

The Effect of Managerial Ownership and Good Corporate Governance on Bank Performance in Banking Companies Listed on the Indonesia Stock Exchange

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ARTICLE INFO

Keywords: Managerial Ownership, Good Corporate Governance, Bank Performance, ROA, NIM

Received : 22 March

Revised : 22 May

Accepted: 23 June

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ABSTRACT

This study examines the effect of managerial ownership and Good Corporate Governance (GCG) on bank performance in banking companies listed on the Indonesia Stock Exchange (IDX) for the period 2019–2024. Bank performance is proxied by Return on Assets (ROA) and Net Interest Margin (NIM). GCG is measured through independent commissioner proportion, audit committee size, and institutional ownership. This study uses panel data regression with the Fixed Effect Model applied to 16 banking companies observed over six years, producing 96 firm-year observations. Results show that managerial ownership has a positive and significant effect on both ROA and NIM. Independent commissioner proportion has a positive and significant effect on ROA, while audit committee size has a negative and significant effect on both ROA and NIM. Institutional ownership has a negative and significant effect on ROA but no significant effect on NIM. These findings support agency theory and signaling theory, confirming that managerial ownership and GCG mechanisms shape bank performance. The study contributes empirical evidence for banking governance policy in Indonesia.

INTRODUCTION

Banking performance is the primary indicator of financial system health. It reflects a bank's capacity to conduct intermediation, maintain financial system stability, and create sustainable economic value (Prameswari et al., 2025). The banking sector dominates the national financial services industry structure. Data published by the Financial Services Authority (OJK) shows that total assets of the Indonesian banking industry reached more than Rp11,000 trillion in 2024, covering more than 70 percent of total national financial institution assets. This condition shows that changes in banking performance directly impact macroeconomic stability and the national financial system (Haryanto, 2016). Therefore, analyzing the factors that affect bank performance is crucial to ensure the sustainability of the banking industry amid increasing competition and financial market dynamics (Pratiwi & Kurniawan, 2018).

Bank performance is generally measured using profitability indicators such as Return on Assets (ROA) and Net Interest Margin (NIM). Based on the OJK banking statistics report, the Indonesian banking industry recorded high profit growth in 2022 but experienced a slowdown in 2023 due to increased operational costs and credit distribution competition. Overall, the average national banking ROA ranged from 2.5 percent to 2.8 percent, while NIM ranged from 4 percent to 5 percent during the 2022–2024 period. Although general industry performance was relatively stable, there was considerable profitability variation among banks listed on the IDX. This variation indicates that bank performance is not only affected by external factors such as macroeconomic conditions but also by internal factors such as ownership structure and corporate governance quality (Prameswari et al., 2025).

Managerial ownership is one factor believed to influence company performance. Managerial ownership occurs when management holds shares in the company they manage. From the Agency Theory perspective, managerial ownership reduces the conflict of interest between managers and shareholders because managers have a direct incentive to increase company value. The greater the proportion of shares held by managers, the greater the management motivation to improve company performance.

The application of Good Corporate Governance (GCG) in the banking sector is a strategic issue that receives significant attention from regulators, academics, and financial industry practitioners. OJK Regulation Number 55/POJK.03/2016 on the Implementation of Governance for Commercial Banks requires all banks to consistently apply GCG principles. These principles include supervisory mechanisms through the board of commissioners, audit committee, and share ownership structure (Handayani et al., 2024). Despite these regulations, variation in GCG application among banking companies listed on the IDX remains significant. The variation in governance implementation can affect internal control effectiveness and ultimately impact the financial performance of banks listed in the capital market (Prameswari et al., 2025).

Several empirical studies have tested the relationship between corporate governance mechanisms, ownership structure, and company performance. Prakoso et al. (2022) show that the board of commissioners and board of directors

significantly affect bank financial performance, while the audit committee shows no significant partial effect. Royana et al. (2025) find that managerial ownership and institutional ownership simultaneously affect the performance of banking companies listed on the IDX. However, research results remain inconsistent, particularly regarding the direction of the audit committee and institutional ownership effects. This study addresses this gap by analyzing the effect of managerial ownership and GCG – disaggregated into independent commissioner proportion, audit committee size, and institutional ownership – on bank performance in banking companies listed on the IDX for the 2019–2024 period. The results are expected to provide theoretical contributions to agency theory and practical implications for banking management and OJK regulators.

LITERATURE REVIEW

Agency Theory and Signaling Theory

Agency theory explains that there is a contractual relationship between company owners and managers, where managers as agents have the potential to act in ways not aligned with owners' interests (Jensen & Meckling, 1976; Eisenhardt, 1989). In the banking context, this agency conflict can affect decision-making quality that directly impacts bank performance. Managerial ownership is one important mechanism to align the interests of managers and shareholders. The greater the share ownership by managers, the greater their drive to improve company performance because they directly benefit from and bear the risks of the decisions made.

Signaling theory explains how internal parties convey information to external parties to reduce information asymmetry between management and investors (Connelly et al., 2020). In the banking sector, signals are conveyed through financial reports, ownership structure, and corporate governance practices. Managerial ownership signals that management has interests aligned with shareholders in improving company value. GCG application through the role of the board of commissioners, board of directors, and audit committee signals that the company has a supervisory mechanism capable of controlling risk and improving decision-making quality.

Bank Financial Performance

Bank performance is generally measured through profitability ratios such as Return on Assets (ROA) and Net Interest Margin (NIM). ROA measures the company's ability to generate net profit based on total assets managed (Kasmir, 2020). The higher the ROA value, the more efficient the use of assets in generating profit. NIM measures a bank's ability to generate net interest income from its productive assets. NIM is calculated by comparing net interest income to average productive assets. NIM that exceeds 2% indicates that the bank effectively manages its productive assets to produce optimal interest income margins (Ishak, Dungga, & Amali, 2022).

Good Corporate Governance

Good Corporate Governance is a system that regulates relationships between shareholders, the board of commissioners, directors, and other stakeholders to ensure the company is managed transparently, accountably, responsibly, independently, and fairly (Kyere & Ausloos, 2021). GCG is proxied in this study through three mechanisms: independent commissioner proportion, audit committee size, and institutional ownership. The independent commissioner proportion indicates the level of independence of the board of commissioners in performing supervisory functions. The audit committee ensures the quality of financial reporting and the effectiveness of internal controls. Institutional ownership refers to the percentage of shares held by institutions such as investment companies, pension funds, or other financial institutions.

Managerial Ownership

Managerial ownership occurs when management, such as directors, managers, or commissioners, holds shares in the company they manage. From the perspective of modern corporate governance, managerial ownership can influence management behavior in running the company (Setiawan et al., 2024). When management holds company shares, they have a direct interest in increasing company value. Managerial ownership is measured as a percentage of shares held by active management (directors and commissioners) relative to total outstanding shares (Nugroho & Meiranto, 2022).

Prior Empirical Studies and Research Gap

Empirical evidence on the GCG-performance relationship remains fragmented rather than convergent. On managerial ownership, Purwanto et al. (2020) and Nastiti, Reswita, and Malik (2022) report a consistent positive association with ROA, which is compatible with the interest-alignment argument in agency theory. On institutional ownership, however, the literature is more divided: Huang and Zhu (2022) find that institutional ownership can improve bank profitability through stronger external monitoring, whereas Boateng, Asongu, Akamavi, and Tchamyu (2022) document that concentrated ownership in African banking markets is associated with market power and information asymmetry that can work against minority shareholders. This contrast suggests that the effect of institutional ownership is conditional on the degree of ownership concentration and the strength of investor protection, rather than uniformly positive. Similarly, on board and committee mechanisms, Puni and Anlesinya (2020) find that governance mechanisms improve firm performance mainly when boards are independent and adequately resourced, while Hussain, Rigoni, and Orij (2023) note that governance structures alone do not guarantee better outcomes if oversight quality is weak — a point consistent with the audit-committee findings reported later in this study. Taken together, these studies point to a research gap: prior work rarely disaggregates GCG into its constituent mechanisms when testing effects on both profitability (ROA) and interest-based intermediation performance (NIM) in the same panel. This study addresses that gap by testing each GCG proxy separately against both performance measures.

RESEARCH HYPOTHESES

Based on the theoretical review and previous empirical findings, and to allow each GCG mechanism to be evaluated on its own theoretical grounds, the following hypotheses are proposed:

H1: Managerial ownership has a significant effect on ROA in banking companies listed on the IDX for the 2019–2024 period.

H2a: Independent commissioner proportion has a significant effect on ROA in banking companies listed on the IDX for the 2019–2024 period.

H2b: Audit committee size has a significant effect on ROA in banking companies listed on the IDX for the 2019–2024 period.

H2c: Institutional ownership has a significant effect on ROA in banking companies listed on the IDX for the 2019–2024 period.

H3: Managerial ownership has a significant effect on NIM in banking companies listed on the IDX for the 2019–2024 period.

H4a: Independent commissioner proportion has a significant effect on NIM in banking companies listed on the IDX for the 2019–2024 period.

H4b: Audit committee size has a significant effect on NIM in banking companies listed on the IDX for the 2019–2024 period.

H4c: Institutional ownership has a significant effect on NIM in banking companies listed on the IDX for the 2019–2024 period.

METHODOLOGY

This study uses a quantitative approach with panel data regression. The unit of analysis is banking companies listed on the IDX for the 2019–2024 period. The population consists of 47 banking companies. Purposive sampling was applied with four criteria: (1) banking companies listed in full on the IDX during 2019–2024 (47 companies); (2) excluding companies that did not publish complete audited annual financial reports throughout the period (10 companies); (3) excluding companies that did not generate profit consecutively throughout 2019–2024 (8 companies); and (4) excluding companies that did not have complete data for all research variables (13 companies). Based on these criteria, 16 banking companies were selected as the sample. With 16 banking companies observed annually over the six-year period (2019–2024), the panel produces $16 \times 6 = 96$ firm-year observations, and this figure is used consistently throughout the descriptive statistics and regression estimation reported below.

The dependent variables are bank performance measured by ROA and NIM. The independent variables are managerial ownership (KM), and Good Corporate Governance (GCG) proxied through independent commissioner proportion (KI), audit committee size (KA), and institutional ownership (KINS). Control variables include firm size (SIZE, the natural logarithm of total assets) and leverage (LEV, total debt to total assets). Bank-specific ratios such as Non-Performing Loan (NPL), Capital Adequacy Ratio (CAR), Operating Expense to

Operating Income (BOPO), and Loan-to-Deposit Ratio (LDR), as well as macroeconomic variables such as interest rates and inflation, were not available in complete and comparable form across all sample banks for the full 2019–2024 window and are therefore left for future extension of the model, as discussed in the Advanced Research section. Data were collected from annual reports and audited financial statements published on www.idx.co.id and official bank websites. Data analysis was conducted using EViews 13, following standard panel-data estimation practice (Baltagi, 2021; Gujarati & Porter, 2020; Wooldridge, 2020).

The regression models, using the same control variables reported in the estimation output (SIZE and LEV), are specified as follows:

$$ROA_{it} = \beta_0 + \beta_1 KM_{it} + \beta_2 KI_{it} + \beta_3 KA_{it} + \beta_4 KINS_{it} + \beta_5 SIZE_{it} + \beta_6 LEV_{it} + \varepsilon_{it}$$

$$NIM_{it} = \beta_0 + \beta_1 KM_{it} + \beta_2 KI_{it} + \beta_3 KA_{it} + \beta_4 KINS_{it} + \beta_5 SIZE_{it} + \beta_6 LEV_{it} + \varepsilon_{it}$$

Note: consistent with the models reported in Tables 2 and 3, KM and the GCG proxies (KI, KA, KINS) are entered in separate specifications (Model 1/3 for KM; Model 2/4 for GCG) rather than jointly, and the control variable in the estimated output is leverage (LEV); the growth variable used in an earlier draft of this equation has been removed to match the estimated specification.

Variable Operationalization

Table 1 summarizes the definition, measurement, unit, and data source of each variable used in the estimation.

Table 1. Variable Operationalization

Variable	Definition	Measurement	Unit	Source
ROA (Return on Assets)	Bank's ability to generate net profit from total managed assets	Net Income / Total Assets	Ratio	Financial statements
NIM (Net Interest Margin)	Bank's ability to generate net interest income from productive assets	Net Interest Income / Average Earning Assets	Ratio	Financial statements
KM (Managerial Ownership)	Proportion of shares held by active management (directors and commissioners)	Shares held by management / Total outstanding shares	Ratio	Annual reports
KI (Independent Commissioner Proportion)	Level of independence of the board of commissioners	Number of independent commissioners / Total commissioners	Ratio	Annual reports

Variable	Definition	Measurement	Unit	Source
KA (Audit Committee Size)	Number of members serving on the audit committee	Total number of audit committee members	Number of people	Annual reports
KINS (Institutional Ownership)	Proportion of shares held by institutional investors	Shares held by institutions / Total outstanding shares	Ratio	Annual reports
SIZE (Firm Size)	Scale of total assets owned by the bank	Natural logarithm of total assets	Ln (Rp)	Financial statements
LEV (Leverage)	Proportion of total debt used to finance assets	Total Debt / Total Assets	Ratio	Financial statements

Source: Compiled by the authors.

The model selection procedure involved the Chow Test (comparing Common Effect Model vs. Fixed Effect Model) and the Hausman Test (comparing Fixed Effect Model vs. Random Effect Model). Classical assumption tests were also conducted, including normality test (Jarque-Bera), multicollinearity test (correlation matrix), and heteroscedasticity test (Glejser Test). Hypothesis testing used the t-test (partial), F-test (simultaneous), and coefficient of determination (R^2).

RESEARCH RESULT

Descriptive Statistics

Table 2 presents the descriptive statistics of all research variables based on the 96 firm-year observations drawn from 16 banking companies over the 2019–2024 period.

Table 2. Descriptive Statistics

	KM	KI	KA	KINS	ROA	NIM
Mean	0.1023	0.5584	10.257	0.7667	0.0139	0.0426
Median	0.0950	0.5455	9.800	0.8459	0.0130	0.0419
Maximum	0.3520	0.7500	18.500	0.9775	0.0584	0.0980
Minimum	0.0010	0.3333	4.200	0.5207	0.0001	0.0008

	KM	KI	KA	KINS	ROA	NIM
Std. Dev.	0.0684	0.0842	2.988	0.1508	0.0089	0.0137
Observations	96	96	96	96	96	96

Source: EViews 13 Output, 2026

The mean ROA of 0.0139 (1.39%) indicates moderate profitability. The mean NIM of 0.0426 (4.26%) is above the OJK threshold of 2%, indicating adequate interest intermediation performance. The mean managerial ownership (KM) of 0.1023 reflects relatively low management share participation, consistent with the general pattern in the Indonesian banking sector where managerial ownership stays below the standard deviation range shown above.

Model Selection and Classical Assumption Tests

The Chow Test results for all models show Cross-section or Period Chi-square probabilities below 0.05, confirming that the Fixed Effect Model (FEM) is superior to the Common Effect Model. The Hausman Test results also show Chi-square probabilities below 0.05 for all models, confirming FEM as the best estimation model.

Classical assumption tests confirm that all models meet the required conditions. The Jarque-Bera probability exceeds 0.05 after residual transformation, indicating normal distribution. All inter-variable correlation coefficients are below 0.80, indicating no multicollinearity. The Glejser test shows all independent variable probabilities exceed 0.05, indicating no heteroscedasticity.

Panel Regression Results

Table 3 presents the panel regression results for the ROA model with managerial ownership and GCG variables.

Table 3. Panel Regression Results – ROA Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Dep. Var.: ROA (Model 1 - KM)				
C	-0.148635	0.025448	-5.840654	0.0000
KM (Managerial Ownership)	0.011094	0.003037	3.652944	0.0003***
SIZE	0.008203	0.001250	6.561396	0.0000***
LEV (Leverage)	-0.010406	0.006950	-1.497324	0.1350

Variable	Coefficient	Std. Error	t-Statistic	Prob.
R-squared = 0.8294 Adj. R ² = 0.7944 F-statistic = 23.669 Prob(F) = 0.0000				
Dep. Var.: ROA (Model 2 - GCG)				
C	0.024154	0.006076	3.975185	0.0001
KI (Independent Commissioner)	0.149590	0.037628	3.975454	0.0001***
KA (Audit Committee)	-0.028813	0.002268	-12.70327	0.0000***
KINS (Institutional Ownership)	-0.159879	0.037620	-4.249796	0.0000***
SIZE	0.000167	0.000118	1.408780	0.1595
LEV (Leverage)	0.010553	0.005408	1.951168	0.0515*
R-squared = 0.3845 Adj. R ² = 0.3736 F-statistic = 35.299 Prob(F) = 0.0000				

Source: EViews 13 Output, 2026

Table 4 presents the panel regression results for the NIM model.

Table 4. Panel Regression Results – NIM Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Dep. Var.: NIM (Model 3 - KM)				
C	0.094120	0.010409	9.041893	0.0000
KM (Managerial Ownership)	0.050060	0.006168	8.116591	0.0000***
SIZE	-0.000542	0.000204	-2.650797	0.0083***
LEV (Leverage)	-0.084382	0.009297	-9.075840	0.0000***
R-squared = 0.2242 Adj. R ² = 0.2133 F-statistic = 20.483 Prob(F) = 0.0000				
Dep. Var.: NIM (Model 4 - GCG)				

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.138969	0.010730	12.95125	0.0000
KI (Independent Commissioner)	0.010081	0.066451	0.151714	0.8795
KA (Audit Committee)	-0.018059	0.004005	-4.508717	0.0000***
KINS (Institutional Ownership)	-0.019056	0.066436	-0.286837	0.7743
SIZE	-0.000338	0.000209	-1.617916	0.1062
LEV (Leverage)	-0.090649	0.009551	-9.490784	0.0000***
R-squared = 0.1937 Adj. R² = 0.1794 F-statistic = 13.572 Prob(F) = 0.0000				

Source: EViews 13 Output, 2026

DISCUSSION

Effect of Managerial Ownership on ROA (H1)

The results show that managerial ownership has a positive and significant effect on ROA (coefficient = 0.011094; prob. = 0.0003 < 0.05). H1 is accepted. This finding confirms that a higher proportion of shares held by active management increases the bank's ability to generate profit from total managed assets. This result aligns with agency theory (Jensen & Meckling, 1976), which states that managerial ownership is an effective internal mechanism to align the interests of agents and principals. When managers hold company shares, they are driven to manage assets more efficiently, reduce operational costs, and increase profitability because performance improvement directly affects their own wealth.

This finding is consistent with Purwanto et al. (2020), who found that managerial ownership significantly affects banking company financial performance. Nastiti, Reswita, and Malik (2022) also confirm that managerial ownership positively affects ROA because managers who are also shareholders have greater incentives to improve asset management efficiency. Ben Fatma and Chouaibi (2021) further confirm that higher managerial ownership drives value-oriented decision-making, positively impacting ROA.

Effect of Independent Commissioner Proportion, Audit Committee Size, and Institutional Ownership on ROA (H2a, H2b, H2c)

The three GCG proxies show distinct partial effects on ROA. The independent commissioner proportion (KI) has a positive and significant effect (coefficient = 0.149590; prob. = 0.0001), so H2a is accepted. Audit committee size (KA) has a

negative and significant effect (coefficient = -0.028813; prob. = 0.0000), so H2b is accepted. Institutional ownership (KINS) has a negative and significant effect (coefficient = -0.159879; prob. = 0.0000), so H2c is accepted. Simultaneously, all three GCG variables significantly affect ROA (Prob. F = 0.000).

The positive effect of independent commissioners is consistent with the monitoring hypothesis and agency theory. Independent commissioners who are not affiliated with management provide more objective oversight, reducing opportunistic management behavior and driving more efficient asset use, which increases ROA (Handayani et al., 2024; Nguyen et al., 2021). This is also consistent with Puni and Anlesinya (2020), who find that governance mechanisms improve firm performance mainly when supervisory bodies are sufficiently independent. The negative effect of audit committee size (KA) on ROA indicates that a larger audit committee does not necessarily improve asset management efficiency. Beyond a certain size, additional committee members can introduce coordination problems, slower decision-making, and diffusion of individual accountability – a pattern consistent with Hussain, Rigoni, and Orij (2023), who note that governance structures do not automatically translate into better outcomes when oversight quality, rather than headcount, is what actually drives effectiveness. The added compensation, meeting, and administrative costs associated with a larger committee also burden operational efficiency without a corresponding improvement in monitoring quality.

The negative effect of institutional ownership (KINS) suggests that concentrated institutional ownership may create an entrenchment effect, where controlling shareholders exploit their position at the expense of minority shareholders (Nguyen et al., 2021). This finding diverges from Huang and Zhu (2022), who report a positive institutional-ownership effect in a context of stronger external monitoring, but is consistent with Boateng, Asongu, Akamavi, and Tchamyou (2022), who show that concentrated ownership in emerging banking markets can be associated with market power that works against minority shareholders. The divergence implies that the sign of the institutional-ownership effect is conditional on how concentrated that ownership is and how actively the institutional investors monitor management, rather than on institutional ownership per se.

Effect of Managerial Ownership on NIM (H3)

Managerial ownership has a positive and significant effect on NIM (coefficient = 0.050060; prob. = 0.0000 < 0.05). H3 is accepted. The alignment of interest hypothesis explains this finding: managers who are also shareholders are more oriented toward long-term value creation, including through optimal credit interest rate policies and efficient third-party fund management. This alignment directly drives the improvement of net interest spread, reflected in higher NIM.

Nugroho and Meiranto (2022) show that managerial ownership positively affects banking financial performance through improved productive asset management efficiency. Ben Fatma and Chouaibi (2021) specifically find that managerial ownership positively impacts banking intermediation performance,

including NIM improvement, because aligning management and shareholder interests drives more optimal credit portfolio management.

Effect of Independent Commissioner Proportion, Audit Committee Size, and Institutional Ownership on NIM (H4a, H4b, H4c)

Among the three GCG proxies, only audit committee size (KA) has a significant effect on NIM, and it is negative (coefficient = -0.018059; prob. = 0.0000 < 0.05); H4b is accepted. Independent commissioner proportion (KI, prob. = 0.8795) and institutional ownership (KINS, prob. = 0.7743) do not show significant effects on NIM; H4a and H4c are therefore not supported. Simultaneously, all GCG variables significantly affect NIM (Prob. F = 0.000).

The negative effect of audit committee size on NIM reinforces the coordination-cost explanation offered for ROA: adding more audit committee members increases governance costs that reduce net interest margin efficiency. Salehi, Arianpoor, and Dalwai (2020) confirm that the effectiveness of internal supervisory mechanisms depends on member quality and composition, not merely on quantity. The non-significance of KI and KINS on NIM suggests that independent-commissioner and institutional-investor oversight operate mainly at the level of overall asset-based profitability (ROA) rather than on the specific day-to-day operational decisions that determine NIM, such as credit interest rate setting and third-party fund management (Nguyen et al., 2021). This is consistent with the observation in Banna, Alam, and Rana (2022) that interest-margin and liquidity outcomes such as NIM are driven more directly by balance-sheet and funding decisions (e.g., loan-to-deposit management) than by board-level ownership and oversight structures.

CONCLUSIONS AND RECOMMENDATIONS

This study confirms that managerial ownership has a positive and significant effect on both ROA (H1) and NIM (H3) in Indonesian listed banking companies during 2019–2024. Higher management share participation aligns managerial interests with shareholders, driving more efficient asset management and improved credit portfolio quality.

GCG mechanisms show differentiated effects once each proxy is tested separately. On ROA, independent commissioner proportion has a positive and significant effect (H2a accepted), while audit committee size and institutional ownership both have negative and significant effects (H2b and H2c accepted). On NIM, only audit committee size has a significant effect, and it is negative (H4b accepted), while independent commissioner proportion and institutional ownership show no significant effect on NIM (H4a and H4c not supported). Overall, larger audit committees are associated with higher governance costs without proportional performance gains, and concentrated institutional ownership appears to be more consequential for overall profitability (ROA) than for interest-based intermediation efficiency (NIM).

Practically, banking companies need to increase managerial involvement in share ownership because this proves capable of improving bank performance from

both profitability and interest income efficiency perspectives. The board of commissioners and audit committee structure need to be proportionally composed rather than simply enlarged: too many members can create coordination problems and increase oversight costs that negatively affect bank profitability and margin efficiency. Institutional ownership should be accompanied by governance safeguards that prevent entrenchment by large institutional blockholders.

ADVANCED RESEARCH

This study has several limitations. First, the observation period is limited to 2019–2024 (16 banks, 96 firm-year observations) and may not fully capture long-term banking performance patterns. Second, the study only includes managerial ownership and three GCG proxies, together with firm size and leverage, as explanatory variables; future research can add bank-specific control variables such as Non-Performing Loan (NPL), Capital Adequacy Ratio (CAR), operational efficiency (BOPO), and Loan-to-Deposit Ratio (LDR), as well as macroeconomic factors such as interest rates and inflation, to strengthen the explanatory power of the model. Third, the study focuses only on IDX-listed banking companies; future research can extend to insurance companies and finance institutions. Fourth, GCG measurement can be expanded to include audit quality, board meeting frequency, and board independence dimensions for more comprehensive governance assessment.

ACKNOWLEDGMENT

The author expresses sincere gratitude to Prof. Dr. Umi Widyastuti, S.E., M.E. and Dr. Muhammad Yusuf, S.E., M.M. as thesis supervisors at the Master of Accounting Study Program, Faculty of Economics and Business, State University of Jakarta. The author also thanks all parties who provided support and constructive feedback during the completion of this research.

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