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The Effect of the Implementation of Risk Management and Corporate Governance with Profit Management as a Variable Intervening on Banking Financial Performance (Analytic Study on Sharia Banking Listed on the Indonesia Stock Exchange)

Khalisah Visiana[1], Nyoman Rita Widianti[2]
[1,2]*Universitas 17 Agustus 1945, Jakarta, Indonesia*
khalisah.visiana02@gmail.com, nyomanrita756@gmail.com

Abstract

This study aims to determine whether Risk Management and Corporate Governance with earnings management as an intervening variable on the financial performance of banking companies listed on the IDX, to determine whether Risk Management and Corporate Governance affect the financial performance of banking companies listed on the IDX through earnings management as a variable. Intervening to determine whether Risk Management and Corporate Governance affect earnings management in banking companies listed on the IDX and whether earnings management affects the financial performance of banking companies listed on the IDX. The population used in this study are four banking companies listed on the Indonesia Stock Exchange. Using the purposive sampling method by the criteria, four selected banking companies are selected. Using the 2016 to 2020 observation year (5 years) to measure discretionary accrual plus the 2015 observation year, it will get 30 data observations as sampling in this study. Hypothesis testing is done by linear regression analysis. From the results of hypothesis testing, it is known that the application of risk management has no significant effect on financial performance and corporate governance has no significant effect on financial performance. Moreover, applying risk management using earnings management as an intervening variable cannot mediate financial performance. Applying corporate governance using earnings management as an intervening variable cannot mediate company performance, meaning that earnings management is not a good variable in mediating the relationship between risk management, Corporate Governance with Financial Performance (KK). Risk Management does not affect earnings management, while Corporate Governance has no effect on earnings management and earnings management has no effect on financial performance.

Keywords
risk management; good corporate governance; earnings management; and financial performance

I. Introduction

The economic condition of the banking world in Indonesia has undergone many changes from time to time. This change is not only caused by internal developments in the banking world but also by the influence of developments outside the banking sector. Sharia banking performance can be brilliant. This confirms the prospect and huge potential of the Islamic economy in resurrecting the economy from the domestic crisis. Islamic banking makes it easier for people to carry out social transactions such as zakat, infaq and waqf. Islamic banks provide interest-free services to their customers. In the operational system of Islamic banks, interest payments and withdrawals are prohibited in the form of

transactions. Islamic banks do not recognize the system in the form of interest, both interest earned from borrowing customers or interest paid to depository funds in Islamic banks (Sunawran, 2015)

In-Law No. 21 of 2008 concerning Islamic Banking, the definition of Islamic banking and its meaning is stated. Sharia Banking is everything that concerns sharia banks and sharia business units, including institutions, including business activities, as well as procedures and processes in carrying out their business activities (OJK, 2017) Meanwhile, Sharia Banks are banks that carry out their business activities based on sharia principles. According to their type, they consist of Sharia Commercial Banks, Sharia Business Units and Sharia People's Financing Banks.

Islamic banking plays a very important role in encouraging Indonesia's economic growth. This can be done by growing the investment sector through third-party funds and growing financing through financing provided to the public. The bank is a financial institution that plays an important role in a country's economy.

GCG is a banking management system designed to improve bank performance, protect stakeholders' interests, and improve compliance with laws and regulations and generally accepted ethical values. Therefore, to build public trust in sharia banks and ensure compliance with sharia principles, it is necessary to implement GCG as a condition for sharia banks to develop properly and healthily. According to Dani and Hasan in Like Monisa Wati, the factors that affect financial performance include GCG because the basic principles of GCG aim to provide progress on a company's financial performance (Taufiq, 2013) (Romadoni, 2020)

The variables in this study also influence measuring the financial performance of Islamic banking because this research variable discusses how to control the risks that will occur, how to apply principles related to corporate governance, and is also useful for knowing the condition of management (Inka Novitasari, I Dewa Made Endiana, 2020) Company. Thus, the relationship between these variables with Islamic banking is very important because they can know the company's financial performance if they are known. Purwanto said that several factors influence the financial performance of banks, namely the weakening of the rupiah exchange rate, weak internal conditions of the bank such as inadequate management and lending to groups or business groups themselves that have led to high non-performing loans, a high level of business complexity due to the risks faced. The bank and capital cannot cover the risks faced by the bank, causing the bank's performance to decline. The company's performance can be seen through various variables or indicators. The purpose of this study was to determine the effect of the application of risk management and the effect of the implementation of corporate governance on the financial performance of Islamic banking listed on the Indonesia Stock Exchange.

II. Research Method

This study uses quantitative data. Quantitative research is a method of testing certain theories by examining the relationship between variables. These variables are measured so that data consisting of numbers can be analyzed based on statistical procedures (Creswell, 2012: 5). According to (Arifin, 2017) a quantitative approach is carried out in inferential research (in the context of hypothesis testing) and relies on the conclusion of the results on a null probability of rejecting the hypothesis. With the quantitative method, the significance of the group acquisition or the relationship between the variables studied will be obtained. The independent variables used are risk management, good corporate governance and earnings management; in this study, proxy *discretionary accruals* (DA) as

the intervening variable, and financial performance is proxied by the *ROA ratio (return on assets)* as the dependent variable.

Data Collection Methods

This research uses quantitative research methods because the data is in the form of numbers, and the analysis uses statistics. So that the analytical technique used is to use data analysis techniques with statistical methods. The data calculation in this data analysis technique uses the SPSS (Statistic Package for the Social Science) tool. SPSS is *software* that can help manage, calculate, and analyze statistical data. Regression measures the magnitude of the independent variable to the dependent.

a. Descriptive Analysis Descriptive
   The analysis is a statistical method that seeks to explain or describe various data characteristics such as maximum and minimum values, averages, etc.
b. Normality Test
   Purpose of conducting a normality test on a series of data is to determine whether the data population is normally distributed or not. If the data is normally distributed, then parametric statistical tests can be used (Siregar, 2015)
c. Multicollinearity test
   The multicollinearity test aims to test whether the regression model found a correlation between the independent variables. A good regression model should not correlate with the independent variables.
d. Heteroscedasticity Test
   The purpose of this heteroscedasticity test is to test whether, in a regression model, there is an inequality of variance from the residuals from one observation to another.

III. Results and Discussion

This research resulted in various things related to the problems at the beginning. The results of descriptive statistics provide an overview of the data used in this study before conducting hypothesis testing on the data quality used to ensure the fulfilment of the assumptions required for the regression model.

This study uses Risk Management (NPF, BOPO CAR, FDR) and Good Corporate Governance (GCG) as independent variables. The indicators used are Board of Directors Ownership, Institutional Ownership, Size of the Board of Commissioners, Size of the Board of Independent Commissioners and the Audit Committee. While the dependent variable is Financial Performance. With indicators used are the ratio of Return on Assets (ROA), Debt to Equity Ratio (DER), and Net Profit Margin (NPM), while Earnings Management (DA) is an intervening variable. As explained in the conceptual framework, Risk Management and Good Corporate Governance (GCG) as independent variables and Financial Performance as the dependent variable are latent or unobservable variables. This study uses the total score method. After regression of this research using statistical methods obtained the following results:

3.1 Hypothesis Testing
Determination Coefficient Test (R^2)

Table 1. Determination Test Results I
Risk Management, Good Corporate Governance, Earnings Management on ROA

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. The error in the Estimate
1	,791[a]	,625	,428	4,02945

a. Predictors: (Constant), DA, KA, CAR, KM, BOPO, PDKIN, NPF, KI, UDK, FDR
b. Dependent Variable: ROA

Table 1 above shows that the magnitude of the coefficient of determination (R^2) is the R Square value of 0.625. This means that the contribution of Risk Management, Good Corporate Governance, and Earnings Management variables to (ROA) is 62.5%, and the remaining 37.5% is influenced by other variables not disclosed in this study.

Table 2. Test Results of Determination I
Risk Management, Good Corporate Governance, Earnings Management on DER

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. The error in the Estimate
1	,637[a]	,406	,093	1.31465

a. Predictors: (Constant), DA, KA, CAR, KM, BOPO, PDKIN, NPF, KI, UDK, FDR
b. Dependent Variable: DER

Table 2 above shows that the magnitude of the coefficient of determination (R^2) is an R Square value of 0.406. This means that the contribution of Risk Management, Good Corporate Governance, and Earnings Management variables to (DER) is 40.6%, and the remaining 59.4% is influenced by other variables not disclosed in this study.

Table 3. Determination Test Results I
Risk Management, Good Corporate Governance, Earnings Management on NPM

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. The error in the Estimate
1	,660[a]	,436	,139	5560,94650

a. Predictors: (Constant), DA, KA, CAR, KM, BOPO, PDKIN, NPF, KI, UDK, FDR
b. Dependent Variable: NPM

Table 3 above shows that the magnitude of the coefficient of determination (R^2) is an R Square value of 0.436. This means that the contribution of Risk Management, Good Corporate Governance, and Earnings Management variables to (NPM) is 43.6%, and the remaining 56.4% is influenced by other variables not disclosed in this study.
Coefficient of Determination Equation II

Table 4. Test Result of Determination II
Risk Management, Good Corporate Governance on Earnings Management

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. The error in the Estimate
a	1,57102[a]	,908	,866	1,953

. Predictors: (Constant), KA, NPF, FDR, KM, UDK, CAR, KI, PDKIN, BOPO
b. Dependent Variable: DA

Table 4 above shows that the magnitude of the coefficient of determination (R^2) is an R Square value of 0.908. This means that the contribution of the Risk Management variable, Good Corporate Governance to Earnings Management, is 90.8%, and the remaining 9.2% is influenced by other variables not disclosed in this study.

3.2 F Test (Simultaneous Test)

Simultaneous Test (F Test) is used to test jointly whether or not the influence of the independent variable on the dependent variable can be known by using the F test. Guidelines are used if the probability significance > 0.05, then there is no significant effect or Ho is accepted and Ha is rejected. If the significance probability is <0.05, then there is a significant effect, Ho is rejected, and Ha is accepted. The results show in the following table.

a. Equation I

Table 5. F Test Results Equation I
Risk Management, Good Corporate Governance, Earnings Management on ROA

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	514,956	10	51,496	0,015	308,493[b]
	Residual	16,236	19	823,448		
	Total	3,172	29			

a. Dependent Variable: ROA
b. Predictors: (Constant), DA, KA, CAR, KM, BOPO, PDKIN, NPF, KI, UDK, FDR

Based on table 5 shows a sign value of 0.015 < 0.05 and a calculated F value of 3.172 < 3.34. Thus, by the provisions of the test criteria, if the value of Sign <0.05, it can be concluded that the variables of Risk Management, Good Corporate Governance, and Earnings Management on ROA have no effect.

Table 6. F Test Results Equation I
Risk Management, Good Corporate Governance, Earnings Management on DER

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	22,421	10	2,242	1,297	,299[b]
	Residual	32,838	19	1,728		
	Total	55,259	29			

a. Dependent Variable: DER
b. Predictors: (Constant), DA, KA, CAR, KM, BOPO, PDKIN, NPF, KI, UDK, FDR

Based on table 6 It is known that the sign value is 0.299 > 0.05 and the calculated F value is 1.297 < 3.34, so it can be concluded that H_o is rejected, which means that there is no effect on the variables of Risk Management, Good Corporate Governance, Earnings Management on DER.

Table 7. F Test Results Equation I
Risk Management, Good Corporate Governance, Earnings Management on NPM

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	453758048,445	10	45375804,844	1,467	,226[b]
	Residual	587558393,016	19	30924125,948		
	Total	1041316441,461	29			

a. Dependent Variable: NPM
b. Predictors: (Constant), DA, KA, CAR, KM, BOPO, PDKIN, NPF, KI, UDK, FDR

It is known that the sign value is 0.266 > 0.05 and the calculated F value is 1.467 < 3.34, so it can be concluded that H_o is rejected, which means that there is no influence on the variables of Risk Management, Good Corporate Governance, Earnings Management on NPM.

b. Equation II

Table 8. F Test Results Equation II
Risk Management, Good Corporate Governance on Earnings Management

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	486,572	9	54,064	21,905	,000[b]
	Residual	49,362	20	2,468		
	Total	535,934	29			

a. Dependent Variable: DA
b. Predictors: (Constant), KA, NPF, FDR, KM, UDK, CAR, KI, PDKIN, BOPO

It is known that the sign value is 0.000 < 0.05 and the calculated F value is 21.905 > 3.34, so it can be concluded that H_o is rejected, which means there is no influence of the variables of Risk Management, Good Corporate Governance on Earnings Management.

3.3 The t-test (Partial Test)

Ghozali (2016:171) states that the t-test or t-test is used to determine the effect of each independent variable on the dependent variable. This test is done by doing a t-test, which compares the t count with the t table.

a. Equation I

Table 9. Calculation Results of t-Test Equation I
Risk Management, Corporate Governance, Earnings Management on ROA

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,849	9,018		,427	,674
	NPF	-,345	,704	-,106	-,490	,629
	CAR	,031	,016	,419	1,912	,071
	BOPO	-,077	,032	-,515	-2,428	,025
	FDR	,051	,030,750	1,716	,	102
	KI	,036	,047	,161	,767	,453
	KM	,046	,045	,170	1,013	,324
	PDKIN	-1,799	1,321	-,280	-1,362	,189
	UDK	,729	1,632	,116	447	,660
	KA	-,338	,799	-,089	-,423	,677
	DA	,864	,574	,697	1,507	,148

a. Dependent Variable: ROA

Based on the results from the table above, some conclusions can be drawn as follows:

1. Testing risk management variables with NPF indicators (X1.1) on the Stock Performance variable (Y). It is known that the sign value is 0.629 > 0.05 and the T value is -0.490 < 2.051. through the CAR (X1.2) indicator on the financial performance variable (Y). It is known that the sign value is 0.071 > 0.05 and the T count is 1.912 < 2.051. through the BOPO indicator (X1.3) on the financial performance variable (Y). It is known that the sign value is 0.025 < 0.05 and the T count is -2.428 < 2.051. through the FDR indicator (X1.4) on the financial performance variable (Y). It is known that the sign value is 0.102 > 0.05 and the T count is 1.716 < 2.051. So it can be concluded that H1 through indicators NPF (X1.1), CAR (X1.2), BOPO (X1.3) and FDR (X1.4) is rejected, which means there is no effect on ROA.
2. Testing the Good Corporate Governance variable through KI (X2.1) on financial performance (Y). It is known that the sign value is 0.453 > 0.05 and the T count is 0.767 < 2.051. through KM (X2.2) on financial performance (Y). It is known that the sign value is 0.324 > 0.05 and the T count is 1.013 < 2.051. through PDKN (X2.3) on financial performance (Y). It is known that the sign value is 0.189 > 0.05 and the T count is -1.362 < 2.051. through UDK (X2.4) on financial performance (Y). It is known that the sign value is 0.660 > 0.05 and the T count is 0.447 < 2.051. through KA (X2.6) on financial performance (Y). It is known that the sign value is 0.677 > 0.05 and the T count is -0.423 < 2.051. so it can be concluded that H2 through KI (X2.1), KM (X2.2), PDKIN (X2.3), UDK (X2.4) and KA (X2.5) indicators are rejected, which means there

is no influence between KI indicators (X2.1), KM(X2.2), PDKIN (X2.3), UDK (X2.4) and KA (X2.5) to ROA.

3. Earnings Management variable testing through DA (X3.1) on financial performance (Y). It is known that the sign value is 0.148 > 0.05 and the calculated T value is 1.507 < 2.051, so it can be concluded that H2 through the X3.1 indicator is rejected, which means that there is no effect between DA (X3.1) on ROA.

Table 10. Calculation Results of t-test Equation I
Risk Management, Corporate Governance, Earnings Management on DER

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	,383	130,898		,	,
	NPF	058	,230	,068	,251	,805
	CAR	-,008	,005	-,390	-1,413	,174
	BOPO	,012	,010	,304	1,139	,269
	FDR	-, 003	,010	-,189	-,	343,736
	KI	,015	,015	,268	1,014	,323
	KM	-,011	,015	-,157	-,743	,466
	PDKIN	-,493	,431	-,295	-1,143	,267
	UDK	- ,098	,532	-,060	-,184	,856
	KA	,212	,261	,215	,813	,426
	DA	-,085	,187	-,265	-,454	,655

a. Dependent Variable: DER

Based on the results from the table above, some conclusions can be drawn as follows:

1. Testing the risk management variable with the NPF indicator (X1.1) on the Stock Performance variable (Y). through the CAR (X1.2) indicator on the financial performance variable (Y). It is known that the sign value is 0.174 > 0.05 and the T count is -1.413 < 2.051. It is known that the sign value is 0.805 > 0.05 and the T count value is 0.251 < 2.051. through the BOPO indicator (X1.3) on the financial performance variable (Y). It is known that the sign value is 0.269 > 0.05 and the T count value is 1.139 < 2.051. And through the FDR indicator (X1.4) on the financial performance variable (Y). It is known that the sign value is 0.736 > 0.05 and the T value is -0.343 < 2.051. So it can be concluded that H1 through indicators X1.1, X1.2, X1.3 and X1.4 is rejected, which means there is no effect of NPF (X1.1), CAR (X1.2), BOPO (X1.3) and FDR (X1.4) against DER.
2. Testing the Good Corporate Governance variable through KI (X2.1) on financial performance (Y). It is known that the sign value is 0.323 > 0.05 and the T count is 1.014 < 2.051. through KM (X2.2) on financial performance (Y). It is known that the sign value is 0.466 > 0.05 and the T count is -0.743 < 2.051. Governance through PDKIN (X2.3) on financial performance (Y). It is known that the sign value is 0.267 > 0.05 and the T count is -1.143 < 2.051. through UDK (X2.4) on financial performance (Y). It is known that the sign value is 0.856 > 0.05 and the T value is -0.184 < 2.051. And through KA (X2.5) on financial performance (Y). It is known that the sign value is 0.426 > 0.05 and the calculated T value is 0.813 < 2.051, so it can be concluded that H2

through the indicators X2.1, X2.2, X2.3, X2.4 and X2.5 is rejected, which means there is no influence between KI (X2.1), KM(X2.2), PDKIN(X2.3), UDK (X2.4) and KA (X2.5) to DER.

3. Earnings Management variable testing through DA (X3.1) on financial performance (Y). It is known that the sign value is 0.655 > 0.05 and the calculated T value is 0.454 < 2.051, so it can be concluded that H2 through the X3.1 indicator is rejected, which means that there is no effect between DA (X3.1) on ROA.

Table 11. Calculation Results of Equation I t-test
Risk Management, Good Corporate Governance, Earnings Management on NPM

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	29641,499	12445,478		2,382	,028
	NPF	-1102,933	971,727	-,302	-1,135	,270
	CAR	-37,616	22,497	-,449	-1,672	,111
	BOPO	-82,873	43,701	-,494	-1,896	,073
	FDR	-86,911	40,726	-1,145	-2,134	,046
	KI	-113,625	64,468	-,453	-1,763	,094
	KM	-34,161	62,354	-,113	-,548	,590
	PDKIN	573,038	1823,118	,079 ,	351	,
	UDK	-235,62	71,862,700	-,331	-1,044	,309
	KA	1271,091	1102,533	,297	1,153	,263
	DA	-1586,583	791,504	-1,138	-2,005	,059

a. Dependent Variable: NPM

Based on the results from the table above, the following results can be concluded:

1. Testing the risk management variable with the NPF indicator (X1.1) on the Stock Performance variable (Y). It is known that the sign value is 0.270 > 0.05 and the T count is -1.135 < 2.051. through the CAR (X1.2) indicator on the financial performance variable (Y). It is known that the sign value is 0.111> 0.05 and the T value is -1.672 < 2.051. through the BOPO indicator (X1.3) on the financial performance variable (Y). It is known that the sign value is 0.073 > 0.05 and the calculated T value is -1.896 < 2.051. through the BOPO indicator (X1.3) on the financial performance variable (Y). It is known that the sign value is 0.073 > 0.05 and the calculated T value is -1.896 < 2.051. And through the FDR indicator (X1.4) on the financial performance variable (Y). It is known that the sign value is 0.046 > 0.05 and the calculated T value is -2.134 < 2.051, so it can be concluded that H1 through indicators X1.1, X1.2, X1.3, and X1.4 is rejected, which means there is no effect of NPF (X1.1), CAR (X1.2), BOPO (X1.3) and FDR (X1.4) against NPM.
2. Testing the Good Corporate Governance variable through KI (X2.1) on financial performance (Y). It is known that the sign value is 0.094 > 0.05 and the T count is -1.763 < 2.051. through KM (X2.2) on financial performance (Y). It is known that the sign value is 0.590 > 0.05 and the T value is -0.548 < 2.051. through PDKIN (X2.3) on financial performance (Y). It is known that the sign value is 0.757 > 0.05 and the T count value is 0.314 < 2.051. through UDK (X2.4) on financial performance (Y). It is known that the sign value is 0.039 < 0.05 and the T count is -1.044 < 2.051. through KA

(X6.1) on financial performance (Y). It is known that the sign value is 0.263 > 0.05 and the T arithmetic value is 1.153 < 2.051. so it can be concluded that H2 through indicators X2.1, X2.2, X3.3, X2.4, and X2.5 is rejected, which means that there is no influence between the indicators of KI (X2.1), KM (X2.2), PDKIN (X2.3), UDK (X2.4) and KA (X2.5) against NPM.

3. Earnings Management variable testing through DA (X3.1) on financial performance (Y). It is known that the sign value is 0.059 > 0.05, and the calculated T value is -2.005 < 2.051, so it can be concluded that H2 through the X3.1 indicator is rejected, which means that there is no effect between DA (X3.1) on NPM.

b. Equation II

Table 12. Results of t-test calculations Equation II
Risk Management, Good Corporate Governance on Earnings Management

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	9,652	2,776		3,478	,002
	NPF	- ,336	,264	-,128	-1,272	,218
	CAR	,015	,005	-,252	-2,812	,011
	BOPO	-,002	,012	-,018	-,174	, 864
	FDR	-,047	,005	-,862	-9,959	,000
	KI	,009	,018	,052	,515	,612
	KM	-,016	,017	-,071	-,899	,379
	PDKIN	-,212	,513	-,041	-, 414	,683
	UDK	-1,941	,465	-,381	-4,172	,000
	KA	,609	,280	,198	2,173	,042

Based on the results from the table above, some conclusions can be drawn as follows:

1. Testing risk management variables with NPF indicators (X1.1) on the Financial Performance variable (Y). It is known that the sign value is 0.218 > 0.05 and the T count is -1.272 < 2.051. Through the CAR indicator (X1.2) on the financial performance variable (Y). It is known that the sign value is 0.011 < 0.05 and the T value is -2.812 < 2.051. Through the BOPO indicator (X1.3) on the financial performance variable (Y). It is known that the sign value is 0.864 > 0.05 and the T count is -0.174 < 2.051. Through the FDR indicator (X1.4) on the financial performance variable (Y). It is known that the sign value is 0.000 < 0.05 and the T count is -9.959 < 2.051. so it can be concluded that H5 through indicators CAR (X1.2), NPF (X1.1), CAR (X1.2), BOPO (X1.3), and FDR are rejected, which means there is no effect between (X1.4) on Earnings Management (DA).
2. Testing the Good Corporate Governance variable through KI (X2.1) on financial performance (Y). It is known that the sign value is 0.612 > 0.05 and the T arithmetic value is 0.515 < 2.051. through KM (X2.2) on financial performance (Y). It is known that the sign value is 0.379 > 0.05, and the T value is -0.899 < 2.051. . through PDKIN (X2.3) on financial performance (Y). It is known that the sign value is 0.683 > 0.05 and the T count is -0.414 < 2.051. through UDK (X2.4) on financial performance (Y). It is

known that the sign value is 0.000 < 0.05 and the T count is -4.172 < 2.051. through KA (X2.5) on financial performance (Y). It is known that the sign value is 0.042 < 0.05 and the T count value is 2.173 > 2.051. So it can be concluded that H4 Good Corporate Governance through KI (X2.1), KM (X2.2), PDKIN (X2.3), UDK (X2.4) and KA (X2.5) are rejected, which means there is no effect on Earnings Management (DA).

IV. Conclusion

This study uses Risk Management (NPF, BOPO CAR, FDR) and Good Corporate Governance (GCG) as independent variables. The indicators used are Board of Directors Ownership, Institutional Ownership, Board of Commissioners Size, Independent Board of Commissioners Size and Audit Committee. At the same time, the dependent variable is Financial Performance. With indicators used are the ratio of Return On Assets (ROA), Debt to Equity Ratio (DER), and Net Profit Margin (NPM), while Earnings Management (DA) is an intervening variable. As explained in the conceptual framework, Risk Management and Good Corporate Governance (GCG) as independent variables and Financial Performance as the dependent variable are latent or unobservable variables. This study uses the total score method. Risk Management has no effects the financial performance of banking companies. Good Corporate Governance has no significant effect on the financial performance.

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