ipmi INTERNATIONAL JOURNAL OF BUSINESS STUDIES

e-ISSN: 2622-4585 | p-ISSN: 2580-0132
Vol. 8 | No. 3 (October 2024)

The Effect of Good Corporate Governance and Intellectual Capital on Financial Performance

Dewi Puspaningtyas Faeni

Faculty of Economics and Business, Universitas Bhayangkara Jakarta Raya, Jakarta, Indonesia, 12550

ABSTRACT

The purpose of this study was to investigate and assess the impact of Intellectual Capital and Good Corporate Governance on the Financial Performance of Banking Companies (Board of Directors, Audit Committee, and Independent Commissioners). Purposive random sampling was chosen to verify data collection among 43 LQ45 members that were all banking companies were listed on the Indonesian Stock Exchange from 2020-2023 It developed the significancy of those variables that have direct implication toward banking financial performance. This study was conducted qualitatively and quantitatively to prove that validity and reliability of this study is proven and legitimate. Methodology being used was by examining secondary data and analyzed with SmartPls 4.0. It developed the significancy of those variables that have direct implication toward banking financial performance. This study was conducted qualitatively and quantitatively to prove that validity and reliability of this study is proven and legitimate. Methodology being used was by examining secondary data and analyzed with SmartPls 4.0. The sample for this study, which consists of six banking organizations with the LQ45 index over the 2020-2023 research period, was chosen using a purposeful sampling technique. This research makes use of secondary data from the company's annual report. The GCG variable represented by the board of directors has a positive impact on return on assets (ROA), and intellectual capital also affects financial performance, according to the validity and reliability tests employed in this study.

ARTICLE INFO

Article History:
Received : 05-08-2024
Revised : 25-08-2024
Accepted : 05-09-2024
Published : 31-10-2024

Keywords:
Good Corporate Governance
Intellectual Capital
Return on Asset

JEL: D12, M31, L81

*Corresponding Author E-mail:
dewi.puspaningtyas@dsn.ubharajaya.ac.id

INTRODUCTION

In the current era of globalization, when technology is advancing quickly, competition is fierce, and scientific advancements have encouraged banks to continue growing and maintaining their presence in the real world. For business people, the emergence of the digital economy period presents both an opportunity and a threat. As seen by the growth of fintech businesses that do business in a manner similar to banks, banking is one of the financial sub-sectors that has been impacted by the fourth industrial revolution. The existence of fintech and other related technology business actors has reportedly been a threat to the banking industry in recent years, according to Wirjoatmodjo (2018). In order to gain profit in the face of these problems, the banking sector must adapt its operations by delivering quick service conveniences and creating a company that can evolve with the times. However, what's crucial for banks to remember when putting their flexible business plan into practice has to do with the fundamentals of banking, specifically the need to uphold the prudential banking and trust standards that have come to define the sector. Sustaining the trust of business partners.

The nation's economy relies on the banking sector. According to Law No. 10 of 1998, which relates to banking, the banking industry's activities begin with the public's money being collected through deposits or savings, which is then routed through credit or loans to the public. In order to increase equity, economic progress, and national stability in order to improve people's welfare, Indonesian banking supports national development initiatives. In order to achieve this goal, the public must trust banks. Evaluating banking performance is one criterion for determining public trust in banks.

The bank's financial performance serves as an example of the degree of operational success the bank has attained. To evaluate the entire performance of the banking industry, financial performance is a crucial component. beginning with an evaluation of the assets, debt, liquidity, and other factors. An examination of a bank's financial statements can be used to gauge its success. Management can determine the success of the bank in carrying out its operational activities by looking at the analysis of financial ratios in the financial statements. Return On Assets will be explored in this research as one of the numerous sorts of ratios contained in the profitability ratios used to evaluate financial performance (ROA). A measurement tool or indicator frequently used to evaluate the performance of a banking organization is the ROA variable. The ROA (Riyadi, 2017) measures the relationship between an organization's assets and net return (profit). Profit is a metric that may be applied to gauge and assess business success. Therefore, a company's performance may be improving if more profit is made by the company over a certain accounting period.

To accomplish banking’s goals, increasing intellectual capital (IC), also known as intellectual capital, is planned and pursued to the utmost extent possible. The new economy has drawn more focus on intellectual capital because it is essentially dependent on knowledge, skills, and information. According to (Faeni, 2023), an organization's intellectual capital is a non-tangible or intangible asset or resource that consists of its members' unseen knowledge, processes, innovative capacities, patterns, and collaborative networks and relationships. organization. Human capital, structural capital, and relational capital are the three basic components disclosed in intellectual capital (Faeni, 2019).

Good corporate governance (GCG) implementation is necessary to preserve consistency and public confidence in a corporation. GCG is apparent from the main reason the firm was founded, which is not only the value it presents but also how it meets predetermined profit projections. The GCG implementation process is lengthy and involves putting its ideas into practice. As a result, values will be instilled that will effectively create a new cultural process for operating the organization. They implement the principles of good corporate

governance, which state that transparency, accountability, responsibility, independence, and fairness are absolute requirements for company activities, in recognition of the significance of company processes whose business activities are closely related to industrial activities and play a significant role in driving the economy. The percentage of independent commissioners, which represents the company's internal governance, and institutional ownership, which represents the company's external governance, serve as proxies for the indicator of good corporate governance (Faeni, 2020).

LITERATURE REVIEW

Good Corporate Governance

Good Corporate Governance (GCG) is a set of practices and mechanisms used by companies to ensure that companies are run with high transparency, accountability, and responsibility. GCG aims to protect the interests of shareholders and improve the overall performance of the company.

GCG includes several key principles, namely transparency, accountability, responsibility, independence, and fairness. Transparency means that relevant and accurate information must be available to shareholders and other interested parties. Accountability involves taking responsibility for the actions and decisions taken by the company's management. Responsibility includes the obligation to make decisions that are aimed at the good of the company and shareholders. Independence means that the members of the board of directors and the audit committee must be free from the influence of the company's management. Fairness means that all stakeholders must be treated fairly and there is no discrimination.

Research shows that the implementation of GCG can have a positive impact on a company's financial performance. One of the financial performance indicators that is often used is Return on Assets (ROA) and Return on Equity (ROE). Research by Mahrani and Soewarno (2018) found that a good GCG mechanism can improve a company's financial performance by reducing profit management practices. In addition, research by Fadillah et al. (2022) shows that GCG can increase the liquidity and solvency of companies.

Based on the literature review that has been conducted, there are several studies that show a positive relationship between GCG and the company's financial performance. For example, research by Kurniawan et al. (2020) found that GCG can increase the value of companies in the eyes of investors. In addition, research by Maknuun et al. (2021) shows that GCG and Corporate Social Responsibility (CSR) have a significant impact on company value.

Overall, the literature shows that the implementation of GCG can have a positive impact on a company's financial performance. GCG not only protects the interests of shareholders, but also improves the company's operational efficiency and credibility in the eyes of investors.

Intellectual Capital

Intellectual Capital (IC) is an intangible asset owned by a company, including the knowledge, expertise, and relationships owned by the organization. IC consists of three main components: human capital, structural capital, and relational capital. Effective IC application can improve a company's performance and provide a competitive advantage.

Human Capital. It is the knowledge, skills, and expertise of individuals within a company. Human capital includes education, training, and work experience. Structural Capital is the assets that remain after an individual company leaves the company, including the procedures, processes, and technology owned by the company. Relational Capital is the relationship and network that a company has with external parties, including customers, suppliers, and business partners.

Research shows that IC has a positive impact on company performance. For example, research by Petty and Guthrie (2000) found that IC contributes significantly to corporate value and

national economic performance. In addition, research by Sharma (2018) shows that IC has a positive relationship with the market value and financial performance of companies.

Based on the literature review that has been conducted, there are several studies that show a positive relationship between IC and company performance. For example, research by Isanzu (2017) found that ICs contribute to the innovation performance of companies, especially in the financial sector. In addition, research by Tseng and James Goo (2005) shows that IC is positively related to the market value of companies.

Overall, the literature shows that the implementation of ICs can have a positive impact on a company's performance. IC not only improves operational efficiency, but also improves the company's credibility and competitiveness in the market.

Banking Financial Performance

A bank's financial performance is an important indicator that shows how effective a bank is in managing its assets and liabilities to generate profits. Research on a bank's financial performance often focuses on factors such as regulation, risk, efficiency, and ownership structure.

A bank's financial performance can be measured through a variety of indicators, including Return on Assets (ROA), Return on Equity (ROE), and liquidity. ROA measures how effectively a bank uses its assets to generate revenue, while ROE measures the level of profit generated from shareholder capital.

Bank regulation plays a crucial role in ensuring bank stability and compliance. Research by Zgarni (2018) found that prudential regulations, such as solvency and liquidity, can improve bank accounting performance as measured by ROA and ROE. However, too strict regulations can hinder the bank's operational efficiency and negatively impact financial performance.

Risk is an important aspect of a bank's financial performance. Non-performing assets (NPAs) can reduce the liquidity and profitability of banks. Research by Ghosh (2018) shows that NPAs have a negative impact on banks' financial performance and can lead to financial instability in the economy.

Based on the literature review that has been conducted, there are several studies that show a positive relationship between regulation and bank financial performance. For example, research by Zgarni (2018) found that prudential regulation can improve bank accounting performance. In addition, research by Rastogi et al. (2022) shows that regulation, profitability, and risk have a close relationship in the banking industry.

Overall, the literature shows that regulation and risk have a significant impact on a bank's financial performance. Proper regulation can improve bank stability and performance, while uncontrolled risks can hamper financial performance. Therefore, it is important for banks to manage risks well and comply with applicable regulations to achieve optimal financial performance.

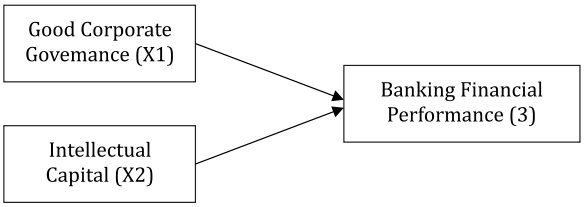

Figure 1. Research Framework
Source: Primary Data, 2023

Hypothesis

Based on the existing phenomena and theoretical foundations, the following hypotheses are proposed:

To assess how successfully a company has adhered to and applied the financial implementation requirements, its financial performance is assessed (Fahmi: 2015). For instance, by creating a financial report that complies with SAK (Financial Accounting Standards) or GAAP (General Accepted Accounting Principles), among other standards

and rules. The formulation of an analysis utilizing financial implementation rules that can determine how successfully a corporation makes profits is also included in the concept of financial performance.

H1: The board of directors has a significant effect on return on assets

An audit committee is a team of experts and impartial decision-makers that the board of commissioners designates to carry out the supervision duty of the audit process, according to the Indonesian Audit Committee Association (IKAI). As a result, it is accountable for assisting and enhancing the board of commissioners' (or supervisory board's) role in this respect. Financial reporting, auditing, risk management, and the implementation of corporate governance in firms.

H2: Audit committee has a significant influence on return on assets

According to Roos (1997) in Badawi, "Intellectual Resources" includes all activities and assets that are not generally recorded on the balance sheet as well as all intangible assets (trademarks, patents, and brands) that are taken into account using modern accounting methods (2018). The Organization for Economic Cooperation and Development (OECD) defines intellectual capital as the economic value of two categories of intangible assets that a corporation owns: organizational (structural) capital and human capital.

H3: Independent commissioner has a significant effect on the return on assets

According to Roos (1997) in Badawi, "Intellectual Resources" includes all activities and assets that are not generally recorded on the balance sheet as well as all intangible assets (trademarks, patents, and brands) that are taken into account using modern accounting methods (2018). The Organization for Economic Cooperation and Development (OECD) defines intellectual capital as the economic value of two categories of intangible assets that a corporation owns: organizational (structural) capital and human capital.

H4: Intellectual capital has a significant effect on return on assets

RESEARCH METHOD

Research Design

The positivist philosophy underpins the quantitative research method, which is based on sampling and population analysis, the use of random samples for data collection (random sampling), the use of research instruments for data collection, and the testing of given hypotheses through quantitative data analysis. Research that has a question or a statement with a choice of replies in the form of numbers or numbers that represent each score is known as quantitative research. Data type used in this study are quantitative data, namely the type of data in the form of numbers (numeric), besides that the source of data obtained for this research is secondary data. Research Population is the entire subject or object that is the target of research. Definitively population is defined as a group of humans, animals, houses, fruits, and the like, which at least have certain characteristics or characteristics in common (Sudjarwo & Basrowi 2009). The population used in this study are all banking companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period, totaling 43 companies. Research sample is part of the population (Paramita et al., 2021). The sample selection in this study used a purposive sampling technique, namely the sample was selected with certain considerations (Sugiyono, 2010: 122), so that companies that do not match the criteria determined by the researcher will be excluded from the sample. The sample of this research is 6 banking companies with LQ45 index.

Operational definition is based on the definition of characteristics that provide an overview of observations. Operational definitions often provide the information needed to measure the variable under study. Board of Directors with the

size of the board of directors can be measured using an indicator of the number of members of the board of directors of a company (Dewi and Widagdo, 2012) with the following formula:

$$\text{Board of Directors} = \Sigma \text{ Member of the Board of Directors}$$

Independent Commissioner

Proportion of independent commissioners can be formulated as follows:

$$\text{Independent Commissioner} = \frac{\text{Independent Commissioners}}{\text{Board Commissioners}}$$

Audit Committee

The size of the audit committee is calculated using the number of audit members which can be formulated as follows:

$$\text{Audit Committee} = \sum \text{Audit Committee}$$

Return on Assets (ROA)

Return on Assets (ROA) is a ratio that describes a bank's efficiency in generating profit or profits by utilizing its assets. Return On Assets (ROA) can be formulated as follows:

$$\text{ROA} = \frac{\text{Profit After Tax}}{\text{Total Assets}}$$

Intellectual Capital

VAIC is a suitable method for measuring intellectual capital because all data used in this method is based on observed and verifiable accounting data (Mariyantini: 2018). The formula used in the VAIC model is as follows:

$$\text{VAIC} = \text{VACA} + \text{VAHU} + \text{STVA}$$

The formula consists of several components as follows:

1. Assess the company's ability to create added value (VA).

$$\text{VA} = \text{OUT} - \text{IN}$$

2. Calculating VAHU (Value Added Human Capital), namely the contribution of funds invested in human capital to the value added of an organization.

$$\text{VAHU} = \text{VA}/\text{HC}$$

3. Calculating VACA (Value Added Capital Employed), which is the contribution of available funds in the form of capital or net income to the value added of an organization.

$$\text{VACA} = \text{VA}/\text{CE}$$

4. Calculating Structural Capital Value Added (STVA), highlighting the success of STVA in added value creation.

$$\text{STVA} = \text{SC}/\text{VA}$$

RESULT AND DISCUSSION

Validity Test

Validity test on SmartPLS 3.0 can be seen from two things, namely convergent validity and discriminant validity. Convergent validity can be measured from the value of the loading factor, while discriminant validity can be measured from the Average Variance Extracted (AVE), square root of AVE and cross-loadings.

Loading factor illustrates how much the indicators relate to each variable. The loading factor value that must be fulfilled to be said to be valid according to the Rule of Thumb Evaluation of the Measurement Model (Outer Model) table in Table 3.2 is above 0.7, but the loading factor value can still be said to be valid even though it is worth 0.5 for early-stage research. The following is afactor-loadingg analysis of each indicator:

Table 1. Convergent Validity Test (Loading Factor)

Indicator	Test result	Validity Description
DD	0.972	Valid
KA	0.272	Invalid
PDKI	0.353	Invalid
VAIC	1,000	Valid
ROA	1,000	Valid

Source: Primary Data SmartPLS 3.0, 2023

Based on the results of the convergent validity test in the table, it shows that the indicators are declared valid because the value is > 0.5 so they can be processed, while indicators that have values below 0.5 cannot be processed further. Then analyze the value of discriminant validity based on the Average Variance Extracted (AVE).

The Average Variance Extracted (AVE) value that must be met to be said to be valid is above 0.5. The AVE value of the research results can be seen in Table in below:

Table 2. Average Variance Extracted (AVE) Values

Variable/ Construct	Average Variance Extracted (AVE) (>0.5)
Good Corporate Governance(X1)	1,000
Intellectual Capital(X2)	1,000
Financial Performance (Y)	1,000

Source: Primary Data SmartPLS 3.0, 2023

In Table it can be seen that the AVE value of each variable is above 0.5 so that it can be said to be discriminantly valid based on AVE.

Reliability Test

Reliability tests were carried out to find out whether the data collection tool showed the level of precision, accuracy, stability or consistency of the tool in expressing certain symptoms from a group of individuals even though it was carried out at different times. A measuring device is declared reliable if the tool for measuring a symptom at different times always shows the same results (Nasution, 2003).

A construct is said to have good reliability if it meets the value criteria according to the Rule of Thumb Evaluation of the Measurement Model (Outer Model), namely Cronbach's alpha above 0.7 and composite reliability above 0.5.

Based on the table it can be seen that Cronbach's alpha value of each variable has a value of more than 0.7 and the composite reliability of each variable has a value of more than 0.5 so it can be concluded that all constructs in this study are reliable.

Evaluation of the Structural Model (Inner Model)

Inner model or structural model testing is carried out to see the relationship between variables/constructs, and the significance value of the research model. The structural model is evaluated using its significance value based on the t-statistic value. To see the results of the evaluation of the Inner model in the SmartPLS 3.0 software, you can do the bootstrapping process. The following is an image of the output display from the structural model after the bootstrapping process:

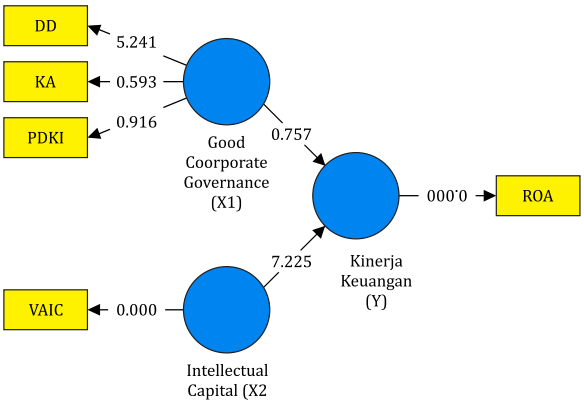

Figure 1. Boothstrapping (Inner Model) Output Display
Source: Primary Data SmartPLS, 2023

Picture displaying t-statistic values from indicators to variables and from exogenous variables to endogenous variables. Following are the results of the t-statistic values from the research shown in Table:

Table 3. Reliability Testing Results for Each Variable

Variable/Construct	Test result		Reliability Description
	Cronchbach's Alpha ()	Composite Reliability()	
Good Corporate Governance (X1)	1,000	1,000	reliable
Intellectual Capital (X2)	1,000	1,000	reliable
Financial performance (Y)	1,000	1,000	reliable

Source: Primary Data SmartPLS 3.0, 2023

The table displays the results of the t-statistic analysis of the relationship from the indicators to each exogenous variable/construct. To find out whether exogenous variables affect endogenous variables significantly or not, a significance test must be carried out. Testing the significance of the influence of a variable can be seen based on the t-statistic value with the criteria contained in the Rule of Thumb Evaluation of the Measurement Model (Outer Model) for a tolerance value of 5% (0.05). If the t-statistic value > 1.96 or P-Values < 0.05 then the variable has a significant effect. Meanwhile, if the t-statistic value < 0.05 or P-Values > 0.05 then the variable is influential but not significant. Based on the table it can be seen that there are some whose T-statistic values are <1

Based on Table 5. it can be seen that the T-statistic value of GCG is smaller than the significance criteria in the Measurement Model Evaluation Rule of Thumb table (Outer Model), so it can be concluded that GCG has no significant effect on financial performance. Meanwhile, intellectual capital is greater than the significance criteria in the Rule of Thumb Evaluation of the Measurement Model (Outer Model), so it can be concluded that intellectual capital has a significant effect on financial performance.

Hypothesis test

The magnitude of the influence of each exogenous variable individually (partially) on the endogenous variable can be seen from the original sample value on the path coefficient. If the original sample value is positive, then the exogenous variable has a positive effect on the endogenous variable. If the original sample value is negative, then the exogenous variable has a negative effect on the endogenous variable. The following is the original sample value from the study:

Table 6. Original Sample

Variable Construct	Original Sample
GCG (X1)	0,19
Intellectual Capital (X2)	0,853

Source: Primary Data SmartPLS 3.0, 2023

Based on it can be seen that the value of all variables is positive. Good Corporate Governance has an effect of 0.119 on Financial Performance, Intellectual Capital has an effect of 0.853 on Financial Performance.

Table 4. Variable Construct Inner Model

variable/Construct	Indicator		T-Statistics	P-Values	Description of Significance
Good Corporate Governance (X1)	$X_{1.1.}$	Board of Directors	5,241	0.000	Significant
	$X_{1.2}$	Audit Committee	0.593	0.554	Not significant
	$X_{1.3}$	Representative of the Independent Board of Commissionersg	0.916	0.360	Not significant
Intellectual Capital (X2)	$X_{2.1}$	Value Added Intellectual Coefficient	7,225	0.000	Significant

Source: Primary Data SmartPLS 3.0, 2023

Table 5. Significance Test Results from Variable to Variable (Inner Model)

Variable/Construct	T-Statistics	P-Values	Description of Significance
Good Corporate Governance → Financial performance	0.757	0.450	Not significant
Intellectual Capital → Financial Performance	7,225	0.000	Significant

Source: Primary Data SmartPLS 3.0, 2023

R Square and Adjusted R Square Table

Table 7. R Square and Adjusted R Square Table

Variable Construct	Original Sample
GCG (X1)	0,19
Intellectual Capital (X2)	0,853

Source: Primary Data SmartPLS 3.0, 2023

From the results of data analysis, the R-square value of ROA is 0.603 and. This R-square value can be used to calculate the coefficient of determination which can show the influence of exogenous variables on endogenous variables.

Based on the calculation results obtained a coefficient of determination of 60.3%, which means that the exogenous variables used in the model, namely Good Corporate Governance (X1) and Intellectual Capital (X2) are able to explain the endogenous variables of Financial Performance as much as 60.3%, while the remaining 39.7% is explained by variables outside of this research. Good Corporate Governance (X1) and Intellectual Capital (X2) variables have an effect of 60.3% on the financial performance of banking companies in Indonesia.

CONCLUSION

Managerial Implications

Corporate governance that is carefully thought out and implemented creates transparent rules and controls. It can serve as a guide to leadership, aligning the interests of shareholders, directors, management, community members, and employees. When implemented across all company levels of management and operations, good corporate governance can:

- Build trust with investors, the community, and public officials.
- Give investors and other stakeholders a clear idea of a company's direction and business integrity.
- Promote long-term financial viability, opportunity, and returns.
- Facilitate the raising of capital.
- Contribute to rising share prices.
- Improve a company's reputation and customer retention.
- Reduce the potential for financial loss, waste, risks, and corruption.

Good corporate governance should be part of any company's game plan for resilience and long-term success. Bad corporate governance, on the other hand, can have the opposite effect, eroding relationships and trust both internally and externally. This can damage a company's reputation, lead to regulatory or ethical scandals, reduce both employee and customer retention, cause stock prices to fall, and ultimately erode a company's profitability.

The board of directors is the primary direct stakeholder influencing corporate governance. Directors are elected by shareholders or appointed by other board members and charged with representing the interests of the company's shareholders.

The board is tasked with making important decisions, such as:

- Corporate officer appointments.
- Executive compensation.
- Dividend policy.

In some instances, board obligations stretch beyond financial optimization, as when shareholder resolutions call for certain social or environmental concerns to be prioritized.

Boards are often made up of a mix of insiders and independent members. Insiders are generally major shareholders, founders, and executives. Independent directors do not share the ties to the company that insiders have. They are typically chosen for their experience managing or directing other large companies. Independents are considered helpful for governance because they dilute the concentration of power and help align shareholder interests with those of the insiders.

The board of directors must ensure that the company's corporate governance policies incorporate corporate strategy, risk management, accountability, transparency, and ethical business

practices.

Decision is made from testing the hypothesis based on the original sample estimate and t-statistics. The following is the test of each hypothesis:

1. Influence of the Board of Directors on Return on Assets

   The Board of Directors has a positive and significant effect on Financial Performance. Based on the test results in Table, it shows that the T-Statistics value is 5.241 more than 1.96 so that it can be stated as significant. Based on these results it can be concluded that H1 is accepted. That is, the strategies and policies taken by the board of directors in utilizing the company's resources are appropriate so that they succeed in increasing the return on assets.

   Based on agency theory, the increasing number of board of directors as company agents will be able to improve the management of company operations decision making, so that it will have an impact on increasing profits. According to Ratnasari et al. (2015), the greater the number of boards of directors associated with a positive impact on financial performance, because the board of directors has carried out its function by overseeing the quality of financial reporting information provided to those who need it.

2. The Influence of the Audit Committee on Return on Assets

   The results of the audit committee test analysis show that the T-statistic value is 0.593, the value is less than 1.96 so that the audit committee variable has no effect on return on assets and H2 is rejected. The number of audit committees owned by the company does not guarantee the effectiveness of the audit committee's performance in supervising financial performance. The audit committee was formed by the board of commissioners based on regulations regarding the implementation of good corporate governance in companies, in this study the audit committee was considered not to have worked professionally in strengthening the function of the board of commissioners, this caused supervision over the running of the company to be less effective, so it did not increase return on assets or has no effect on the return on assets.

   A high or low number of audit committees in a company has no effect on company profitability Rimardhani, et al., (2016). Several banks have relatively the same number of audit committee members from year to year, but the return on assets is always fluctuating.

3. The Influence of Independent Commissioners on Return on Assets (ROA)

   The results of the independent commissioner test analysis show a T-statistic value of 0.916 the value is less than 1.96 so the independent commissioner variable in this study has no effect on return on assets, so H3 is rejected. The availability of an independent board of commissioners in banking is only limited to fulfilling company regulations in carrying out GCG principles, so that the increasing proportion of independent commissioners as supervisory boards within the company has not been able to act as a counterweight and good control over the policies of the board of directors in increasing return on assets.

   The existence of an independent board of commissioners here is limited to a supervisory board so even though it is independent, the independent commissioner still does not have the authority to make policies related to increasing returns on assets, so that the independent commissioners in this study have no effect on the company's return on assets.

4. The Effect of Intellectual Capital on Return on Assets (ROA)

   Intellectual Capital has positive and significant effect on Financial Performance. Based on the test results in Table, the T-Statistics value is 7.225, more than 1.96, so it can be stated as significant. .Tthe intellectual capital variable

has a positive and significant effect on return on assets so H4 is accepted. The results of this study are consistent with research conducted by Simamora and Sembiring (2018), Badawi (2018), and Mariyantini and Putri (2018) which can be concluded that intellectual capital has a positive effect on financial performance.

Human resources are the main factor in the company's intellectual capital. The existence of human resources who have high intellectual capital will be able to provide good service to customers who use banking services, it will lead to continuity in the use of services and will lead to an increase in return on assets. In addition, more companies that have human resources with a high level of credibility will be able to provide accurate financial reports because manipulation will be low, so as to increase financial performance.

The limitation and thus future research recommendations are as follows:

1. This research only uses two variables, it is hoped that further research will use more than two variables so that it can see more clearly what can affect financial performance.
2. Using long-term financial periods so that the results obtained are more accurate.
3. Further research is also expected to expand the object of research beyond banking companies, so that research results can be generalized.

REFERENCES

Agung Santoso Putra, NF (2017). The Effect of Corporate Governance on Profitability. *Journal of Business Administration,* 103-112.

Asthari Oliviana, DM (2019). The Effect of Good Corporate Governance on Tax Avoidance. *Journal of Accounting,* 1-19.

Astri Rosiana, USA (2020). The Effect of Good Corporate Governance and Intellectual Capital on the Financial Performance of BUMN Banks. *Economic Management Science,* 1-14.

Dewa Ayu Sri Yudiartini, IB (2017). The Effect of Financial Ratios on the Financial Performance of the Banking Sector on the Indonesia Stock Exchange. *E-Journal of Accounting,* 1183-1209.

Egha Putra Mahardika, SR (2018). The Effect of Intellectual Capital and Good Corporate Governance on the Profitability of BUMN Banks. *Management Science, 12*.

Faeni, D. P. Buku Manajemen Sumber Daya Manusia Dasar.

Faeni, D. (2023). SERVQUAL measures: Indonesian government healthcare (BPJS) from a human resource perspective. *Journal of Infrastructure, Policy and Development, 8*(2), 2271. http://dx.doi.org/10.24294/jipd.v8i2.2271

Faeni, D. (2024). Green Practices and Employees' Performance: The Mediating Roles of Green Human Resources Management Policies and Knowledge Development. *Journal of Infrastructure, Policy and Development 8* (8).

Faeni, DP, Puspitaningtyas Faeni, R., Alden Riyadh, H., & Yuliansyah, Y. (2023). The COVID-19 pandemic impact on the global tourism industry SMEs: a human capital development perspective. *Review of International Business and Strategy, 33*(2), 317–327. https://doi.org/10.1108/RIBS-08-2021-0116

Faeni, D. P., Puspitaningtyas, R., & Safitra, R. (2021). Work Life Balance, Peningkatan Karir Dan Tekanan Kerja Terhadap Produktivitas: Kasus Pada Lembaga Sertifikasi Profesi P3 Pembangun Penyuluh Integritas Bangsa. *Studi Akuntansi, Keuangan, Dan Manajemen, 1*(1), 45-57.

Faeni, R. P., Faeni, D. P., Niazi, H. A., Hidayat, R. S., & Oktaviani, R. F. (2019). Influence of leadership, Organizational Culture and Commitment to the Effectiveness of Independent Bank Employee Performance. *Journal of Law and Society, 6*(1).

Fitra Dwi Rahmadani, SM (2017). The Effect of Good Corporate Governance, Profitability, and Leverage on Company Value. *Journal of Business Administration,* 173-182.

I Gusti Ayu Cahya Maharani, KA (2017). The Effect of Corporate Governance, Profitability and Executive Characteristics on Manufacturing Company Tax Avoidance. *E-Journal of Accounting,* 525-539.

Luh Putu Ari Anjani, IP (2017). The Effect of Good Corporate Governance on Profitability in Banking Companies Registered on the IDX. *E-Journal of Management,* 5911-5940.

Rachmawati, DA (2017). The Effect of Intellectual Capital on Return On Banking Assets. *Journal of Accounting,* 34-40.

Rai Gina Artaningrum, IK (2017). The Influence of Profitability, Solvency, Liquidity, Company Size, and Change of Management on Banking Company LAG Audit Reports. *E-Journal of Economics,* 1079-1108.

Suci Subiyanti, RZ (2019). The Effect of Good Corporate Governance on Banking Profitability. *Journal of Strategic Management and Business Applications,* 128-136.