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The Effect of Good Corporate Governance (GCG) and Bank Size on Financial Performance with Non-Performing Financing (NPF) as a Moderating Variable in Islamic Banking in 2019-2023

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good corporate governance; bank size; non performing financing; financial performance; Islamic banking

ABSTRACT

The growth of the Islamic banking industry in Indonesia shows a significant increase, which triggers competition between Islamic banks and conventional banks. In this context, Good Corporate Governance (GCG) and bank size play an important role in influencing financial performance, as measured by Return on Assets (ROA). This study aims to analyze the effect of GCG and bank size on financial performance with Non-Performing Financing (NPF) as a moderating variable. This study uses data from 10 Islamic banks registered with OJK during the 2019-2023 period, using purposive sampling method. The data were analyzed using panel regression and Moderated Regression Analysis (MRA) to test the proposed hypothesis. The results showed that GCG and bank size have a positive and significant effect on ROA. However, NPF is not able to moderate the effect of GCG and bank size on ROA. This finding confirms the importance of good GCG implementation and effective risk management in improving the financial performance of Islamic banks. Although NPF does not moderate the relationship between GCG and bank size on ROA, risk management is key in maintaining good financial performance. An increase in the number of independent commissioners is expected to support better company conditions. This study concluded that GCG and bank size have a significant influence on the financial performance of Islamic banks. To improve financial performance, it is important for Islamic banks to optimize the implementation of GCG and manage financing risks well. Future research is recommended to expand the number of samples and variables studied in order to obtain more accurate and comprehensive results.

INTRODUCTION

The development of Islamic banking in Indonesia shows significant growth. This is reflected in the increase in the number of Islamic banks and the total assets of Islamic banking which have continued to increase in the last three years. This significant growth triggers competition between fellow Islamic banks and with conventional banks. In this competition, all Islamic banks are required to display their best performance to be competitive in the Indonesian national banking market (Dewi et al., 2024; Juniwati & Rivanda, 2023; Purbayati et al., 2021, 2023). Financial performance reflects the financial condition as well as the welfare of the company in a certain period of time. In the context of Islamic banking, financial performance is usually measured through financial ratio analysis, one of which is Return on Assets (ROA). ROA measures the overall profitability of a company as well as evaluating the performance of the finance department in managing assets over a specific period. Measurement of financial performance is important for companies because it shows the effectiveness of asset management in generating profits (Afgani et al., 2023; Rivanda & Muslim, 2021).

The high profit from the income of Sharia Bank financing products is associated with this level of profitability. To increase profitability, Islamic banks must maximize profit through the use of productive assets. In addition, profitability plays an active role as a determining factor in the growth of Islamic banking in the period 2019 to 2023 in Figure 1.

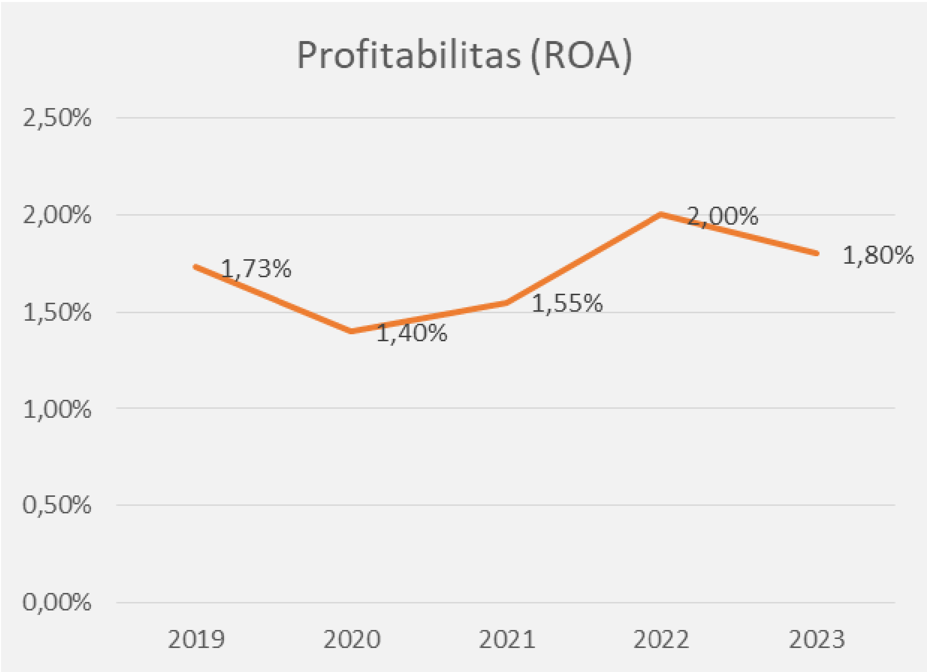

Figure 1. Profitability Chart of Indonesian Sharia Commercial Banks in 2019-2023
Source: Data processed from Sharia Banking Statistics (2023)

Based on Figure 1 of 2019, the ROA of Sharia Commercial Banks was recorded at 1.73%. The decrease in ROA to 1.40% occurred in 2020. This is due to global economic instability due to the pandemic. Significant fluctuations in the financial performance of Sharia Commercial Banks were seen throughout the period from 2019 to 2023. Despite facing economic instability, an increase in ROA to 1.55% was achieved in 2021, demonstrating the resilience of Sharia Commercial Banks. This increase should be appreciated, because many other business lines have decreased. The existence of the Islamic Finance Industry is maintained with an increase in ROA of 2.00% in 2022. However, in 2023, the ROA decline again occurred to 1.88%. The unstable change in ROA value over the past five years shows that the growth of Islamic banking has not reached a significant level. In addition to analyzing the profitability ratio proxied through ROA, the company's performance can also be assessed through financing risk measured by Non-Performing Financing (NPF).

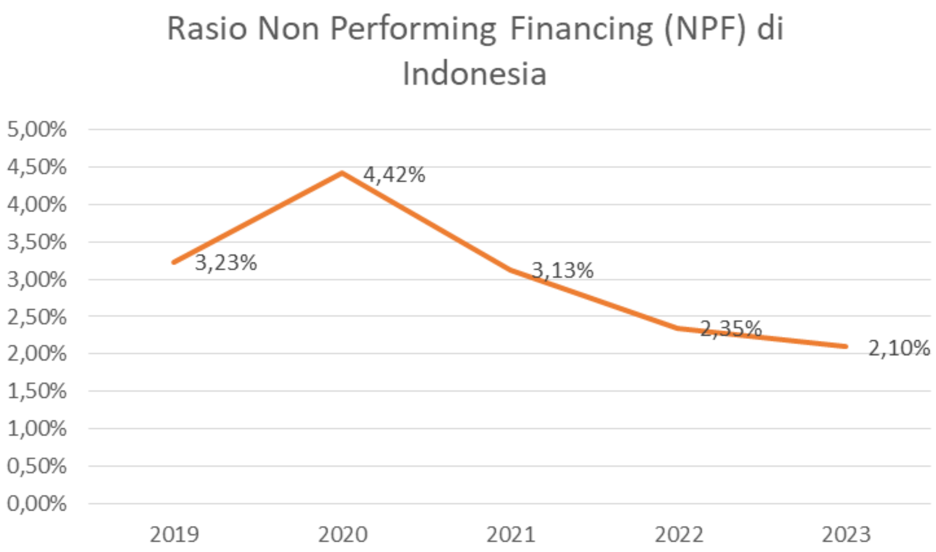

Figure 2. Sharia Commercial Bank Financing Risk Chart in 2019-2023
Source: Data processed from Sharia Banking Statistics (2023)

NPF is an important indicator in assessing a company's performance, especially in the context of financing risk. NPF not only reflects the quality of assets, but also has a direct effect on profitability and managerial decisions in financial institutions. This is supported by Bank Indonesia Circular Letter No.9/24/DPbS in 2007 regarding the NPF ratio to measure the level of financing problems faced by banks. The higher the NPF ratio, the worse the quality of financing for Islamic banks Figure 2 above explains that the highest NPF value was in 2020 at 4.42% and is considered quite worrying (Djatmiko & Rachman, 2015; Mufarida & Aftian, 2022).

NPF is influenced by one of the main factors, namely the implementation of Good Corporate Governance (GCG). emphasizing the importance of applying GCG principles to improve performance and reduce NPF. In addition, the implementation of good GCG can increase transparency and accountability which has the potential to reduce NPF in Islamic banks. In addition, GCG is also used to build market interest and trust in the services and systems implemented by Islamic banks. To realize GCG, all stakeholders in Islamic banks must be involved. NPF can also be affected by bank size.

Financial performance and financing risk in Sharia Commercial Banks are influenced by several factors, one of which is the size of the bank (Bank Size). Banks with a larger scale tend to have better performance. Bank size is used to indicate the level of wealth of a bank measured based on the total assets owned. Positive developments in bank size can be used as important capital to support business expansion. In addition, that larger banks not only have better financial performance, but are also better able at managing risk and making more effective funding decisions (Gumilar & Muchtar, 2023).

Ariandhini (2019)shows that the bank's profitability is positively affected by the size of the bank. However, different results were found in studies where bank size actually had a negative relationship with profitability. This difference suggests that the influence of bank size on profitability can vary, depending on the conditions and context of each bank. Based on the above background, the author has an interest in conducting a study entitled "The Influence of Good Corporate Governance (GCG) and Bank Size on Financial Performance with Non-Performing Financing (NPF) as a Moderating Variable in Islamic Banking in 2019-2023".

The purpose of this study is to analyze the effect of Good Corporate Governance (GCG) on the financial performance of Islamic banks as measured by Return on Assets (ROA), and evaluate the impact of bank size on the financial performance of Islamic banks in the period 2019-2023. In addition, this study also aims to assess the role of Non-Performing Financing (NPF) as a moderating variable in the relationship between GCG and bank size on financial performance. By setting these objectives, it is hoped that the research can provide deeper insights into the factors affecting the financial performance of Islamic banks in Indonesia, as well as provide recommendations to improve financial performance through better GCG implementation and effective financing risk management.

Agency Theory

The theory is defined as the agency relationship of a contract, some parties (principal) ask the other party (agent) on his behalf to carry out a number of jobs, through delegation of authority to the agent to make decisions. Agency theory is a basic theory used to understand the concept of Corporate Governance. In the short and long term, the owner of the company expects the management to make optimal use of existing resources to achieve profitability that is always increasing to the principal. Agency relationships can cause conflicts due to differences in interests, where the interests of the owners are not always implemented by management (Iriani et al., 2023).

The owners of the company aim to increase their interests through dividend distribution, while the management aims to increase its interests through compensation. This situation forces management to make decisions that are beneficial but not good for the company. Then, the relationship between the owner and the company's management often has an information imbalance. Information asymmetry leads to the lack of one of the most important principles of corporate governance, namely transparency about Financial Performance for company owners. Managers and owners who are involved in the management of operational activities in a company with the aim of not prioritizing interests only for themselves without caring about the interests of the company.

Sharia Bank

Law No. 21 of 2008 defines Sharia Banks as banks based on sharia principles. Islamic banking is grouped into two, namely the first Sharia Commercial Bank and the second Sharia People's Financing Bank. Everything related to Islamic banks and Islamic business units, including institutions, business activities, as well as procedures and processes for implementing activities, is covered in Islamic banking.

Good Corporate Governance

Good corporate governance is corporate governance which is one of the aspects to support the achievement of performance or company performance. GCG is implemented through various principles such as openness, accountability, responsibility, professionalism, and fairness (PBI Number 11/33/PBI/2009). The interests of shareholders and the company's obligation to make disclosures are two things that are highly emphasized in the application of the GCG concept to companies. Through good corporate governance, disclosure is carried out accurately, timely, and transparently. The things that were revealed were of course related to various information regarding financial performance, including ownership and stakeholders.

Mulyani explained that GCG is corporate governance that functions in achieving equality between authority and the quality of the division of tasks to each group in the company. While defining GCG is a concept whose application is aimed at encouraging improvements in Financial Performance through supervision and accountability guarantees, the implementation of GCG can help realize transparent reports.

Bank Size

The size of the company is defined by Kuncoro and Suhardjono as the total assets owned by the company. In general, companies can be categorized into large, medium, and small, with a determination basis based on total assets owned. In banking, the size of a bank is measured by the amount of assets it owns, which is known as Bank size. The total assets of a bank are compared with the total assets of other banks to determine the ratio Bank size. If a bank has a large amount of assets, then it is categorized as a large bank, and vice versa (Pakpahan et al., 2022). The volume of financing provided will be larger as the size of the bank increases to achieve maximum profits. However, the larger the size of the bank, the greater the financing risk that must be faced. This increased financing risk can trigger an increase in non-performing financing in Islamic banks.

Financial Performance

Return on Assets (ROA) is one of the indicators of a bank's financial performance, which is used to show the percentage of profit (net profit) earned by a company related to total resources or the average number of assets owned. In this study, ROA is used as a tool to measure financial performance. The effectiveness of the company in generating profits is assessed through the use of its assets using ROA. According to the return on the use of the company's assets in creating net profit is indicated by the ROA ratio. In other words, how much net profit is generated from each rupiah of funds embedded in total assets is measured using this ratio. A company's ability to generate profits by utilizing total existing assets can be measured through ROA, after the cost of capital used to fund those assets is excluded from the analysis (Maulana et al., 2024). To assess the level of health that reflects the financial performance of the profitability ratio component with the calculation of Return On Assets (ROA). Bank Indonesia through a Circular Letter of Bank Indonesia stipulates the assessment criteria (ROA) which can be seen in Bank Indonesia Circular Letter No.13/24/DPNP/Year 2011

The company's ability to use all assets to generate after-tax profit is shown by Return on Assets (ROA). This ratio is used by management to evaluate the effectiveness and efficiency in the management of a company's assets (Afgani et al., 2021). The use of a company's assets is considered to be more efficient if the ROA is larger, which means that a larger profit can be generated with the same number of assets, and vice versa. According to Munawir (2019), there are two main factors that affect the amount of ROA, namely: (1) Turnover from Operating Asset, which shows the level of asset turnover used in operational activities, where the difference between sales and total assets of the company is used to determine the value Operating Asset; and (2) Profit Margin, which shows the amount of operating profit in the form of a percentage of net sales. The level of profit achieved by the company is measured based on profit margin associated with its sales.

Based on some of the theories above, Return on Assets (ROA) is concluded as a tool to measure a company's ability to generate profits through the use of its assets. The company's financial condition will be better if the profits generated are larger. Own capital and borrowed capital make up the company's total assets. Thus, the net profit earned from the combination of own capital and loans is indicated by this ratio.

Financing Risk - Non Performing Financing (NPF)

Non-Performing Financing (NPF) is a ratio used to compare non-performing financing with total financing that has been disbursed. The bank's performance was affected by non-performing financing (stuck) which directly impacted profits (Ramadhan et al., 2024). When the NPF rate increases, the bank's ability to disburse financing will decrease, which ultimately leads to a decrease in profitability. Bank profitability is affected by Non-Performing Financing (NPF). When the number of NPFs increases, then the bank's profitability decreases, while an increase in profitability can be achieved if the number of NPFs decreases. NPF is calculated using the following formula:

$$\mathrm{NPF} = \frac{\mathrm{Non-Performing\ Financing}}{\mathrm{Total\ Financing}} \times 100\%$$

Bank Indonesia has stipulated provisions regarding Non-Performing Financing (NPF). The Non-Performing Loan/Non-Performing Financing (NPL/NPF) ratio for total loans or financing on a gross basis must be below 5%. In addition, the NPL/NPF ratio from the Head Office (KP) or Distributors (PP) on a gross basis is also set not to exceed 5%. The following Table 1 shows the grouping of NPF levels and their predicates.

Table 1 NPL/NPF Levels and Predicates according to Bank Indonesia Standards

Level	Predicate
NPF < 2%	Excellent
2% ≤ NPF < 5%	Good
5% ≤ NPF < 8%	Pretty Good
8% ≤ NPF < 12%	Not Good
NPF ≥ 12%	Bad

Variables of the Independent Board of Commissioners on Financial Performance in Sharia Commercial Banks

The Independent Board of Commissioners is stated to have an influence on financial performance, as shown in research conducted by . The supervision carried out by the Independent Commissioner is able to influence the behavior of the Board of Directors, with the input provided aimed at improving the company's financial performance. The study also showed similar results, where the increase in the number of Independent Commissioners made the company's supervisory function run more effectively, resulting in an increase in ROA. The same results were found in a study that showed that the financial performance of the company, which is proxied through ROA, is significantly affected by the existence of an Independent Board of Commissioners. Based on the above findings, the hypothesis proposed is **H1**: The Independent Board of Commissioners has an influence on Financial Performance (Qoyum et al., 2017).

Bank Size Variable on Financial Performance in Sharia Commercial Banks

In research conducted by Bank Size, it was stated that it had a positive influence on financial performance. Greater appeal to consumers is owned by large companies, as the risk of bankruptcy will be smaller. According to economic theory, efficiency in the production of goods and services can be achieved by large organizations, while large banks are considered to benefit from economies of scale that allow products or services to be produced cheaper and more efficiently than small banks. Risk can be reduced and profitability can be increased through this efficiency, as large banks usually offer more products or services. Bank Size has a significant effect on bank profitability (Ariandhini, 2019; Qoyum et al., 2017). In contrast, research by Vernanda and Widyarti (2016) and Martins et al. (2019) found that Bank Size did not have a significant influence on profitability. This view is also reinforced by the theory of Weston and Brigham (1994), which states that greater profits can be generated by companies with large assets if their operational activities are carried out effectively.

Based on the above findings, it is concluded that Bank Size affects profitability measured using ROA, so the hypothesis proposed is **H2**: Bank Size has an influence on Financial Performance.

Non-Performing Financing Variables on Financial Performance in Sharia Commercial Banks

Africa (2023) explain the influence of the Independent Board of Commissioners on credit risk significantly. More effective oversight of management is provided by the Independent Board of Commissioners, so that the possibility of irregularities committed by managers can be minimized. Decisions with integrity are expected to be produced with the existence of the Independent Board of Commissioners, because the concept of independence is aimed at overcoming self-interest problems and preventing conflicts of interest, so the hypothesis proposed is **H3**: Non-Performing Financing has an influence on Financial Performance.

Variables of the Independent Board of Commissioners on Financial Performance with Financing Risk as a Moderation Variable in Sharia Commercial Banks

Septhiani et al., (2024) explain the influence of the Independent Board of Commissioners on credit risk significantly. More effective supervision of managers is provided by the Independent Board of Commissioners, so that the possibility of irregularities committed by management can be minimized. Decisions with integrity are expected to be produced through the existence of the Independent Board of Commissioners, because the concept of independence is aimed at overcoming self-interest issues and preventing conflicts of interest. In line with these findings, the research of Boussaada and Labaronne (2015) and Rahman and Safitrie (2018) shows that credit risk is negatively affected by the proportion of independent commissioners, where the larger the proportion, the lower the credit risk faced. Based on these findings, the following hypothesis is proposed as **H4:** Financing Risk is able to moderate the Independent Board of Commissioners on Financial Performance.

Bank Size Variable on Financial Performance with Financing Risk as a Moderation Variable in Sharia Commercial Banks

In his research, it states that lower loan losses tend to be experienced by larger banks. This is due to the screening of loans carried out more appropriately by large banks, as well as the distribution of adequate resources to be managed better, so that the level of low-quality loans can be suppressed and have an impact on the decline in (Immanuella et al., n.d.) Non-Performing Financing (NPF). These findings are supported by research by Abit et al. (2014), Chaibi and Ftiti (2015), Gabeshi (2017), and El-Maude et al. (2017), which show a positive relationship between bank size and Non-Performing Loans (NPLs). In contrast, conflicting results were found in the research of Fajar and Umanto (2017), which stated that there was no significant relationship between bank size and NPLs. Based on these findings, the hypothesis is proposed as follows.

H5 : Financing Risk is able to moderate Bank Size Towards Financial Performance

RESEARCH METHOD

This research is a quantitative descriptive by conducting a hypothesis test. The descriptive method is used to describe good corporate governance, non-performing financing, bank size and financial performance in Islamic banking from 2019 to 2023. According to Sugiyono (2018), the verifiable method is a method of verifying hypothesis testing from the results of descriptive research, statistical calculations to obtain results that explain whether the hypothesis can be accepted or rejected. In this study, the verifier method was used to test the influence of good corporate governance and bank size on financial performance with financing risk as a moderation variable.

Population, Sample and Sampling Techniques

Sugiyono (2018) defines population as a generalization area consisting of objects or subjects with certain qualities and characteristics. In this study, 14 Islamic commercial banks registered with the Financial Services Authority were used as a population. This study uses a non-probability sampling technique with a purposive sampling approach, where the sample is determined based on certain criteria. The criteria for determining the sample in this study are set as follows.

Table 2. Sample Selection Criteria

It	Information	Sum
1	Islamic banking registered with the OJK from 2019 to 2023.	14
	Does not meet the criteria:	
2	Sharia banking presented incompletely during the period from 2019 to 2023.	0
3	Sharia banking that does not have the necessary data related to the measurement of the variables used in the study during the period 2019 to 2023.	(4)
	The selected companies were the research sample	**10**
	Research year 2019 to 2023 (5 years)	**50**

Operational Definition of Variables and Measurements

The operational variables determined by the researcher to be studied and analyzed have been described in Table 3.

Table 3. Variable Operational Definition

It	Research Variables	Indicators	Scale
1	Council Commissioner Independent (X1)	KI = Number of Independent Board of Commissioners / Total number of Board of Commissioners	Ratio
2	Bank Size (X2)	Bank Size = Ln (Total Assets)	Ratio
3	Profitability (Y1)	ROA = Net Profit After Tax / Total Assets)	Ratio
4	Risk Financing (Z)	NPF = Non-Performing Financing (KL, D, M) / Total Financing	Ratio

Data Analysis Techniques

In the research data testing method, three types of panel data regression are applied, namely common effect, fixed effect, and random effect. The Chow, Lagrange Multiplier, and Hausman tests are used to ascertain models that can explain the research. The equations applied in this study are as follows:

$$Y = \alpha + \beta 1.X1 + \beta 2.X2 + Z + \tau$$

Moderate Regression Analysis (MRA) is defined as a regression analysis method in which moderation variables are involved in the construction of relationship models between variables (Rivanda et al., 2022). The relationship between independent variables and dependent variables can be strengthened or weakened by moderation variables. MRA testing is carried out using the following formula.

$$Y = \alpha + \beta 1.X1 + \beta 2.X2 + Z + \beta 3.X1 * Z + \beta 4.X2 * Z + \tau$$

Information:

Y	= Return on Asset (ROA)	X1	= Independent Board of Commissioners
α	= Constant	X2	= Bank Size
β	= Regression Coefficient	Z	= Non Performing Financing

RESULTS AND DISCUSSION

Descriptive Statistics

In this study, a descriptive statistical test was used to provide a thorough overview of the research data, which included the highest, lowest, average and standard deviation values. This statistical test is applied to data that includes Financial Performance (Y) as measured by Return on Asset (ROA), Financing Risk (Z) measured by Non Performing Financing (NPF), Good Corporate Governance (GCG) as measured by the Independent Board of Commissioners (X1) and Bank Size (X2).

Table 4. Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
GCG (X1)	50	0.00	1.00	0,0926	0,29053
Bank Size (X2)	50	15,80658	31.04777	25.54517	4.724547
ROA (Y)	50	-0,0733	0,122099	0,014979	0,033907
NPF (Z)	50	0,000100	0,220400	0,021823	0,033713
Valid N (listwise)	50				

Source: SPSS Output

The results of the descriptive test in the table above show that financial performance, measured by Return on Assets (ROA), has a minimum value of -0.073368, obtained from PT Bank Jabar Banten Syariah Tbk in 2019, while the maximum ROA value of 0.122099 was achieved by PT Bank BTPN Syariah in the same year. The average ROA was recorded at 0.014979, which reflects the average financial performance of Sharia Commercial Banks, with a standard deviation of 0.033907. Meanwhile, in Table 4.2, the results of the descriptive test show that the financing risk, measured by Non-Performing Financing (NPF), has a minimum value of 0.000100, which was recorded by PT BCA Syariah in 2020-2022, while the maximum NPF value of 0.220400 was found in PT Bank Jabar Banten Syariah in 2017. The average NPF of 0.021823 describes the average financing risk of Sharia Commercial Banks, with a standard deviation of 0.033713. During the 2019-

2021 period, the risk condition of NPF financing in the Islamic banking sector was generally categorized as healthy or good because it was below the maximum limit of 5% set by Bank Indonesia. However, this maximum limit was exceeded by Bank Syariah Victoria, which indicates that its financial condition is not healthy or not good.

The good corporate governance (GCG) variable proportioned by the independent board of commissioners in the Islamic banking sector from 2019 to 2023 has met the GCG level standards, except for Bank BTPN Syariah from 2019 to 2023 still does not meet the GCG level standards because the value of the proportion of the independent board of commissioners is still below the GCG level of 30% that has been stipulated by the Financial Services Authority Regulation. Meanwhile, the value of the proportion of independent commissioners of Bank Syariah Indonesia from 2019 to 2020 has the same value, namely 0.25, in 2021 it has increased to 0.33, which shows that Bank Syariah Indonesia has reached the standard of GCG level provisions. Based on Table 4.2, the results of the descriptive test show that the Bank Size variable measured by Ln (Total Assets) has a minimum recorded SIZE value of 15.80658 obtained from PT BTPN Syariah in 2019.

Classical Assumption Test

The results of the multicollinearity test are explained in Table 5 that the VIF value is below 10 and the tolarence value ≥ 0.1, so that all variables have met the set standards.

Table 5. Multicollinearity Test

Type		Collinearity Statistics	
		Tolerance	**VIF**
1	(Constant)		
	X1_GCG	,310	3,230
	X2_BANK_SIZE	,652	1,534
	Z_NPF	,423	2,362

Source: Data, processed

Table 6. Heteroscedasticity Test

Type		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	1,529	,602	2,540	,012
	X1_GCG	,027	,052	,525	,601
	X2_BANK_SIZE	-,020	,035	-,577	,565
	Z_NPF	-,033	,040	-,813	,418

Source: Data, processed

Furthermore, the Heteroscedasticity Test was carried out by the Gleeser Test, the significance of the numbers in the testing of GCG variables, Bank Size, and NPF ≥ 0.05 was 0.601; 0.565; and 0.418, then the data in the test did not occur heterocedasticity**.**

Model Selection Test

The Chow Test method is used to determine the most appropriate model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM) in the panel data estimation. The Fixed Effect Model will be selected if the probability value < 0.05, while the Common Effect Model will be used if the probability > 0.05. Since a probability value of 0.0345 is found to be less than α 0.05, it can be concluded that the most appropriate model is the Fixed Effect Model. Meanwhile, the Hausman Test is applied to determine the best model between the Random Effect Model (REM) and the Fixed Effect Model (FEM). If the probability > 0.05, then the Random Effect Model will be used, but if the probability < 0.05, then the model chosen is the Fixed Effect Model. Based on the test results, the probability value of 0.0224 was found to be smaller than α 0.05, so the Fixed Effect Model was set as the most appropriate model.

Best Panel Data Regression Estimation Model

The selected model is the Fixed Effect Model after going through the chow test and hausman test stages in Table 7, the equation can be recorded as follows:

ROA = 0.1803 + 0.436 X1_GCG + 0.406 X2_BANK_SIZE + e

Table 7. Multiple Regression Analysis Results

Coefficientsa

Type		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	,1803	1,065		-1,692	,093
	X1_GCG	,436	,080	,436	5,893	,003
	X2_BANK_SIZE	,406	,087	,406	5,470	,000

a. Dependent Variable: Y_ROA

Source: Data, processed

Moderated Regression Analysis (MRA)

The moderation variable is Non-Performing Financing (NPF). The results of the Moderated Regression Analysis (MRA) test are described in Table 8 and are described as follows:

XI*Z is an interaction between the Independent Board of Commissioners and Non-Performing Financing (GCG*NPF) which has a probability value of 0.0520 > 0.05. Therefore, H0 was rejected and stated that Non-Performing Financing was not able to moderate the influence of the Independent Board of Commissioners on Return on Assets.

X2*Z is the interaction between Bank Size and Non-Performing Financing (SIZE*NPF) which has a probability value of 0.537 > 0.05. Therefore, H0 was rejected and stated that Non-Performing Financing was unable to moderate the influence of Bank Size on Return on Assets.

Table 8. Results of Moderated Regression Analysis (MRA)

Coefficientsa

Type	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	,101	3,703		,027	,978
X1_GCG	,474	,080	,436	5,893	,003
X2_BANK_SIZE	,474	,087	,406	5,470	,000
Z_NPF	,241	,226	,245	5,065	,048
X1_Z_Moderasi	,009	,019	,470	5,619	,052
X2_Z_Moderasi	-,018	,015	,070	,954	,537

a. Dependent Variable: Y_ROA

Source: Data, processed

Determination Coefficient Test

The Adjusted R-squared value is 0.763 or 76.3%. This result shows that the independent variables, namely GCG, Bank Size and Non-Performing Financing, are able to explain 76.3% of the related variables, namely Financial Performance (ROA). While the remaining 23.7% was influenced by other variables that were not included in this research model.

Table 9. Results of Moderated Regression Analysis (MRA)

Model Summary

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,873a	,763	,750	1,8250

Source: Data, processed

The Influence of the Independent Board of Commissioners (GCG) on the Financial Performance (ROA) of Sharia Commercial Banks 2016-2023

This study shows that a probability of 0.003 which is smaller than 0.05, and a t-count of 5.893 prove that there is a positive and significant influence of the Good Corporate Governance (GCG) variable on financial performance (Return on Assets or ROA). These findings are supported by; , which in his research shows that GCG has a positive and significant effect on banking performance (ROA). The business management process is regulated, managed, and supervised through the GCG system, which aims to facilitate the relationship between management, shareholders, and other stakeholders to create added value for the company. The supervisory function in the company is carried out by independent commissioners, who play the role of the main organ in ensuring the creation of good corporate governance (Qoyum et al., 2017; Rahmat, 2017).

The results of Agustiningsih's (2016) research also show that ROA is positively and significantly influenced by GCG projected through the independent board of commissioners. Theoretically, the company's performance will be positively affected by the implementation of Good Corporate Governance (GCG), because good governance can increase profitability and the company's image, so that the company's value can be maximized. The foundation of the company's performance is strengthened and the company is protected from potential financial difficulties in the future through GCG functions and systems. The focus of the company's management is directed at achieving managerial goals, not on activities that are not related to performance improvement. The appointment and formation of independent board of commissioners refers to Financial Services Authority Regulation Number 33/POJK.04/2014M which states that the proportion of independent board of commissioners members must be at least 30% of the total members of the board of commissioners to achieve a good GCG level.

Supervision of management performance will increase with the increase in the number of independent commissioners, as stricter supervision will be applied to management.Based on the results of the study, the value of the proportion of independent commissioners in all banks that have been used as research samples in the Sharia Banking sector in 2019-2021 has met the standard provisions of the GCG level, except for Bank BTPN Syariah in 2019-2021 has not met the standard provisions of the GCG level because the value of the proportion of Independent Commissioners is 0.20 or 20%, this shows that the value of the proportion of independent commissioners is still below the provisions of the GCG level that has been Set.

The Influence of Bank Size (SIZE) on the Financial Performance (ROA) of Sharia Commercial Banks 2016-2023

The regression coefficient of 0.406 is indicated by Bank Size with a significance level of 0.000 (< 0.05). This explains that financial performance is positively and significantly influenced by Bank Size. An increase in financial performance (ROA) of 0.1803 will occur in line with the increase in Bank Size, as indicated by a positive regression coefficient. Greater appeal to consumers is owned by large-sized companies, and a smaller risk of bankruptcy is faced due to the large amount of assets. Greater credit distribution to the community can be carried out by large banks, in addition to expansion into potential areas and technological modernization are also easier to achieve, which ultimately increases the company's profits. On the contrary, this is difficult for small banks to do. Therefore, the increase in Bank Size will have a direct impact on increasing profitability in the future. This finding is supported by the theory of Weston and Brigham (1994), that greater profits can be generated by companies with large assets if they are supported by effective operational activities. In addition, it is strengthened by findings (Anggari & Dana, 2020; Astutiningsih & Baskara; 2019).

The Effect of Non-Performing Financing (NPF) on the Financial Performance (ROA) of Sharia Commercial Banks 2016-2023

Non-Performing Financing (NPF) with a probability level of 0.048 is less than 0.05 and t count 5.065 which means that partially the NPF variable has a negative and significant effect on Financial Performance (ROA). The results of this study are in line with the research of Suwarno & Muthohar (2018) which shows that NPF has a negative and significant effect on the financial performance (ROA) of Islamic commercial banks. Improvement in financial performance compared to the previous period is considered an important indicator in maintaining the existence of a bank, because the effectiveness of management is reflected in maximum operational results. Managerial policy-making in the banking world is also influenced by the financial performance of banks. Predictions of future financial performance can be made by creditors, investors, and other stakeholders through the information presented in the financial performance report. Credit risk is used as an indicator of financing risk. According to Pravasanti (2018), financing risks occur when loan repayment by debtors is not made, which can cause losses for banks.

The financing risk will be higher if the NPF ratio increases, and conversely, the risk will decrease if the NPF ratio is smaller. This finding is reinforced by research conducted by Setiawan and Indriyani (2016), as well as Syachreza and Gusliana (2020), which stated that NPF has an influence on financial performance. The financing problems of Islamic banks as measured through NPF will affect the performance of Return on Assets (ROA), where an increase in NPF leads to an increase in the cost of reserve of productive assets and other costs, which has an impact on a decrease in bank capital and ultimately decreases ROA performance. Bank Indonesia Circular Letter Number 9/24/DPbs stipulates that the quality of financing is considered good if the non-performing financing does not exceed 5% of the total financing. Based on the results of the study shown in Table 4.2, healthy conditions are shown by all sample banks in Sharia Banking in 2019-2021 because their NPF values are below the standard provisions set by the Bank Indonesia Circular. However, an exception was found in the Victorian Sharia Bank, where the NPF value exceeded 5%, indicating that the bank's financial condition was not sound.

The Effect of Non-Performing Financing (NPF) in Moderating the Independent Board of Commissioners on the Return on Asset of Sharia Commercial Banks 2016-2023

Based on the moderation test of the X1*Z variable has a probability value of 0.0520 > 0.05, it can be seen that the influence of the Independent Board of Commissioners (GCG) on Return on Assets (ROA) cannot be moderated by the Non-Performing Financing (NPF) variable. Because the NPF was unable to moderate the relationship, the Independent Board of Commissioners' direct influence on ROA continued. This shows that the efficiency of the members of the Independent Board of Commissioners in Sharia Commercial Banks in that period has been achieved. This efficiency led to the absence of a significant impact of NPF as a moderation variable in the relationship between the Independent Board of Commissioners and ROA.

The Effect of Non-Performing Financing (NPF) in Moderating Bank Size on Return on Asset of Sharia Commercial Banks 2016-2023

Based on the moderation test, the X2*Z variable has a probability value of 0.537 > 0.05, it can be seen that the influence of Bank Size on Return on Assets (ROA) cannot be moderated by the Non-Performing Financing (NPF) variable. Because NPF is unable to moderate the relationship, the direct influence of Bank Size on ROA still occurs. These findings show that the efficient Bank Size value has been achieved by Sharia Commercial Banks in that period. This efficiency causes no significant impact of NPF as a moderation variable in the relationship between Bank Size and ROA.

CONCLUSION

The results of the study found that Good Corporate Governance (GCG), Bank Size, and Non-Performing Financing (NPF) have a significant influence on financial performance. However, the influence of GCG and Bank Size on ROA cannot be moderated by NPF. Optimizing the implementation of GCG, including increasing the number of independent commissioners in Islamic banking during the 2019-2023 period, is expected to be carried out to create better company conditions and achieve maximum efficiency. The performance of Islamic banking can also be improved by reducing and managing financing risks through NPF control. Further research is expected to expand the number or size of samples, as well as add other variables to expand the scope of the data. Thus, more accurate and comprehensive results can be obtained.

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