with research from Fajarwati & Witiastuti., (2022) and Bekiaris (2021) states that the size of the board of commissioners has a significant effect on company performance. Thus the hypothesis can be formulated as follows:

H_4: The board of directors has a positive effect on banking financial performance

Audit Committee and Financial Performance

The audit committee is a committee that works independently and professionally (Basyith et al., 2015). The audit committee is tasked with assisting the board of commissioners to carry out the function of monitoring financial reports and implementing GCG. This task has an influence on finances and financial performance, where the more a company has an audit committee, the better the supervision will be carried out. This supervision covers things such as manipulation of financial-related data so that it will improve the company's financial performance. The audit committee will increase supervision so that company performance and improve the integrity of financial reports. Companies that have many audit committees are expected to increase the supervision carried out so that the integrity of financial reports will be better (Utama & Utama, 2019). The results of Fadhila & Arifin., (2022) state that the audit committee has a significant influence on financial performance. In line with the research results of Fadhila & Arifin., (2022), research from Buchdadi, Alupui, Dalimunthe, Pamungkas, & Fauziyyah., (2019) shows that the audit committee has a significant positive influence on financial performance. Thus the hypothesis can be formulated as follows:

H_5: The Audit Committee has a positive effect on banking financial performance

RESEARCH METHOD

The population used in this research is conventional banking and sharia banking listed on the Indonesia Stock Exchange (BEI) in 2019-2022. The sampling technique in this research was purposive sampling technique. The number of banking companies is 46 banks. The data used in this research is secondary data in the form of time series data obtained from annual banking reports for the 2019-2022 period.

The dependent variable uses financial performance which is measured by and the independent variable uses institutional ownership, managerial ownership, independent board of commissioners, board of directors and audit committee. The measurement of each variable is as follows:

Tabel 1: Variabel dan Pengukurannya

No	Variabel	Pengukuran
1	Financial performnace (ROA)	Earning After Taz/Total Assets
2	Institutional ownership (IOWN)	Shares owned by institutions/Share outstanding
3	Managerial ownership (MOWN)	Shares owned by manager /Share outstanding
4	Independent Commissioner (ICOM)	Independent commissioner/Total Commissioners
5	Director Board Size (DBZ)	Number of Director Board member
6	Audit Committee (AUC)	Number of Audit Committee member

The quantitative linear regression analysis method was used to test the data in the research. The data analysis method uses the classical assumption test, which in the classical assumption test uses the normality test, multicollinearity test,

heteroscedasticity test and autocorrelation test. In this research, researchers used the coefficient of determination test, simultaneous F test and T statistical test. The multiple linear regression equation used in this research is as follows:

$$ROA_i = \alpha + \beta_1 IOWN + \beta_2 MOWN + \beta_3 ICOM + \beta_4 DBZ + \beta_5 AUC + e$$

RESULTS AND DISCUSSION

Descriptive statistics

The research data consists of 46 banks with a 4 year observation period, namely 2019-2022 with annual report data, so that a total of 184 observation data were obtained. The table below is descriptive statistics of research data.

Table 2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	184	-15.89	13.58	.8524	3.40266
IOWN	184	.00	100.00	70.4608	27.37019
MOWN	184	14.23	61.45	35.4630	8.16278
ICOM	184	1.00	4.00	1.5820	.14641
BDZ	184	3.00	13.00	6.5543	2.71955
AUC	184	1.00	6.00	3.8207	1.18525
Valid N (listwise)	184				

Source: Data processed

Based on the table above, it can be illustrated that profitability as measured by return on assets (ROA) has an average value of 0.85% with a maximum value of 13.58% and a minimum of -15.89. This shows that the bank's ROA is very small. Institutional ownership (IOWN) has an average value of 70.46% with a maximum of 100% and a minimum of 0.00%, meaning that institutional ownership is very large. Meanwhile, managerial leadership (MOWN) has an average value of 35.46% with a maximum value of 61.45% and a minimum value of 14.23. The table above also shows that the average number of independent commissioners (ICOM) is 1.58 with a minimum value of 1 person and a maximum of 4 people, meaning that there are relatively enough independent commissioners. Meanwhile, the board of directors (BDZ) averages 6.55 with a maximum of 13 people and a minimum of 3 people. Meanwhile, the average audit commission (AUC) is 3.82 with a maximum of 6 people and a minimum of 1 person.

Hypothesis test results

This research uses the T statistical test to find out the influence of institutional ownership (IOWN), managerial ownership (MOWN), independent board of commissioners (ICO), board of directors (DBZ), and audit committee (AUC) on Return On Assets (ROA). for banks listed on the Indonesian Stock Exchange. The following is table 3 for hypotheses results:

Table 3: Hypotheses Test Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-10.906	3.798		-2.872	0.005
	IOWN	0.687	0.415	0.157	1.656	0.101
	MOWN	-0.121	0.047	-0.236	-2.563	0.012
	ICO	1.578	0.691	0.213	2.286	0.024
	DBZ	-0.03	0.331	-0.01	-0.091	0.928
	AUC	1.073	0.457	0.257	2.35	0.021

a. Dependent Variable: ROA

Source: Data processed

Institutional ownership and financial performance

The results of the first hypothesis test show that institutional ownership produces a p-value of 0.101 which is greater than the required significance value of 0.05, so it can be concluded that institutional ownership has no effect on banking performance. Institutional ownership has an important role in banking. This role is to supervise and monitor banks so that their management can improve and be

more optimal (Rashid, 2020). Based on the results of this research, it shows that institutional ownership has no positive effect on Return On Assets (ROA), so the first hypothesis in this research which states that institutional ownership has a positive effect on Return On Assets (ROA) is rejected. The greater the institutional ownership that banks have, the greater the voting power and encouragement of financial institutions to supervise management. If a bank has little institutional ownership, it is difficult to prevent managers from behaving opportunistically to help make decisions in banking. If there is little supervision of management, the company's performance will also be less than optimal.

This is also supported by research by Yasser et al., (2017) show the results that institutional ownership not significant effect on financial performance. In line with the results of this research, research by Ogabo et al., (2021) and Rasyid & Linda., (2019) also shows the results that institutional ownership is positive but not significant on financial performance.

Managerial Ownership and Bank Performance

The results of the second hypothesis test show that managerial ownership produces a p-value of 0.012, which is smaller than the required significance value of 0.05 with a negative coefficient, so it can be concluded that managerial ownership has a significant and negative effect on banking performance. These results indicate that large managerial ownership will actually reduce banking performance.

Managerial ownership can have a significant influence on financial performance (ROA) because managerial ownership is related to agency theory where there is a relationship of interest between managers and shareholders. However, the interests of managers and shareholders may conflict, which could cause banking profits to decline. Likewise, the small amount of managerial share ownership in a company also influences the implementation of managerial performance to help unite the interests of managers with the interests of shareholders. If this happens, it will affect banking financial performance. These results are supported by research by Rasyid & Linda., (2019) and (Rahman & Reja, 2015) showing that managerial ownership has a significant negative influence on financial performance. In line with the results of this research, research by Nila and Hasim (2023), Widyatama & Agustinus (2015), and Widyati (2013) also shows the results that managerial ownership has a negative effect on financial performance.

Independent Board of Commissioners and Bank Performance

The results of the third hypothesis test show that independent commissioners produced a p-value of 0.024, which is smaller than the required 0.05, so it can be concluded that independent commissioners have a significant positive effect on banking performance. These results indicate that a large portion of independent commissioners will improve banking performance.

The independent board of commissioners is a member of the commissioner but is not affiliated with management, other commissioners and shareholders. If a bank has a board of commissioners then the interests of the majority and minority shareholders cannot be ignored. The independent board of commissioners will be neutral or not take sides in decisions made by the manager (Babić, Nikolić, & Simić, 2020). Based on the results of this research, it shows that the independent board of commissioners has a positive effect on Return On Assets (ROA), so the third hypothesis in this research which states that institutional ownership has a positive and significant effect on Return On Assets (ROA) is accepted. The proportion of the independent board of commissioners will influence the company's performance as a mediator when there are disputes between internal managers and as a supervisor of management policies (Nuryana & Dwi Surjandari, 2019). The size of the independent board of commissioners in the company will influence control over management. Thus, the greater the proportion of the board of independent commissioners, the more objective the level of interdependence in controlling management. In other words, the greater the proportion of the board of independent commissioners, the better the supervisory function will be. The independent board of commissioners will carry out a monitoring function so that good corporate governance is created in the company (Nuswantara et al., 2020).

This is also supported by research by Setiawan et al., (2020) show the results that the size of the board of commissioners has a significant positive influence on financial performance. In line with this research of Utama & Utama, (2019) and Fadhila & Arifin, (2022) also shows that the size of the board of commissioners has a significant positive influence on financial performance as measured by ROA.

Board of Directors and Bank Performance

The results of the fourth hypothesis test show that the size of the board of directors produces a p-value of 0.024, which is smaller than the required 0.05, so it can be concluded that the size of the board of directors has no effect on banking performance.

The board of directors has the role of managing all existing resources in the company and determining the direction of policy and resource strategy in the long and short term (Babić et al., 2020). Based on the results of this research, it shows that the board of directors has a positive and insignificant effect on Return On Assets (ROA), so the fourth hypothesis in this research which states that the board of directors has a positive and significant effect on Return On Assets (ROA) is rejected. The number of board of directors in a bank has no effect on banking profits. Having a large or small board of directors in a bank will not necessarily be profitable for the bank. Large numbers will also make it more difficult to coordinate and exchange ideas and suggestions for

directors in carrying out banking activities. When banking is hampered and makes it more difficult to coordinate and exchange ideas and opinions, this will slow down banks in making decisions that will have an impact on banking performance.

This is also supported by research Doğan & Ekşi, (2020) and Nuryana & Dwi Surjandari., (2019) showing that the board of directors does not have a significant influence on the company's financial performance. In research of He, (2021) and Basyith et al., (2015), show the results that partially it has no significant effect on financial performance.

Bank Audit and Bank Performance

The results of the fifth hypothesis test show that the size of the audit committee produces a p-value of 0.024, which is smaller than the required 0.05, so it can be concluded that the size of the audit committee has a significant positive effect on banking performance. These results indicate that the size of the audit committee will improve banking performance.

The audit committee is responsible for helping carry out the duties of the board of commissioners in overseeing financial reports and the implementation of Good Corporate Governance (GCG). This research uses the number of committees to measure the influence of the audit committee on financial performance. Based on the results of this research, it shows that the audit committee has a positive and significant effect on Return On Assets (ROA), so the fifth hypothesis in this research which states that the audit committee has a positive and significant effect on Return On Assets (ROA) is accepted. The more a company has an audit committee, the better the supervision will be carried out so that its financial performance will be better and the integrity of the financial reports will be better (Alsagr et al., 2018).

This is also supported by Indriastuti et al., (2020) research which shows that the audit committee has a significant influence on financial performance. In line with the research results of Indriastuti et al., (2020), research from Yanti & Patrisia., (2019) and Widiatmoko, (2020) shows that the audit committee has a significant positive influence on financial performance.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the analysis above, it can be concluded that there are two proven hypotheses, namely the independent commissioner and the audit committee. These two variables have a positive and significant effect on banking performance. Meanwhile, managerial ownership has a significant effect but with a negative coefficient so the hypothesis is not proven. Meanwhile, the hypothesis of institutional ownership variables and board of directors size is not proven, so it has no effect on banking performance.

It is hoped that the results of this research can help banks increase their institutional ownership to increase Return on Assets (ROA) because they can have an effect on minimizing agency problems as well as managing and appointing a board of directors in accordance with banking needs to ensure coordination and exchange of ideas and suggestions for directors in carrying out banking activities smoothly. and not hampered. Of course, this research is still not perfect because it only used 46 banking samples during 2019-2022 and the variables used in this research were limited and the researchers were only able to provide justification and contribute little to the results of previous research. So it is recommended that for further research, add the number of research year periods and research variables, expand the object of observation or use a larger sample than this research and add dependent variables such as ROE or others.

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