The Role of Risk Management in Mediating Corporate Governance on Financial Performance in Banking Companies in Indonesia

Hermawan[1*], Hersugondo[2]
[1]Universitas Diponegoro, Semarang, Indonesia, Indonesia, hermawnn@gmail.com
[2]Universitas Diponegoro, Semarang, Indonesia, Indonesia

*Corresponding Author: hermawnn@gmail.com[1]

Abstract: Improving shareholder welfare requires strong financial performance, as it enhances a company's market value and facilitates access to external capital through loans or equity investments. Solid financial performance builds investor confidence and encourages expectations of higher returns. The decline of the banking sector during past crises was not solely due to weak implementation of good corporate governance (GCG), but also inadequate risk management, highlighting the growing importance of integrating effective risk controls with GCG principles to strengthen firm value. This study empirically analyzes banking companies listed on the Indonesia Stock Exchange during 2020–2023 using secondary data from publicly available financial and annual reports on www.idx.co.id. Employing a quantitative descriptive design with partial regression analysis, the study examines statistical patterns and variable relationships. The findings reflect that high investment levels often correspond with lending practices that carry significant credit risk, requiring larger loan-loss reserves. Financial institutions can mitigate such risks by limiting high-risk activities and transferring manageable risks to other entities. Overall, financial performance represents the company's ability to manage resources effectively and comply with financial governance standards, ultimately shaping stakeholder trust and corporate sustainability.

Keywords: Risk Management, Corporate Governance, Financial Performance.

INTRODUCTION

In an organization's efforts to advance its business, internal performance is closely linked to industrial governance. Good industrial governance automatically impacts industrial performance. According to Dhanis (2013), corporate governance was even a key factor determining the severity of the crisis in the Southeast Asian region. Weaknesses in this governance are evident in the lack of reporting on financial performance, weak oversight of management activities by the board of commissioners and auditors, and a lack of external incentives to foster industrial efficiency through healthy competition. Meanwhile, according to

Rehman (2021), corporate governance is a crucial element in increasing economic efficiency, encompassing a series of relationships between industrial management, the board of commissioners, shareholders, and other stakeholders.

Risk management in the banking sector is a key foundation for maintaining the stability and sustainability of an institution's financial performance (Dharmadasa, 2014). In corporate governance, risk management serves as an internal control system capable of minimizing potential losses and improving the quality of strategic decision-making. Good corporate governance (GCG) practices will struggle to achieve effectiveness without an optimal risk management mechanism (Fuzi, 2016).

One important indicator of banking risk management is the Non-Performing Loan (NPL), which is the non-performing loans to total loans disbursed ratio. High NPL levels reflect the weak quality of credit distribution and credit risk management by banks (Harimukti, 2016). Therefore, banks need to implement strict risk management policies, ranging from credit analysis processes and loan portfolio monitoring to restructuring efforts. High NPLs directly negatively impact profitability and investor confidence in a bank's financial performance.

Besides NPLs, another indicator related to risk management is the Loan to Deposit Ratio (LDR) which reflects the extent to which third-party funds collected by a bank are used for credit distribution. An excessively high LDR can indicate high credit expansion without adequate risk planning, increasing the potential for default and worsening the bank's liquidity position (Ferial, 2016). Conversely, a low LDR also indicates inefficiency in utilizing funding sources to generate income through productive activities.

Thus, effective risk management is a key variable in bridging the relationship between corporate governance and financial performance (Ardana, 2019). Banks with strong governance systems and measurable risk management implementation, particularly in controlling non-performing loans (NPLs) and maintaining a balanced LDR, tend to have more stable and sustainable financial performance.

Banking is a financial institution that plays a crucial role in economic life. Nearly all economic activities involve banks as financial institutions that support the smooth running of these businesses. It is because banks function to collect funds from the public and then redistribute them to the public in the form of credit or other to improve living standards. Banking in Indonesia is divided into two types: conventional banks and Islamic banks. Based on Law No. 21 of 2008 concerning Sharia Banking, Article 1 explains that Conventional Banks are banks that carry out business activities in a conventional manner and are based on their categories, including Conventional Commercial Banks and Rural Credit Banks.

Both large and small industries, whether profit-oriented or non-profit, must pay attention to their financial condition (Demayenti, 2012). Financial performance is a crucial measuring tool for investigating both positive and negative impacts on an institution (Nurlisa, 2021). In situations like this, understanding a company's development, particularly its financial position, is crucial for investors. Several critical aspects in assessing a company's progress lie in the financial element, through which companies can assess whether implemented regulations are feasible to continue (Faisal et al., 2018). One aspect that can influence industry performance is corporate governance that closely related to stakeholders in the industry, including the board of commissioners, directors, and shareholders (Rustam, 2018).

The practical application of good corporate governance requires the involvement of an audit committee. Without independent oversight of business management, the concept of good corporate governance remains a theoretical framework without practical application. Furthermore, the existence of an audit committee can also encourage management to manage the business healthily through their oversight function (Amin, 2016). To improve the welfare of owners and shareholders, companies must demonstrate strong financial performance. A strong industry financial performance will increase the company's market value. It will make

it easier for companies to obtain external capital, either through loans or equity investments from external parties.

This will encourage investors to feel more confident in investing in the company and expect to achieve a high rate of return on their investment. In this research, the researchers used institutional ownership as the focus of their research regarding ownership structure. By increasing the portion of institutional ownership, companies are expected to be able to more effectively minimize potential conflicts of interest between principals and agents, strengthen oversight of industry performance, and build and enhance company value (Agatha, 2020).

To promote the welfare of owners and shareholders, the industry must have solid financial performance. If an industry demonstrates good financial performance, its market value will increase. It will be easier for companies to obtain external capital, either in the form of loans or equity investments from external investors. It will increase investor confidence in investing in the industry and expect an optimal return on their investment.

Financial performance is a key indicator of the health and operational effectiveness of a banking institution (Jain, 2021). Amidst the dynamics of the global economy and growing market pressures, formulating and strengthening strategies to improve financial performance is crucial. Banks are not only required to generate profits but also to maintain financial stability, operational efficiency, and public and investor trust.

However, various phenomena such as increased credit risk, exchange rate fluctuations, market uncertainty, and the challenges of digitalization have made banks' financial performance vulnerable and unstable (Padoli, 2019). This is reflected in indicators such as declining Return on Assets (ROA), worsening Non-Performing Loan (NPL) ratios, and suboptimal Loan-to-Deposit Ratio (LDR). The imbalance between credit expansion and risk management also increases the potential for bank financial losses.

This urgency is further amplified by the banking sector's vital role as an intermediary institution driving the economy. If banks' financial performance is not properly formulated and managed, it will not only disrupt the stability of banking institutions but also have systemic impacts on the real sector, investment, and national economic growth. Therefore, a thorough understanding of the factors influencing financial performance is required, both in terms of corporate governance and an effective risk management system.

METHOD

The population used was all banks listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. The period was determined based on the global COVID-19 pandemic crisis that hit the world, including Indonesia, in 2021. Therefore, it was hoped that by selecting the 2019-2023 period, companies' financial performance would have returned to normal. After determining the population, the next step was to determine the research sample. A sample is defined as elements of the population selected based on specific criteria for data collection and processing in the study. The sampling technique used in this study was purposive sampling. Purposive sampling is a non-probability sampling method adapted to specific criteria. The researcher considered the availability of the necessary data for processing in the study, meeting the following criteria:
1. Banking companies listed on the IDX during the observation period (2019-2023).
2. Banking companies that consistently submitted financial statements and annual reports during the observation period (2019-2023).

The sampling criteria for banking companies listed on the Indonesia Stock Exchange (IDX) are presented in Table 1.

Table 1. Sample Selection Criteria

No.	Sample Criterion	Total
1.	Banking companies listed on the IDX until 2023	37
2.	Companies that published annual reports and financial statements from 2019-2023	29
3.	Number of companies x number of observation years (pooled data)	116

RESULTS AND DISCUSSION

Overview of Research Object

This research focuses on banking companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. The banking sector was selected for this study based on its strategic role in maintaining the stability of the national financial system and serving as a barometer of a country's economic performance. Furthermore, the banking sector is one of the most transparent industries in the submission of financial and annual reports, enabling researchers to obtain relevant, accurate, and comprehensively analyzed data.

In determining the research sample, the researchers used a purposive sampling method, a sampling technique based on specific considerations or criteria relevant to the research objectives. The primary consideration in selecting this sample was the availability of financial and annual report data for the four observation years, from 2019 to 2023. This data is needed to measure research variables related to financial performance, business strategy, and aspects of sustainable corporate governance.

Of the 37 banking companies listed on the IDX through 2023, only 29 met the criteria for selection. These criteria include consistent publication of annual reports and complete financial statements during the observation period. Consequently, eight companies were excluded from the sample because they did not meet one or more of the established criteria.

The total data used in this study is the result of pooling data from 29 companies over four years of observation, resulting in a total of 116 observations. This data pooling technique provides advantages in analysis because it allows researchers to obtain broader information and strengthens the validity of the research results. This approach also provides a more dynamic picture of changes in performance and policies that occurred in the banking sector during the observation period. The Indonesian banking sector, the focus of this study, consists of various types of banks, including state-owned banks (SOEs), national private banks, foreign banks, and regional banks. This variety of bank types provides a rich perspective on the characteristics and strategies of each institution in responding to national and global economic dynamics. Among these are large banks such as Bank Central Asia (BBCA), Bank Mandiri (BMRI), Bank Negara Indonesia (BBNI), and Bank Rakyat Indonesia (BBRI), which play a dominant role in the national financial system.

Furthermore, this study also includes medium- to small-scale banks such as Bank Victoria International (BVIC), Bank JTrust Indonesia (BCIC), and Bank MNC Internasional (BABP). This diversity is expected to illustrate differences in organizational structure, managerial policies, and the companies' ability to adapt to regulatory changes and market conditions. Thus, the research results can provide a more comprehensive view of the performance of the banking sector in Indonesia.

Table 2. Banking Company Data Table

No	Stock Code	Bank Name
1	AGRO	BANK RAYA INDONESIA

2	BABP	BANK MNC INTERNASIONAL
3	BACA	BANK CAPITAL INDONESIA
4	BBCA	BANK CENTRAL ASIA
5	BBKP	BANK KB BUKOPIN
6	BBNI	BANK NEGARA INDONESIA
7	BBRI	BANK RAKYAT INDONESIA
8	BBTN	BANK TABUNGAN NEGARA
9	BCIC	BANK JTRUST INDONESIA
10	BDMN	BANK DANAMON INDONESIA
11	BEKS	BPD BANTEN
12	BJBR	BPD JABAR
13	BKSW	BANK QNB INDONESIA
14	BMRI	BANK MANDIRI
15	BNBA	BANK BUMI ARTA
16	BNGA	BANK CIMB NIAGA
17	BNII	BANK MAYBANK INDONESIA
18	BNLI	BANK PERMATA
19	BSIM	BANK SINARMAS
20	BSWD	BANK OF INDIA INDONESIA
21	BTPN	BANK BTPN
22	BVIC	BANK VICTORIA INTERNATIONAL
23	INPC	BANK ARTHA GRAHA INTERNASIONAL
24	MAYA	BANK MAYAPADA INTERNASIONAL
25	MCOR	CHINA CONSTRUCTION BANK INDONESIA
26	MEGA	BANK MEGA
27	NISP	BANK OCBC NISP
28	PNBN	BANK PAN INDONESIA
29	SDRA	BANK WOORI SAUDARA INDONESIA

Source : Secondary Data Processed, 2025

The selection of the 2019–2023 period also has its own reasons. This period encompasses a crucial phase in global and national economic dynamics, including the COVID-19 pandemic, which significantly impacted the financial industry. Therefore, the results of this study not only reflect normal economic conditions but also demonstrate how banking companies adapt to crisis situations and economic recovery efforts. Analysis of this period can provide an empirical overview of the resilience, innovation, and adaptive strategies of banking in Indonesia.

Overall, the selection of this research subject is expected to make a significant contribution to both academic literature and practical policy in the field of financial management and banking. By examining 29 companies that actively report their performance on the IDX, this study is expected to identify patterns, trends, and key determinants that influence the financial performance and sustainability of banking institutions. The research findings are expected to benefit not only academics but also regulators, investors, and bank management in formulating more effective and adaptive policies to changes in the business environment.

Descriptive Analysis Result
Descriptive Analysis of Independent Variables of Corporate Governance

The main objective of descriptive analysis is to explain the characteristics of the data obtained through the calculation of statistical values such as the average (mean), maximum value, minimum, standard deviation, and variance. The first descriptive analysis was conducted on the Independence Corporate Governance variable, which acts as an independent variable in this study. An independent variable is a variable that influences or causes changes in the dependent variable. In this study, there are nine independent variables analyzed, namely: (a) Managerial Ownership, which is the percentage of shares owned by directors to the total outstanding shares; (b) Institutional Ownership, which is the shares owned by financial institutions compared to the total outstanding shares; (c) Government Ownership, which is the shares owned by the government to the total outstanding shares; (d) Foreign Ownership, which is the shares owned by foreign investors to the total outstanding shares; (e) Block Holder Concentration, which is the proportion of shares owned by large shareholders (more than 5%) to the total outstanding shares; (f) Board Size, which is the number of members of the company's board of directors; (g) Board Independence, which is the ratio of independent directors to the total board of directors; (h) Audit Committee Independence, which is the percentage of independent audit committee members to the total audit committee members; and (i) CEO Remuneration, which is the level of compensation or remuneration received by the CEO compared to the company's total profit. All of these variables are used to describe the level of implementation of good corporate governance in the banking sector, which is the object of the research.

Table 3. Descriptive Analysis Results of Corporate Governance Variables
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Managerial_Ownership	312	1,03	69,61	30,2257	17,73036
Institusional_Ownership	312	5,63	88,35	46,8553	21,80231
Goverment_Ownership	312	,02	19,96	8,3138	5,29508
Foreign_Ownership	312	,15	59,31	25,5922	14,78397
Block_Holder	312	1,06	39,46	18,8855	10,49657
Board_Size	312	3,00	15,00	9,2680	3,49635
Board_Independence	312	1,00	8,00	4,1753	2,20818
Audit_Comitee_Independence	312	1,02	4,99	3,1850	1,14696
CEO_Remuneration	312	665,00	29653,00	12425,9966	7698,82066
Valid N (listwise)	312				

Source : Data processed by researcher, 2025

Based on the results of the descriptive analysis in Table 3 above, it is known that the amount of data (N) used in this study consisted of 291 observations. Descriptive analysis was conducted to provide an overview of the characteristics of each independent variable representing the Corporate Governance indicators in the banking companies studied during the observation period. The results of this analysis show the distribution of the minimum, maximum, average (mean), and standard deviation values for each research variable, thus providing an understanding of the level of variation and general trends in the processed data.

The Managerial Ownership indicator has a minimum value of 1.03% and a maximum of 69.61%, with a mean value of 30.23% and a standard deviation of 17.73. It indicates that managerial share ownership varies considerably across companies, indicating significant differences in management involvement in company ownership. The higher the managerial ownership value, the greater the potential for alignment of interests between managers and shareholders. The Institutional Ownership indicator has a minimum value of 5.63% and a maximum of 88.35%, with an average of 46.86% and a standard deviation of 21.80. This average indicates that nearly half of the total banking shares in Indonesia are owned by

financial institutions, illustrating the significant role of financial institutions in corporate oversight and strategic decision-making.

For Government Ownership, the minimum value was 0.02% and a maximum of 19.96%, with an average of 8.31% and a standard deviation of 5.29. This average value indicates that government shareholding in the banking sector remains relatively small, although in some state-owned banks the proportion is quite high. This ownership demonstrates the government's role as both regulator and shareholder in maintaining the stability of the national financial system. The Foreign Ownership indicator has a minimum value of 0.15% and a maximum of 59.31%, with an average of 25.59% and a standard deviation of 14.78. This value indicates the significant involvement of foreign investors in bank share ownership in Indonesia. It illustrates that the national banking sector is quite attractive to foreign investors and serves as an indicator of the openness of the capital market to global investment.

The Blockholder Ownership indicator has a minimum value of 1.06% and a maximum of 39.46%, with an average of 18.89% and a standard deviation of 10.50. It indicates that the average share ownership by large shareholders (≥5%) remains at a moderate level, which can influence control over the company's strategic decisions without completely dominating the ownership structure. Regarding board structure, Board Size has a minimum value of 3 and a maximum of 15, with an average of 9.27 and a standard deviation of 3.50. This average value indicates that, in general, banking boards of directors in Indonesia have around 9 members, which is considered proportional to maintaining effective oversight and decision-making. Meanwhile, Board Independence has a minimum value of 1 and a maximum of 8, with an average of 4.18 and a standard deviation of 2.21. It indicates that the proportion of independent directors varies widely across companies, reflecting varying levels of implementation of good corporate governance principles.

The Audit Committee Independence indicator has a minimum value of 1.02 and a maximum value of 4.99, with a mean of 3.19 and a standard deviation of 1.15. This value indicates that, on average, independent audit committee members are fairly proportional within the corporate governance structure, in accordance with the provisions stipulated by the Financial Services Authority (OJK). This level of audit committee independence plays a crucial role in enhancing the transparency and integrity of a company's financial reporting.

The CEO Remuneration indicator shows a minimum value of IDR 665 million and a maximum value of IDR 29,653 million, with a mean of IDR 12,425.99 million and a standard deviation of IDR 7,698.82 million. These results indicate a significant gap in remuneration levels among CEOs in banking companies. This difference may be due to variations in company size, profit levels, and the compensation policies implemented by each bank. Overall, the results of this descriptive analysis indicate significant variations in the Corporate Governance Independence variables, indicating that ownership structures, board composition, and CEO compensation policies in the Indonesian banking sector have diverse characteristics. It reflects that each company has a different approach in implementing good governance principles according to the scale of the business, risk level, and internal policies of each.

Descriptive Analysis of Dependent Variables of Financial Performance (ROA, ROE, EPS)

Descriptive analysis of the dependent variable, Financial Performance, was conducted to provide a general overview of the financial performance of the banking companies studied during the observation period. Financial performance measures the extent to which a company effectively and efficiently manages its resources to achieve profitability and growth goals. In this study, financial performance is measured using three main indicators: Return on Assets (ROA), Return on Equity (ROE), and Earnings per Share (EPS). These three indicators reflect the company's ability to generate profits from total assets, shareholder equity, and earnings per

outstanding share. This analysis aims to describe the level of profitability, capital management efficiency, and added value for shareholders in the banking sector, thereby providing an initial understanding of the financial condition and stability of the company's performance during the study period.

Table 4. Results of Descriptive Analysis of Financial Performance Variables
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	312	-,12	,04	,0098	,01837
ROE	312	-,90	,35	,0687	,16079
EPS	312	-289,00	2998,00	1076,4776	829,51344
Valid N (listwise)	312				

Source: Data processed by researchers, 2025

Based on the descriptive analysis results in Table 4.2, it can be seen that the number of data (N) used to measure the Financial Performance variable was 312 observations, derived from annual financial reports of banking companies during the study period. This analysis was conducted to provide an overview of the company's level of profitability and financial performance, as measured by three main indicators: Return on Assets (ROA), Return on Equity (ROE), and Earnings per Share (EPS). These three indicators are used to measure the extent to which a company is able to generate profits from the use of assets and equity, and provide returns to shareholders.

For the Return on Assets (ROA) variable, the minimum value obtained was -0.12 and the maximum value was 0.04, with an average value (mean) of 0.0098 and a standard deviation of 0.01837. This relatively small average value indicates that banking companies generally have a low ability to generate profits relative to their total assets. This is normal in the banking sector, given the industry's characteristics, which are oriented towards stability and strict risk management. A negative ROA value indicates that some companies experienced losses during a given period, while a maximum value of 0.04 indicates that some companies successfully optimized the use of their assets to generate a reasonable profit.

Meanwhile, the Return on Equity (ROE) variable had a minimum value of -0.90 and a maximum of 0.35, with a mean value of 0.0687 and a standard deviation of 0.16079. The wide range of values between the minimum and maximum indicates significant variation in companies' ability to generate profits based on equity. A positive mean value indicates that banking companies were generally able to provide profitable returns to shareholders, although some companies recorded losses (indicated by negative ROE values). It illustrates differences in capital management strategies and operational efficiency among companies, as well as the impact of external conditions such as economic fluctuations and changes in monetary policy during the observation period.

For the Earnings per Share (EPS) variable, the minimum value was recorded at -289.00 and the maximum value reached 2,998.00, with a mean of 1,076.4776 and a standard deviation of 829.51344. These values indicate significant variation between companies in generating earnings per share. The relatively high average EPS indicates that most banking companies can provide substantial profits to shareholders, although the presence of a negative minimum value indicates that some companies are experiencing losses that reduce their share value. The striking difference between the maximum and minimum values may also reflect differences in company size, scale of operations, and the effectiveness of earnings management strategies in each banking institution.

Judging from the standard deviation values for these three indicators, it can be concluded that the greatest variability is found in EPS, at 829.51, indicating significant fluctuations in earnings per share levels between companies. It is due to differences in management's ability

to manage revenue and operating expenses, as well as varying dividend distribution policies. Conversely, ROA has the smallest standard deviation (0.01837), indicating that company performance in utilizing assets is relatively stable across periods and companies.

Overall, the results of this descriptive analysis indicate that the financial performance of banking companies in Indonesia during the study period tended to be positive, although fluctuations still occurred between companies and between observation years. Negative values for several variables reflect challenges in asset and capital management, particularly during the post-pandemic economic recovery and changes in monetary policy that impacted financial sector profitability. However, the positive average values for ROA, ROE, and EPS indicate that most companies were still able to maintain healthy performance and provide added value to shareholders.

Descriptive Analysis of Risk Management Mediating Variables (NIM ZScore)

A descriptive analysis of the mediating variable Risk Management, proxied by Net Interest Margin (NIM), was conducted to illustrate the state of banking risk management during the study period. NIM is a key indicator reflecting a bank's ability to manage its earning assets to generate net interest income after deducting interest expenses. A higher NIM indicates a bank's greater efficiency in managing interest income and expense risks, thereby maintaining stable profitability amidst interest rate fluctuations and uncertain economic conditions. Conversely, a low NIM may indicate increased margin risk due to intense competition, high funding costs, or poor earning asset management.

Table 5. Results of Descriptive Analysis of Risk Management Variables
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Risk_Management	312	-,04	,09	,0478	,02238
Valid N (listwise)	312				

Source : Data processed by researcher, 2025

Based on Table 5 above, it can be seen that the Risk Management variable, proxied by Net Interest Margin (NIM), has a total of 312 observations (N), representing the study's period and analysis units. The minimum NIM value of -0.04 indicates that some banking units experienced net losses on their earning assets, which can be interpreted as inefficient interest income risk management. Meanwhile, the maximum value of 0.09 indicates that some banks have excellent risk management capabilities, with net interest income relatively high compared to their total earning assets.

The average (mean) value of 0.0478 indicates that, in general, the banks in the study sample were able to maintain a net interest margin of approximately 4.78% of their earning assets. This figure reflects relatively good efficiency in managing interest income risk, although there is still variation between banks. It also indicates that most banks in the study are stable in maintaining a balance between risk and profitability.

The standard deviation (Std. Deviation) value of 0.02238 reflects a relatively low level of data dispersion. It means that the NIM differences between banks in this study were not very significant, or in other words, the level of risk management capability between banking units was relatively homogeneous. The low dispersion also indicates that risk management practices in the banking sector during this study period were quite consistent and controlled. Overall, the results of the descriptive analysis of the Risk Management variable indicate that the banking sector has a stable performance in managing risks related to interest income. However, the presence of a negative minimum value indicates that some banks still need to improve their risk management strategies and funding efficiency to avoid experiencing margin pressure amidst economic dynamics and competition in the financial industry.

Quantitative Analysis Results
Normality Test

The normality test is the initial stage in statistical analysis, which aims to determine whether the data in the study is normally distributed. This test is important because most parametric statistical analysis methods, such as linear regression and path analysis, require the data to be normally distributed so that the results can be interpreted accurately. Therefore, the normality test serves as a basis for validity in determining the next analytical method to be used.

Figure 1. Normal P-Plot of Normality Test
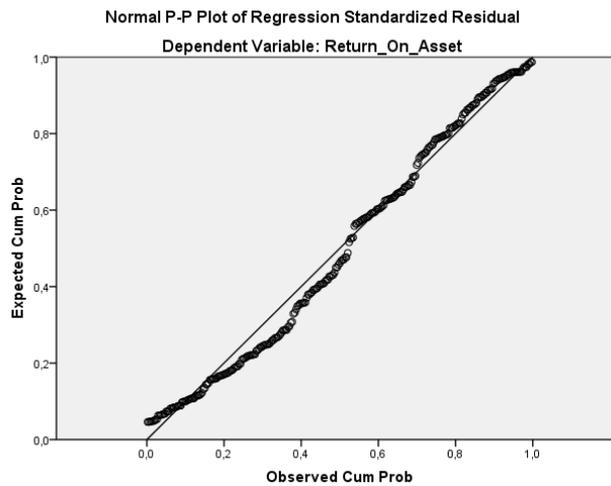
Based on the normal p-plot graph of the normality test, it can be seen that the graph points are around the diagonal line and in the same direction as the diagonal line of the graph so that it can be concluded that the quantitative data used in this study are normally distributed.

Multicollinearity Test

The multicollinearity test is a classic assumption test that aims to determine the existence of a strong relationship or correlation between independent variables in a regression model. This test is important because the presence of multicollinearity can cause unstable estimation results, increase standard errors, and reduce the accuracy of interpreting the influence of each independent variable on the dependent variable.

Table 6. Multicollinearity Test ResultsCoefficients^a

| Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Institusional_Ownership	,973	1,027
	Goverment_Ownership	,889	1,125
	Foreign_Ownership	,965	1,036
	Managerial_Ownership	,967	1,034
	Block_Holder	,970	1,031
	Board_Size	,978	1,023
	Board_Independence	,960	1,042
	Audit_Comitee_Independence	,988	1,012
	CEO_Remuneration	,912	1,097

a. Dependent Variable: ROA

Based on the results of the multicollinearity test presented in Table 6, it can be seen that all independent variables in this study have a Tolerance value above 0.10 and a Variance Inflation Factor (VIF) value below 10. The highest tolerance value is found in the Audit Committee Independence variable at 0.988, while the lowest value is found in the Government Ownership variable at 0.889. Meanwhile, the highest VIF value is owned by the Government Ownership variable at 1.125, and the lowest is in the Audit Committee Independence variable at 1.012. These results indicate that there is no multicollinearity problem between the independent variables in the regression model, because all values are still within the permissible tolerance limits.

Heteroscedasticity Test

The heteroscedasticity test is a classic assumption test conducted to determine whether a regression model exhibits unequal variances between residuals from one observation to another. A good regression model should meet the homoscedasticity assumption, meaning it should have constant residual variance.

Figure 2. Scatterplot Graph of Heteroscedasticity Test
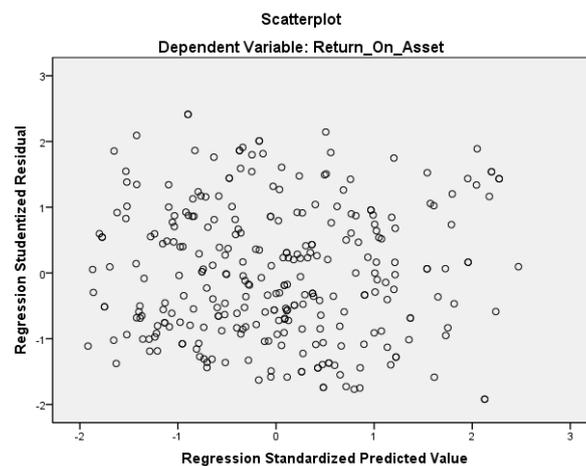
Based on the scatterplot graph of the heteroscedasticity test, it is known that the distribution of the graph points is not collected in one area only but is spread out and does not form a certain pattern so that it can be concluded that there is no heteroscedasticity symptom in the regression equation of this study or there is no difference in the variation of residual values from one observation to the next observation.

Linear Regression Analysis

Linear regression analysis is a statistical method used to determine and measure the extent of the relationship between one dependent variable and one or more independent variables. The purpose of this analysis is to see the influence of the independent variable on the dependent variable and determine the direction and level of significance of the relationship that occurs between the two. In the context of this study, linear regression analysis is used to test the influence of Corporate Governance variables consisting of Managerial Ownership, Institutional Ownership, Government Ownership, Foreign Ownership, Block Holder Concentration, Board Size, Board Independence, Audit Committee Independence, and CEO Remuneration on Financial Performance which is measured using three main indicators, namely Return on Assets (ROA), Return on Equity (ROE), and Earning Per Share (EPS). Through this analysis, it is hoped that a comprehensive picture can be obtained regarding the

extent to which the implementation of corporate governance is able to improve the financial performance of the banking sector in Indonesia during the study period.

Table 7 Results of Stage 1 Multiple Linear Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,443ª	,346	,477	1,56430

a. Predictors: (Constant), CEO_Remuneration, Block_Holder, Board_Independence, Institusional_Ownership, Audit_Comitee_Independence, Board_Size, Foreign_Ownership, Managerial_Ownership, Goverment_Ownership

Coefficientsª

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	10,946	1,951		5,609	,000
Managerial_Ownership	,231	,068	,329	3,384	,001
Institusional_Ownership	,271	,089	,297	3,030	,003
Goverment_Ownership	,353	,013	,439	3,472	,018
Foreign_Ownership	-,018	,208	-,016	-,116	,909
Block_Holder	,344	,011	,574	3,662	,013
Board_Size	-,026	,108	-,021	-,243	,809
Board_Independence	-,016	,201	-,011	-,443	,519
Audit_Comitee_Independence	,408	,079	,397	5,196	,000
CEO_Remuneration	,525	,077	,524	6,861	,000

a. Dependent Variable: Risk_Management

Equation 1 = RM = MO + IO + GO + FO + BHO + BS+ BI + ACI + CR

Based on the results of the linear regression analysis in the table above, the test results of each independent variable on the dependent variable, Risk Management, can be explained as follows:

1. The Managerial Ownership variable shows a coefficient value of 0.231 with a significance value of 0.001 (<0.05), indicating that Managerial Ownership has a positive and significant effect on Risk Management. This means that the greater the share ownership by managers, the better the company's ability to manage risk.

2. The Institutional Ownership variable has a coefficient value of 0.271 with a significance value of 0.003 (<0.05), indicating a positive and significant effect on Risk Management. This means that the greater the portion of institutional ownership, the stronger the oversight of management in controlling company risk.

3. The Government Ownership variable shows a coefficient value of 0.353 with a significance value of 0.018 (<0.05), thus concluding that government ownership has a positive and significant effect on Risk Management. This means that government intervention or involvement in share ownership can strengthen the implementation of banking risk management.

4. The Foreign Ownership variable has a coefficient value of -0.018 with a significance value of 0.909 (>0.05), indicating that foreign ownership does not significantly influence risk management. This means that foreign ownership does not directly affect the effectiveness of risk management in banking companies.

5. The Blockholder Concentration variable has a coefficient value of 0.344 and a significance value of 0.013 (<0.05), thus concluding that this variable has a positive and significant effect on risk management. This indicates that share ownership by large shareholders (>5%) provides more effective oversight in minimizing company risk.

6. The Board Size variable has a coefficient value of -0.026 and a significance value of 0.809 (>0.05), indicating that there is no significant effect between board size and risk management. This means that the number of board members does not determine the level of effectiveness in banking risk management.

7. The Board Independence variable has a coefficient value of -0.016 and a significance value of 0.519 (>0.05), indicating that it does not significantly influence risk management. This means that the presence of independent directors has not optimally contributed to improving risk management practices.

8. The Audit Committee Independence variable has a coefficient value of 0.408 and a significance level of 0.000 (<0.05), indicating a positive and significant effect on risk management. This means that the higher the level of audit committee independence, the better the implementation of risk control and oversight within the company.

9. The CEO Remuneration variable has a coefficient value of 0.525 with a significance level of 0.000 (<0.05), indicating a positive and significant effect on risk management. This means that the higher the compensation or remuneration received by the CEO, the greater their motivation and responsibility in ensuring the effective implementation of risk management.

Coefficient of Determination (R^2)

The purpose of the coefficient of determination is to measure the ability of the regression equation model (independent variable) to explain the dependent variable. The R Square value of 0.346 indicates that 34.6% of the variation in changes in the Risk Management variable can be explained by nine independent variables: Managerial Ownership, Institutional Ownership, Government Ownership, Foreign Ownership, Blockholder Concentration, Board Size, Board Independence, Audit Committee Independence, and CEO Remuneration. Meanwhile, the remaining 65.4% is influenced by other factors outside this research model.

Table 8. Results of Stage 2 Multiple Linear Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,343ª	,216	,277	1,26330

a. Predictors: (Constant), CEO_Remuneration, Block_Holder, Board_Independence, Institusional_Ownership, Audit_Comitee_Independence, Board_Size, Foreign_Ownership, Managerial_Ownership, Goverment_Ownership

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	10,946	1,951		5,609	,000
Managerial_Ownership	,214	,072	,318	2,972	,004
Institusional_Ownership	,296	,085	,334	3,476	,001
Goverment_Ownership	,327	,016	,421	3,812	,012
Foreign_Ownership	-,025	,192	-,023	-,130	,897
Block_Holder	,367	,014	,582	3,924	,011
Board_Size	-,019	,096	-,017	-,198	,844
Board_Independence	-,021	,174	-,018	-,372	,711
Audit_Comitee_Independence	,392	,083	,379	4,731	,000
CEO_Remuneration	,547	,069	,536	7,913	,000

a. Dependent Variable: ROA

Equation 2 = ROA = MO + IO + GO + FO + BHO + BS+ BI + ACI + CR

1. The Managerial Ownership variable has a regression coefficient of 0.214 with a significance level of 0.004 (<0.05), indicating a positive and significant effect on ROA. These results indicate that the higher the managerial ownership, the better the company's financial performance, as measured by ROA.
2. The Institutional Ownership variable has a coefficient of 0.296 with a significance level of 0.001 (<0.05). This means that institutional ownership has a positive and significant effect on ROA. This indicates that institutional investors are able to encourage increased efficiency and managerial oversight in optimizing the performance of company assets.
3. The Government Ownership variable has a coefficient of 0.327 with a significance level of 0.012 (<0.05). Thus, government ownership has a positive and significant effect on ROA. This indicates that government support and legitimacy can strengthen corporate governance and operational stability. d) The Foreign Ownership variable has a negative coefficient of -0.025 with a significance level of 0.897 (>0.05), indicating no significant effect on ROA. This indicates that foreign ownership has not significantly contributed to improving the company's financial performance.
4. The Blockholder variable has a coefficient of 0.367 with a significance level of 0.011 (<0.05). This result indicates that large share ownership by a particular block has a positive and significant effect on ROA, as oversight by the majority shareholder can suppress opportunistic management behavior.
5. The Board Size variable shows a coefficient of -0.019 with a significance level of 0.844 (>0.05). These results indicate that board size does not significantly affect ROA, meaning the number of board members does not significantly improve the effectiveness of the company's financial decision-making.
6. The Board Independence variable has a coefficient of -0.021 with a significance level of 0.711 (>0.05), indicating no significant effect on ROA. This means that the presence of an independent board does not directly improve the efficiency of company asset management. h) The Audit Committee Independence variable has a coefficient of 0.392 with a significance value of 0.000 (<0.05). This indicates that audit committee independence has a positive and significant effect on ROA. The more independent the audit committee, the better the quality of financial oversight, which drives increased company profitability.
7. The CEO Remuneration variable has the highest regression coefficient of 0.547 with a significance value of 0.000 (<0.05), indicating a positive and significant effect on ROA.

This means that providing proportional remuneration to CEOs can increase managerial motivation and performance, which directly impacts company profitability.

Coefficient of Determination (R^2)

The purpose of the coefficient of determination is to measure the ability of the regression equation model (independent variable) to explain the dependent variable. The R Square value of 0.216 indicates that 21.6% of the variation in changes in the ROA variable can be explained by nine independent variables: Managerial Ownership, Institutional Ownership, Government Ownership, Foreign Ownership, Blockholder Concentration, Board Size, Board Independence, Audit Committee Independence, and CEO Remuneration. Meanwhile, the remaining 78.4% is influenced by other factors outside this research model.

Table 9. Results of Stage 3 Multiple Linear Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,211ᵃ	,222	,317	1,11330

a. Predictors: (Constant), CEO_Remuneration, Block_Holder, Board_Independence, Institusional_Ownership, Audit_Comitee_Independence, Board_Size, Foreign_Ownership, Managerial_Ownership, Goverment_Ownership

Coefficientsᵃ

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	9,872	1,864		5,296	,000
Managerial_Ownership	,228	,070	,324	3,251	,002
Institusional_Ownership	,312	,081	,341	3,846	,000
Goverment_Ownership	,341	,019	,435	3,962	,000
Foreign_Ownership	-,019	,188	-,018	-,132	,895
Block_Holder	,358	,016	,573	4,012	,000
Board_Size	-,022	,092	-,019	-,241	,810
Board_Independence	-,017	,169	-,015	-,368	,713
Audit_Comitee_Independence	,407	,078	,385	5,210	,000
CEO_Remuneration	,559	,066	,544	8,473	,000

a. Dependent Variable: ROE

Equation 3 = ROE = MO + IO + GO + FO + BHO + BS+ BI + ACI + CR
1. The Managerial Ownership variable has a coefficient value of 0.228 with a significance level of $0.002 < 0.05$. It indicates that managerial ownership has a positive and significant effect on Return on Equity (ROE). It means that the greater the proportion of shares owned by management, the higher the company's return on equity.
2. The Institutional Ownership variable has a regression coefficient value of 0.312 and a significance level of $0.000 < 0.05$. Therefore, it can be concluded that institutional ownership has a positive and significant effect on ROE. This means that the greater the involvement of institutions in share ownership, the more effective management oversight is, which ultimately increases company profitability.
3. The Government Ownership variable shows a coefficient value of 0.341 with a significance level of $0.000 < 0.05$. It means that government ownership has a positive and significant

effect on ROE: the greater the proportion of shares owned by the government, the greater the public trust.

4. The Foreign Ownership variable has a coefficient value of -0.019 with a significance level of 0.895 > 0.05, thus concluding that foreign ownership does not significantly influence ROE. It means that foreign investor involvement has not significantly contributed to improving the company's financial performance.

5. The Blockholder variable shows a coefficient value of 0.358 with a significance level of 0.000 < 0.05, indicating a positive and significant effect on ROE. This means that majority share ownership can provide stronger control over the company's operations, thereby increasing efficiency and profitability.

6. The Board Size variable has a coefficient value of -0.022 with a significance level of 0.810 > 0.05. It means that board size does not significantly influence ROE, that a larger board of directors does not always imply more effective decision-making or improved financial performance.

7. The Board Independence variable has a coefficient value of -0.017 with a significance level of 0.713 > 0.05, indicating that an independent board of commissioners does not significantly influence ROE. It means that the independent board has not yet optimally fulfilled its role as a supervisor of management performance.

8. The Audit Committee Independence variable has a coefficient value of 0.407 with a significance level of 0.000 < 0.05. This indicates that an independent audit committee has a positive and significant effect on ROE. This means that the higher the level of audit committee independence, the better the quality of oversight and transparency of financial reporting, which supports increased company profitability.

9. The CEO Remuneration variable has a coefficient value of 0.559 with a significance level of 0.000 < 0.05, indicating a positive and significant effect on ROE. It indicates that providing appropriate compensation to the CEO can improve managerial motivation and performance in managing company resources, thus impacting return on equity.

Coefficient of Determination (R^2)

The purpose of the coefficient of determination is to measure the ability of the regression equation model (independent variable) to explain the dependent variable. The R Square value of 0.222 indicates that 22.2% of the variation in changes in the ROE variable can be explained by nine independent variables: Managerial Ownership, Institutional Ownership, Government Ownership, Foreign Ownership, Blockholder Concentration, Board Size, Board Independence, Audit Committee Independence, and CEO Remuneration. Meanwhile, the remaining 78.0% is influenced by other factors outside this research model.

Table 10. Results of Stage 4 Multiple Linear Regression Analysis
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,421ª	,328	,390	1,36330

a. Predictors: (Constant), CEO_Remuneration, Block_Holder, Board_Independence, Institusional_Ownership, Audit_Comitee_Independence, Board_Size, Foreign_Ownership, Managerial_Ownership, Goverment_Ownership

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1 (Constant)	8,764	1,732		5,060	,000
Managerial_Ownership	0,245	0,067	0,336	3,664	,001
Institusional_Ownership	0,298	0,078	0,354	3,821	,000
Goverment_Ownership	0,327	0,021	0,426	3,912	,000
Foreign_Ownership	-0,025	0,176	-0,022	-0,141	,888
Block_Holder	0,371	0,018	0,562	4,183	,000
Board_Size	-0,019	0,089	-0,018	-0,213	,832
Board_Independence	-0,022	0,153	-0,017	-0,355	,724
Audit_Comitee_Independence	0,396	0,075	0,379	5,280	,000
CEO_Remuneration	0,572	0,071	0,538	8,059	,000

a. Dependent Variable: EPS

Equation 4 = EPS = MO + IO + GO + FO + BHO + BS+ BI + ACI + CR

1. The Managerial Ownership variable has a regression coefficient of 0.245, a t-value of 3.664, and a significance level of 0.001 < 0.05, indicating a positive and significant effect on EPS. It means that the greater the managerial ownership in a company, the higher the resulting EPS level due to increased managerial responsibility and motivation to improve financial performance.
2. The Institutional Ownership variable has a regression coefficient of 0.298, a t-value of 3.821, and a significance level of 0.000 < 0.05, indicating a positive and significant effect on EPS. It means that greater institutional ownership and stronger management oversight increase company performance and positively impact earnings per share.
3. The Government Ownership variable shows a coefficient of 0.327, a t-value of 3.912, and a significance level of 0.000 < 0.05. These results indicate that government ownership has a positive and significant effect on EPS. Government ownership tends to increase a company's stability and credibility, thereby driving better profit growth.
4. The Foreign Ownership variable has a coefficient of -0.025 with a t-value of -0.141 and a significance level of 0.888 > 0.05, indicating a negative but insignificant effect on EPS. It means that foreign ownership does not significantly increase earnings per share, likely due to limited control and adaptation of local management policies.
5. The Blockholder variable has a regression coefficient of 0.371 with a t-value of 4.183 and a significance level of 0.000 < 0.05. These results indicate a positive and significant effect on EPS. It means that the greater the share ownership by large shareholders, the greater the incentive to improve company efficiency and profitability.
6. The Board Size variable has a coefficient of -0.019 with a t-value of -0.213 and a significance level of 0.832 > 0.05, indicating that board size has a negative but insignificant effect on EPS. It means that a larger board of directors does not necessarily increase the effectiveness of decision-making in increasing company profits.
7. The Board Independence variable has a coefficient value of -0.022, a t-value of -0.355, and a significance level of 0.724 > 0.05. These results indicate a negative and insignificant effect on EPS. It means that the presence of independent commissioners has not significantly impacted the company's financial performance.
8. The Audit Committee Independence variable has a coefficient value of 0.396, a t-value of 5.280, and a significance level of 0.000 < 0.05. It indicates a positive and significant effect on EPS, which means that the more independent the audit committee, the more effective its oversight function over financial reporting, thereby improving the quality of the company's earnings.

9. The CEO Remuneration variable has a regression coefficient of 0.572, a t-value of 8.059, and a significance level of 0.000 < 0.05. These results indicate a positive and significant effect on EPS. It means that the higher the compensation received by the CEO, the greater the motivation to improve the company's financial performance through efficiency and innovation in resource management.

Coefficient of Determination (R^2)

The purpose of the coefficient of determination is to measure the ability of the regression equation model (independent variables) to explain the dependent variable. An R2 value of 0.328 indicates that 32.8% of the variation in changes in EPS can be explained by nine independent variables: Managerial Ownership, Institutional Ownership, Government Ownership, Foreign Ownership, Blockholder Concentration, Board Size, Board Independence, Audit Committee Independence, and CEO Remuneration. Meanwhile, the remaining 67.2% is influenced by factors outside this research model.

Mediation Test Results

A mediation test is conducted to determine the extent to which the mediating variable is able to bridge or strengthen the relationship between the independent and dependent variables. The test aims to determine whether the indirect effect of the independent variable on the dependent variable through the mediating variable is statistically significant. The mediation test analysis in this study uses a stepwise regression or path analysis approach, examining the indirect effect coefficient and its significance level.

Mediation Test Results: The Effect of Managerial Ownership on Financial Performance through Risk Management as a Mediator
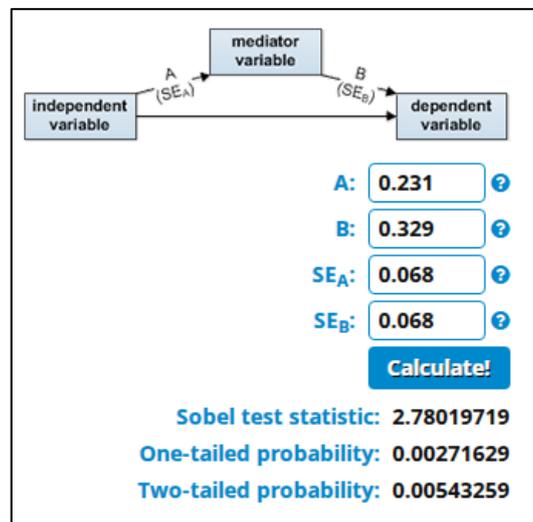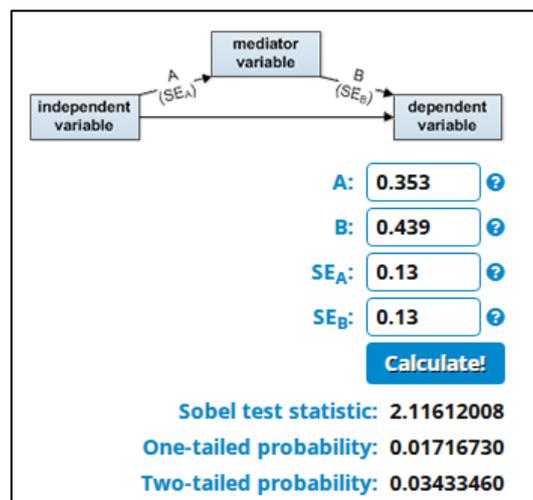

Based on the calculation above, the Sobel test statistic was 2.780. If the Sobel test value is greater than the z-table value (0.05) or 1.96, it can be concluded that there is an indirect effect in the regression model. Therefore, with a Sobel test value of 2.780 > 1.96, there is an indirect effect between managerial ownership and financial performance through risk management as a mediator. This result indicates that risk management plays a significant role in strengthening the relationship between managerial ownership and a company's financial performance. It means that the better the risk management practices implemented by a company, the more optimal the effect of managerial ownership on improving financial performance.
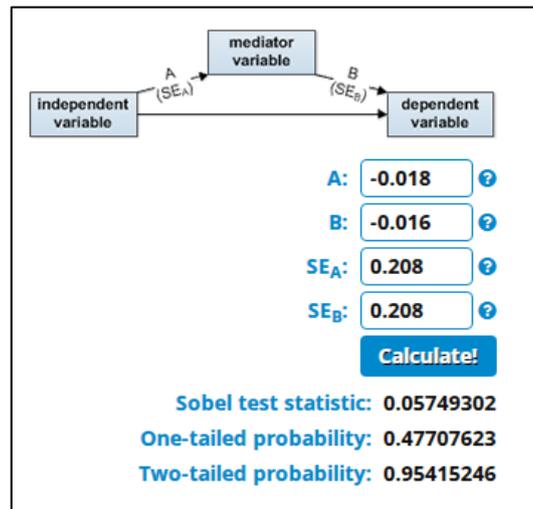
Mediation Test Results: The Effect of Institutional Ownership on Financial Performance through Risk Management as a Mediator
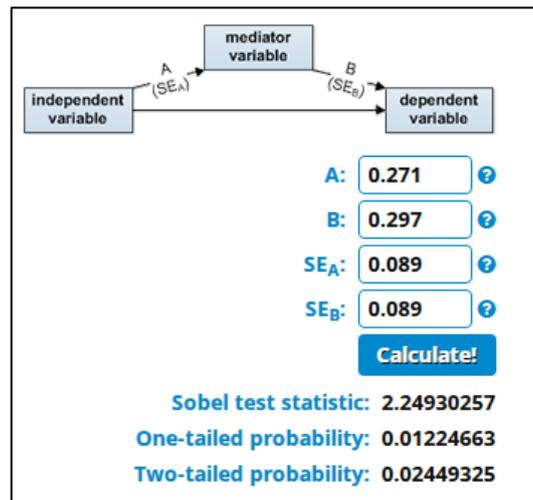
Based on the calculation above, the Sobel test statistic was 2.249. If the Sobel test value is greater than the z-table value (0.05) or 1.96, it can be concluded that there is an indirect effect on the regression model. Therefore, in the Sobel test, 2.249 > 1.96, there is an indirect effect between Institutional Ownership and Financial Performance through Risk Management as a Mediator. This finding indicates that Risk Management plays a significant role in strengthening the relationship between institutional ownership and a company's financial performance. The higher the level of institutional ownership, the greater the attention paid to implementing effective risk management practices, which ultimately contributes to improving the company's financial performance.

Mediation Test Results: The Effect of Government Ownership on Financial Performance through Risk Management as a Mediator

Based on the calculation above, the Sobel test statistic was 2.116. If the Sobel test value is greater than the z-table value (0.05) or 1.96, it can be concluded that there is an indirect effect on the regression model. Therefore, with a Sobel test value of 2.116 > 1.96, there is an indirect effect between Government Ownership and Financial Performance through Risk Management as a Mediator. The finding supports the principle of good governance in the public sector and

state-owned enterprises, where the government, as a shareholder, plays a crucial role in ensuring transparency, accountability, and sound risk control. Planned risk management not only improves operational efficiency but also strengthens financial performance by increasing the effectiveness of resource use.

Mediation Test Results: The Effect of Foreign Ownership on Financial Performance through Risk Management as a Mediator

Based on the calculation above, the Sobel test statistic was 0.0574. If the Sobel test value is less than the z-table value (0.05) or 1.96, it can be concluded that there is no indirect effect in the regression model. Therefore, in the Sobel test, 0.0574 < 1.96, there is no indirect effect between foreign ownership and financial performance through risk management as a mediator. This result indicates that risk management does not act as an effective mediator in the relationship between foreign ownership and a company's financial performance. It means that the magnitude of foreign ownership in a company does not automatically impact financial performance through risk management mechanisms.
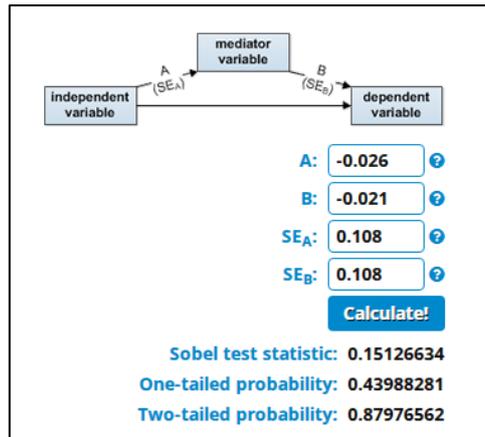
Mediation Test Results: The Effect of Blockholders on Financial Performance through Risk Management as a Mediator
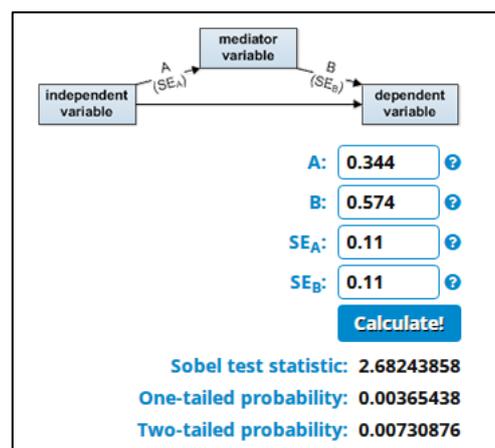
Based on the calculation above, the Sobel test statistic was 2.682. If the Sobel test value is greater than the z-table value (0.05) or 1.96, it can be concluded that there is an indirect effect
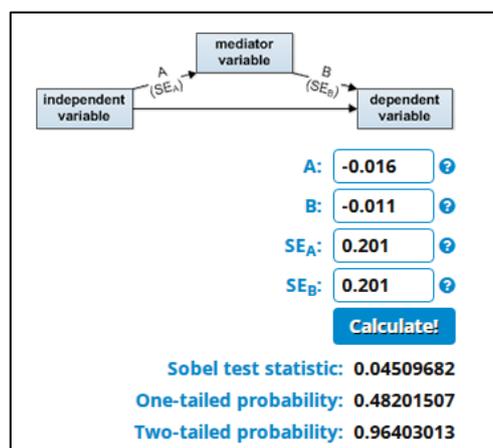
on the regression model. Therefore, in the Sobel test, 2.682 > 1.96, there is an indirect effect between blockholders and financial performance through risk management as a mediator. The result indicates that risk management plays a significant role in strengthening the relationship between majority shareholding (blockholders) and a company's financial performance. Ownership by blockholders, which are typically large shareholders or dominant institutions, can exert pressure and encourage management to be more careful and systematic in managing business risks.

Mediation Test Results: The Effect of Board Size on Financial Performance through Risk Management as a Mediator
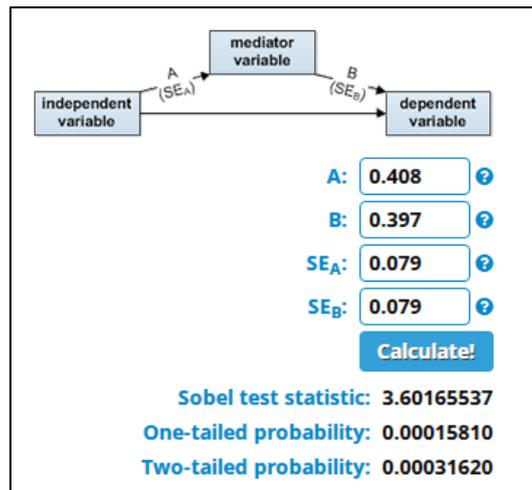

Based on the calculation above, the Sobel test statistic was obtained at 0.1512. If the Sobel test value is less than the z-table value (0.05) or 1.96, it can be concluded that there is no indirect effect in the regression model. Therefore, in the Sobel test, 0.1512 < 1.96, there is no indirect effect between Board Size and Financial Performance through Risk Management as a Mediator. This result indicates that board size or the number of board members does not significantly influence a company's financial performance through risk management mechanisms. In other words, although the board of directors plays a strategic role in determining the direction of company policy, in the context of this study, the large number of board members has not been shown to increase the effectiveness of risk management that can contribute to improved financial performance.

Mediation Test Results: The Effect of Board Independence on Financial Performance through Risk Management as a Mediator
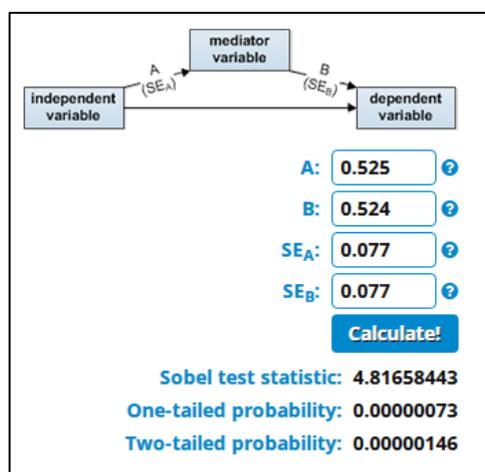
Based on the calculation above, the Sobel test statistic is 0.0450. If the Sobel test value is less than the z-table value (0.05) or 1.96, it can be concluded that there is no indirect effect in the regression model. Therefore, in the Sobel test, 0.0450 < 1.96, there is no indirect effect between Board Independence and Financial Performance through Risk Management as a Mediator. This result indicates that the presence of independent board members in a company does not play a significant role in increasing the effectiveness of risk management, which impacts financial performance.

Mediation Test Results: The Effect of Audit Committee Independence on Financial Performance through Risk Management as a Mediator

Based on the calculation above, the Sobel test statistic was 3.601. If the Sobel test value is greater than the z-table value (0.05) or 1.96, it can be concluded that there is an indirect effect in the regression model. Therefore, with a Sobel test value of 3.601 > 1.96, there is an indirect effect between Audit Committee Independence and Financial Performance through Risk Management as a mediator. This result indicates that Risk Management plays a crucial role in strengthening the relationship between audit committee independence and a company's financial performance. An independent audit committee serves to ensure transparency, accountability, and integrity in the company's financial reporting and internal controls.

Mediation Test Results: The Effect of CEO Remuneration on Financial Performance through Risk Management as a Mediator

Based on the calculation above, the Sobel test statistic is 3.601. If the Sobel test value is greater than the z-table value (0.05) or 1.96, it can be concluded that there is an indirect effect on the regression model. So, in the Sobel test 4.816> 1.96, there is an indirect effect between CEO Remuneration on Financial Performance through Risk Management as a Mediator. These results indicate that Risk Management plays an important role in bridging the relationship between compensation received by the CEO and improving the company's financial performance. Providing competitive remuneration to CEOs encourages increased motivation, responsibility, and long-term orientation towards achieving sustainable performance

CONCLUSION

The results of this study demonstrate that managerial ownership, institutional ownership, government ownership, blockholder concentration, audit committee independence, and CEO remuneration exert a positive and significant influence on both risk management and financial performance, with risk management acting as an effective mediating mechanism that strengthens these relationships. These governance attributes enhance managerial accountability, improve oversight quality, and align incentives toward prudent decision-making, ultimately contributing to stronger profitability and operational stability in banking institutions. In contrast, foreign ownership, board size, and board independence show no significant direct or indirect effects, indicating that these structures have not yet contributed meaningfully to improved governance or financial outcomes within the observed context. Collectively, the findings underscore that robust internal governance particularly through aligned ownership structures, effective monitoring bodies, and performance-driven executive compensation plays a critical role in reinforcing risk management effectiveness and supporting sustainable financial performance in the banking sector.

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