CURRENT ADVANCED RESEARCH ON SHARIA FINANCE AND ECONOMIC WORLDWIDE (CASHFLOW)

THE INFLUENCE OF ISLAMIC CORPORATE GOVERNANCE (ICG), COMPANY SIZE, AND LEVERAGE (DAR) ON FINANCIAL PERFORMANCE (ROA) IN SHARIA PEOPLE'S FINANCING BANKS IN INDONESIA

Rana Shabilah[1*], Achmad Fauzi[2], Indah Muliasari[3]
[1-3]Universitas Negeri Jakarta
E-mail: [1)] shabilahrana@gmail.com

Abstract

This study aims to assess how Islamic Corporate Governance (ICG), bank size, and leverage (DAR) influence financial performance using Return on Assets (ROA) as a measure. The study focuses on Sharia Rural Banks (BPRS) registered with the Financial Services Authority (OJK) from 2021 to 2022. The sample includes 99 BPRS selected through purposive sampling. The analysis employs multiple linear regression via SPSS software. The findings reveal that ICG has no significant impact on BPRS's financial performance (ROA). Conversely, firm size positively affects ROA, while leverage (DAR) has a negative impact. Future research could encompass various types of Sharia banks and include additional indicators like Return on Equity (ROE) and Return on Investment (ROI). Extending the study's timeframe might provide more accurate insights into trends. Furthermore, incorporating additional proxies to measure bank financial performance, such as Return on Equity (ROE) and Return on Investment (ROI), is advised. A more extended study duration would likely yield a more accurate representation of trends and relationships.

Keywords: *Bank Size, Islamic Corporate Governance, Leverage, Return On Asset, Sharia People's Financing Banks*

1. INTRODUCTION

In the world of banking, there are conventional and Sharia banks. The distinction between the two lies in their underlying principles. Conventional banking operates in accordance with the regulations of the Central Bank of Indonesia (BI) without involving *halal* (permissible) or *haram* (forbidden) principles. On the other hand, Sharia banking adheres to halal or haram principles as guided by the Qur'an and Hadith in all its operations. In this study, the researcher will delve deeper into the realm of Sharia banking. One of the recurring challenges faced by Sharia banks is performance quality.

Financial performance is of utmost importance to Sharia banks as it serves as an indicator of their ability to manage and allocate resources. Financial performance is also deemed a priority in assessing the effectiveness of financial management, particularly in terms of measuring financial ratios such as liquidity, capital, and profitability (Amelinda & Rachmawati, 2021). The purpose of evaluating financial performance is to ascertain the ability of Sharia banks to meet short-term debt obligations (liquidity ratio), fulfill both short and long-term debt obligations (solvency ratio), generate profits (profitability ratio), and maintain consistency (Rahayu et al., 2020).

Sharia banks must optimize utility for society and assume responsibility for all activities in accordance with Sharia principles. The existence of Sharia banks aims to

serve the interests of the community by facilitating transactions and funding in line with Islamic principles, devoid of elements such as gharar, maysir, and riba (Amelinda & Rachmawati, 2021).

One type of Sharia bank prevalent in society is the Sharia Rural Financing Bank (BPRS). The BPRS or Sharia Financing Bank is a Sharia banking institution that operates in accordance with Islamic guidelines. The primary business of BPRS involves providing financing and capital services to real business units, aimed at supporting economic development. Financing in BPRS implies providing funds or capital to others to support their investment plans or business expansion.

According to the Sharia Banking Statistics (SPS) for the years 2020-2022 from the Financial Services Authority (2022), the financial performance of BPRS, measured by Return on Assets (ROA), experienced a decline of 0.28% from 2020 to 2021 but witnessed an increase of 0.19% from 2021 to 2022, thus displaying financial fluctuations. Consequently, it can be inferred that the financial performance of BPRS is relatively satisfactory, although stability has not been achieved throughout this period. Therefore, a more in-depth analysis of financial performance involving financial ratios and stakeholders is necessary.

There are factors that can influence financial performance. The first factor is corporate governance, often referred to as Islamic Corporate Governance (ICG). The implementation of ICG is still suboptimal today. The inadequate implementation of ICG leads to various financial issues, particularly for institutions like Sharia Rural Financing Banks (BPRS). Common issues or cases include fraud, misuse, theft, and even corruption within the bank itself. These are challenges commonly encountered in both conventional and Sharia banking. Hence, the application of ICG is crucial to minimize financial risks in Sharia banking, especially for BPRS (Arifah et al., 2021). With effective corporate governance, banking policies and functions are controlled, operational activities are directed, and the reputation of Sharia banks in the eyes of the public is enhanced, leading to greater public trust due to the presence of sound corporate governance systems.

The second factor that can influence financial performance is the size of the institution. Essentially, the larger the bank, the greater the potential for Sharia banks to increase profitability. This is because larger institutions can harness promising economies of scale, reducing cumulative costs and reporting procedures (Syachreza & Gusliana, 2020). Therefore, it can be concluded that the size of the institution is a crucial factor in assessing the extent of the Sharia bank's operational scale and estimating operational effectiveness.

The third factor influencing company financial performance, besides ICG and company size, is leverage. Sharia banks with high leverage pose higher risks in repaying funds to creditors. Investors would demand higher returns if a Sharia bank has high leverage. Consequently, leverage funds must be managed effectively to ensure the distribution of short-term and long-term funds to creditors aligns with the objectives of the Sharia bank (Dewi et al., 2021).

Based on the aforementioned points, the researcher is motivated to conduct further exploration of these three factors. The existing gaps in prior research also drive the researcher to delve deeper into the impact of ICG, company size, and leverage on financial performance, measured by Return on Assets (ROA), in the context of BPRS.

2. LITERATURE REVIEW

2.1. Stewardship Theory

The stewardship theory was first introduced by Donaldson and Davis in 1997 in their work titled "Toward a Stewardship Theory of Management." The stewardship theory, or stewardship theory, stands in contrast to agency theory. Agency theory involves agents (managers) and principals (owners) with differing interests, leading to agency conflicts. In contrast, stewardship theory emphasizes that agents (managers) prioritize collective interests over personal interests. When conflicts arise, this theory aims to resolve them through discussion and cooperation, maintaining a shared objective. This theory asserts a strong correlation between business development and principal (owner) satisfaction (Davis, James H; Schoorman, F David; Donaldson, 1997). Based on the explanation above, it can be concluded that stewardship theory prioritizes collective interests over personal interests. Managers as agents managing the company can be trusted to act in the best interest of owners and stakeholders, maximizing the effectiveness of the company's Corporate Governance (CG).

2.2. Signaling Theory

Signaling theory, introduced by Michael Spence in 1973 in his work "Job Market Signaling," involves conveying signals from one party to another. These signals represent relevant information provided by a company's management to recipients (investors and external parties), enabling them to make informed decisions. The goal of this theory is to provide signals to investors, creditors, governments, and others regarding a company's performance (Michael, 1973). Based on the explanation above, it can be concluded that signaling theory provides relevant financial report information to investors and external parties of the company. The aim is to enable external parties to assess the company's performance and make decisions. The relationship between signaling theory and leverage is that if the debt ratio surges, the company's profitability may decrease due to a portion of profits being used to repay debt, which is interpreted as a negative signal for investors to invest in the company. Conversely, a decrease in the debt ratio can lead to increased profitability, as less profit is used to repay debt, which is seen as a positive signal for investors to invest in the company.

2.3. Financial Performance

Financial performance is a crucial element for evaluating the success of Sharia Rural Financing Banks (BPRS) in line with Sharia guidelines. Many internal and external stakeholders utilize financial performance parameters to make decisions. According to (Rosada 2021), financial performance is a key consideration for investors when deciding to invest in BPRS. In this study, the researcher employs profitability ratios to measure financial performance using the Return on Asset (ROA) proxy. Hosen et al., (2019) explain that ROA is used to test how effective BPRS is in generating profits from its resources. A healthy ROA ratio standard, as per Lukviarman (2016) in "Corporate Governance: Strengthening Concepts and Implementation in Indonesia," categorizes ROA with a rate >5.98% as excellent. ROA with rates 3.98% - 5.98% is considered good, 2.98% - 3.97% as fairly good, and 1% - 2.97% as less favorable.

2.4. Islamic Corporate Governance (ICG)

In the Islamic perspective, corporate governance is referred to as Islamic Corporate Governance (ICG). The essence of ICG lies in governance that adheres to the principles of monotheism and Sharia (Reni & Af'idah, 2021). Pahlevi (2020) explains in his work that the concept of ICG encompasses all business activities mandated to adhere to Sharia guidelines. If a Sharia bank violates established Sharia provisions, the Sharia Supervisory Board (DPS) will reprimand and sanction it. ICG also plays a role in safeguarding the interests of all stakeholders and ensuring their rights are fairly exercised, facilitating decision-making through consultation. ICG aims to achieve maqasid al-Sharia (the objectives of Sharia).

Based on Bank Indonesia (BI) regulations as stipulated in PBI No. 11/33/PBI/2009, Islamic Corporate Governance (ICG) encompasses banking governance practices guided by five principles: transparency, accountability, responsibility, professionalism, and fairness (Fadhillah, 2018). These principles are outlined in the Quran, Surah Al-Baqarah, verse 282. This verse underscores the importance of transparency or honesty in transactions, with no deliberate concealment for personal gain. From this statement, it can be inferred that ICG must be applied by Sharia banks, as it is a crucial policy for controlling their operational activities, thereby facilitating the achievement of established goals.

2.5. Company Size

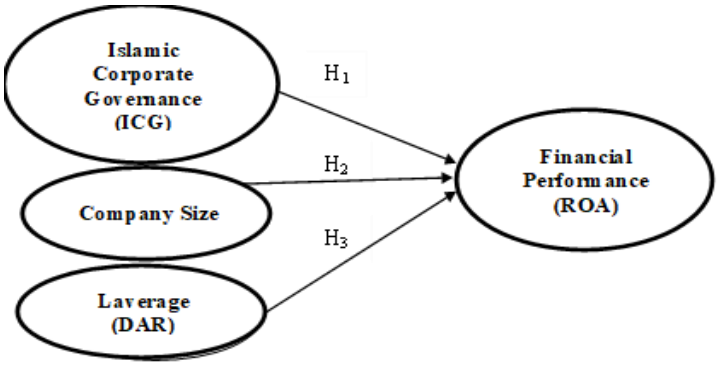
Company size is a parameter used to determine the scale of BPRS and whether it falls into the category of small, medium, or large Sharia banks. Company size can be calculated based on total assets, total capital, or total income (Maqhfirah & Fadhlia, 2020). Effendi & Ulhaq (2021) state in their work that firm size reflects the level of resources possessed by BPRS. More resources lead to a larger company size. BPRS with abundant assets are better equipped to handle financial issues due to their skill in managing assets. Conversely, BPRS with insufficient assets find it challenging to address financial issues due to their lack of expertise in asset management. Company size serves as a benchmark for determining the magnitude of BPRS based on its assets.

From the above statements, it can be concluded that both small and large Sharia banks hold critical positions in asset management to maximize expected profits. If a BPRS is categorized as a large Sharia bank, it is likely to effectively handle emerging operational risks due to its ample resources, facilitating value maximization and benefiting from good internal and external information sources. Conversely, if a BPRS is categorized as a medium or small Sharia bank, it is likely to face difficulties in managing operational risks due to its limited resources and misinformation from internal and external sources.

2.6. Leverage (DAR)

Leverage, as defined by Siswanto (2021) in his work, is a ratio emphasizing the extent to which credit loans are used to finance BPRS's operational activities. Leverage arises when BPRS manages its assets using liabilities from loans provided by other banks. Rahayu (2020) also states in her work that leverage refers to BPRS's ability to repay all its long-term debts during liquidation. With leverage, BPRS can assess whether its resources are sufficient to settle all its debts.

In this study, the leverage ratio can be analyzed using the Debt to Asset Ratio (DAR) proxy. DAR is a ratio used to measure the proportion of assets financed by liabilities. A healthy DAR ratio standard, according to Kasmir (2019) in "Financial Statement Analysis Revised Edition," categorizes DAR with a rate ≤35% as excellent. DAR with rates 36% - 50% is considered good, 51% - 70% as fairly good, 71% - 89% as adequate, and ≥90% as poor.



Source: (Data processed by the author, 2023)
Figure 1. Theoretical Framework

3. RESEARCH METHODS

This research employs quantitative data analysis. The data used in this study is sourced from secondary data through the method of documentation study. The data is extracted from published financial reports available on the official website of the Financial Services Authority (OJK), namely www.ojk.go.id, as well as the official websites of individual BPRS. The unit of analysis for this study is the Sharia People's Financing Bank (BPRS) in Indonesia during the period 2021-2022, with a total population of 167 BPRS.

The sampling technique adopted by the researchers in this study is purposive sampling, involving the establishment of specific criteria for selecting samples, including:

a. Islamic People's Financing Banks (BPRS) listed in the Islamic Banking Statistics (SPS) by the Financial Services Authority (OJK) for the period 2021-2022.
b. Islamic People's Financing Banks (BPRS) that have published complete financial reports for the years 2021-2022.
c. Islamic People's Financing Banks (BPRS) that have not incurred losses during the years 2021-2022.

Based on these criteria, a total of 99 BPRS that fulfilled the requirements were selected as samples. Thus, this study involved a total of 99 BPRS samples from Indonesia.

3.1. Dependent Variable

In this research, financial performance is measured using the Return on Asset (ROA) ratio as a proxy to indicate the financial condition of BPRS. The formula for calculating ROA is as follows (Hosen et al., 2019) :

$$Return\ on\ Assets = \frac{Net\ Income}{Total\ Assets} \times 100\%$$

3.2. Independent Variable

3.2.1. Islamic Corporate Governance (ICG)

In this study, Islamic Corporate Governance (ICG) is operationalized using the proxy of the board of directors, board of commissioners, and Sharia supervisory board as complementary entities. The total number of members in the board of directors, board of commissioners, and Sharia supervisory board can be observed in the additional information section within the BPRS publication report. The formula for this is as follows (Amelinda & Rachmawati, 2021):

$$Size\ of\ the\ Board\ of\ Directors = \sum Member\ of\ the\ Board\ of\ Directors$$

$$Size\ of\ the\ Board\ of\ Commissioners = \sum Member\ of\ the\ Board\ of\ Commissioners$$

$$Size\ of\ DPS = \sum Member\ of\ Sharia\ Supervisory\ Board$$

3.2.2. Company Size

In this study, company size uses an indicator of the natural logarithm of total assets with the formula as below (Indrawati et al., 2018):

$$Bank\ Size = Ln \times Total\ Asset$$

3.2.3. Leverage (DAR)

In this study, leverage is measured using the Debt to Asset Ratio (DAR) proxy. DAR is a ratio that states between total liabilities, both current and fixed liabilities compared to total assets. The DAR formula is as follows (Laseari et al., 2022):

$$DAR = \frac{Total\ Debt}{Total\ Assets} \times 100\%$$

4. RESULTS AND DISCUSSION

4.1. Research Result

4.1.1. Descriptive Statistics Test

Table 1. Descriptive Statistical Test Result

	N	Minimum	Maximum	Mean	Std. Deviation
X1_ICG	198	4	7	5.64	.747
X2_Size	198	16.51	19.83	18.0928	.73010
X3_DAR	198	.01	.60	.2267	.15768
Y_ROA	198	.03	5.82	2.3221	1.32300
Valid N (listwise)	198				

Based on the table above, the dependent variable ROA has an average value from 2021-2022 of 2.32 and a standard deviation or data spread of 1.32. The minimum value is 0.03 at BPRS Hikmahnugraha in 2021 and the maximum is 5.82 at BRPS Bogor Tegar Beriman in 2021.

The independent variable ICG has an average value from 2021-2022 of 5.64 and a standard deviation or data spread of 0.75. The minimum value is 4 in 16 BPRS or 16% of

the entire sample which has the least amount of ICG. The maximum value is 7 in 9 BPRS or 9% of all samples that have the most ICG.

The independent variable company size has an average value from 2021-2022 of 18.09 and a standard deviation or data spread of 0.73. The minimum value is 16.51 at BPRS Mentari Pasaman Saiyo in 2022 and the maximum is 19.83 at BPRS Patriot Bekasi in 2022.

The independent variable leverage (DAR) has an average value from 2021-2022 of 0.23 and a standard deviation or data spread of 0.16. The minimum value is 0.01 at BPRS Berkah Dana Fadhlillah in 2021-2022 and a maximum of 0.60 at BPRS Tani Tulang Bawang Barat in 2022.

4.1.2. Normality Test

Table 2. Normality Test Result

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		198
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.45429416
Most Extreme Differences	Absolute	.046
	Positive	.025
	Negative	-.046
Test Statistic		.046
Asymp. Sig. (2-tailed)		.200[c,d]

Based on the results of the One-Sample Kolmogorov-Smirnov Test in the table above, it can be concluded that the Asymp. Sig. (2-tailed) is greater than 0.05, which is 0.2> 0.05. This proves that the research data is normally distributed and the research can proceed to the next test.

4.1.3. Linearity Test

Table 3. Linearity Test Result

			Sig.
Y_ROA * X1_ICG	Between Groups	(Combined)	.237
		Linearity	.212
		Deviation from Linearity	.260
Y_ROA * X2_Size	Between Groups	(Combined)	.084
		Linearity	.042
		Deviation from Linearity	.095
Y_ROA * X3_DAR	Between Groups	(Combined)	.600
		Linearity	.098
		Deviation from Linearity	.660

Based on the linearity test results in the table above, it can be concluded that the Deviation from Linearity value owned by each independent variable is greater than 0.05, which is equal to. This proves that each independent variable (ICG, company size, DAR) and the dependent variable ROA have a linear relationship.

4.1.4. Multicollinearity Test

Table 4 Multicollinearity Test

Coefficients[a]			
		Collinearity Statistics	
Model		Tolerance	VIF
1	X1_ICG	.998	1.002
	X2_Size	1.000	1.000
	X3_DAR	.999	1.001

Based on the multicollinearity test results in the table above, it shows that all independent variables have a tolerance value and VIF of 1. This proves that the tolerance value is greater than 0.1 (1>0.1) and VIF is smaller than 10 (1<10), so it can be concluded that there are no multicollinearity symptoms or in other words, each independent variable in this study does not have a linear relationship.

4.1.5. Heteroscedasticity Test

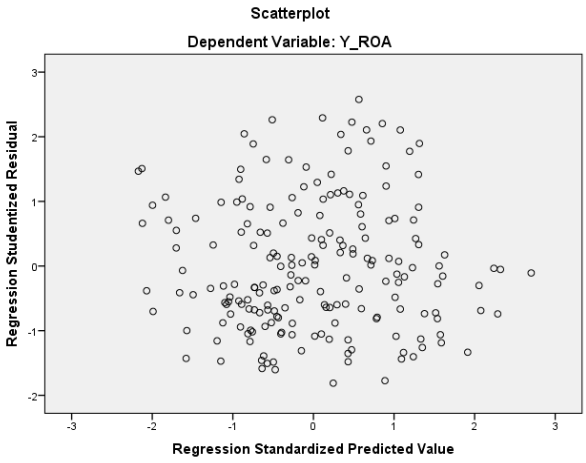


Figure 2. Heteroscedasticity Test

Based on the results of the heteroscedasticity test seen in the figure above, it shows that the data points spread above, below, and around the number 0 (zero). Then the distribution of the data is also irregular or does not form a certain pattern. This proves that the research data is free from heteroscedasticity problems.

4.1.6. Autocorrelation Test

Table 5. Autocorrelation Test Result

Model	Durbin-Watson
1	1.918

Based on the results of the autocorrelation test seen in the table above, it shows that the Durbin-Watson or DW value is 1,918. In the DW table, the du value based on the number of samples and independent variables is 1.798 and the 4 - du value is 2.202. This proves du ≤ DW ≤ 4 - du or 1,798 ≤ 1,918 ≤ 2,202, so it can be concluded that the decision results are accepted, which means that the research data is free from autocorrelation problems.

4.1.7. Multiple Linear Regression Analysis

Table 6. Multiple Linear Regression Analysis Result

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-7.266	3.054		-2.379	.018
	X1_ICG	-.116	.396	-.020	-.292	.770
	X2_Size	3.879	1.529	.178	2.537	.012
	X3_DAR	-.165	.065	-.179	-2.553	.011

Based on the table above, the regression equation can be formulated as follows:

$$ROA_{i,t} = -7.266 - 0.116ICG_{i,t} + 3.879SIZE_{i,t} - 0.165DAR_{i,t} + \varepsilon$$

This regression equation can be explained as follows:

a. The constant coefficient value of -7.266 indicates that if the independent variables (ICG, company size, and leverage) for the i-th study and t-th year are all equal to 0, the dependent variable (ROA) will be -7.266.
b. The coefficient value of ICG for the i-th study and t-th year is -0.116. This implies that if ICG increases by one unit, the ROA for the i-th study and t-th year will decrease by -0.116, assuming other variables remain constant. The negative coefficient for ICG suggests a negative correlation between ICG and ROA, meaning that higher ICG is associated with lower ROA.
c. The coefficient value of company size for the i-th study and t-th year is 3.879. This indicates that if company size increases by one unit, the ROA for the i-th study and t-th year will increase by 3.879, assuming other variables remain constant. The positive coefficient for company size suggests a positive correlation between company size and ROA, implying that larger company size is associated with higher ROA.

d. The coefficient value of leverage (DAR) for the i-th study and t-th year is -0.165. This implies that if the DAR ratio increases by one unit, the ROA for the i-th study and t-th year will decrease by -0.165, assuming other variables remain constant. The negative coefficient for DAR suggests a negative correlation between DAR and ROA, indicating that higher DAR is associated with lower ROA.

4.1.8. Simultaneous Test (F)

Table 7. Simultaneous Test (F) Result

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.062	3	2.354	4.025	.008b
	Residual	112.873	193	.585		
	Total	119.934	196			

Based on the simultaneous test results shown in the table above, it shows that the significance value is 0.008 which means it is smaller than the significance level of 0.05 (0.008 < 0.05) and the value of F count> F table which is 4.025 (4.025 > 2.65) which means H4 is accepted and H0 is rejected, so it can be concluded that all independent variables (ICG, company size, and leverage) together affect the dependent variable (ROA).

4.1.9. Determination Coefficient Test

Table 8 Coefficient of Determination Result

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.740[a]	.548	.525	.33068

Based on the results of the coefficient of determination test seen in the table above, it shows that the R square value in this study is 0.548 or 54.8%. Then, the adjusted R square value is 0.525 or 52.5%, which means that the independent variables (ICG, company size, and leverage) are able to reveal information from the dependent variable (ROA) by 52.5%, the remaining 47.5% can be revealed by other variables outside this study.

4.1.10. Partial Test (T-Test)

Table 9 Partial Test (T Test) Result

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-7.266	3.054		-2.379	.018
	X1_ICG	-.116	.396	-.020	-.292	.770
	X2_Size	3.879	1.529	.178	2.537	.012
	X3_DAR	-.165	.065	-.179	-2.553	.011

4.2. Discussion

4.2.1. The Influence of Islamic Corporate Governance (ICG) on ROA

The first hypothesis proposed in this study is that Islamic Corporate Governance (ICG) has a positive effect on the financial performance (ROA) of Sharia People's Financing Banks. Based on the results of partial hypothesis testing, the significance value of the ICG variable (X1) is 0.770. This value proves to be greater than the significance level of 0.05 (0.770 > 0.05), and the calculated t-value is smaller than the tabulated t-value (0.292 < 1.653). This means that H1 is rejected, and H0 is accepted, concluding that the ICG variable does not have a significant effect on the financial performance (ROA).

Whether many or few components of ICG are involved in Sharia People's Financing Banks, they do not significantly impact financial performance. This is because Sharia financial institutions, including Sharia People's Financing Banks, are obliged to adhere to governance principles rooted in the guidance of Sharia, based on the Quran and Hadith. Therefore, the lack of ICG components in these banks does not exert a significant influence on ROA. Additionally, another reason for the lack of impact of ICG on ROA in Sharia People's Financing Banks is the ineffective performance of the board of directors, board of commissioners, and Sharia supervisory board in carrying out their duties. Hence, there is a need for more effective implementation of ICG by developing competent human resources, enabling Sharia People's Financing Banks to contribute to local economic advancement (Abubakar & Handayani, 2017).

These findings are supported by the research of Sari et al., (2020); Mardiani et al., (2019); Dewi et al., (2021); and Rahmawati & Tjahyadi (2018), which reveal that the implementation of ICG in Sharia People's Financing Banks is still ineffective due to a lack of quantity and quality in human resources. Therefore, it is found that ICG does not affect ROA. However, the results differ from the research of Setiyobudi & Windyastuti (2021), which indicates that effective ICG implementation can enhance management systems and contribute to profit improvement. Thus, ICG is found to have a positive effect on ROA.

4.2.2. The Influence of Company Size on ROA

The second hypothesis proposed in this study is that company size has a positive effect on the financial performance (ROA) of Sharia People's Financing Banks. Based on the results of partial hypothesis testing, the significance value of the Company Size variable (X2) is 0.012. This value proves to be smaller than the significance level of 0.05 (0.012 < 0.05), and the calculated t-value is greater than the tabulated t-value (2.537 > 1.653). This means that H2 is accepted, and H0 is rejected. The positive t-value for this variable indicates a direct correlation, concluding that the company size variable has a significant positive effect on financial performance (ROA). Larger banks contribute to higher ROA.

Sharia banking, particularly large Sharia People's Financing Banks, tends to manage their resources effectively. Moreover, banks with larger assets can introduce more innovation in developing products and services, attracting public interest and expanding their business. This leads to increased profits. Banks with substantial assets demonstrate their capacity not only to develop their operations but also to invest their funds, leading to increased cash flow and improved ROA (Maqhfirah & Fadhlia, 2020).

These findings are supported by the research of Maqhfirah & Fadhlia (2020); Mailinda et al., (2018); Nurindahyanti & Rahman (2021); and Rahmawati & Tjahyadi (2018), which reveal that larger Sharia People's Financing Banks reflect stability in various aspects. Banks with a significant number of assets find it easier to secure capital due to their high flexibility. Thus, it is found that company size has a positive effect on ROA. However, the results differ from the research of Wardati et al., (2021), which suggests that large banks with substantial assets may not manage their assets effectively, resulting in inefficient profit generation and hindering financial performance improvement. The study finds that company size does not affect ROA.

4.2.3. The Influence of Leverage (DAR) on ROA

The third hypothesis proposed in this study is that leverage (DAR) has a positive effect on the financial performance (ROA) of Sharia People's Financing Banks. Based on the results of partial hypothesis testing, the significance value of the Leverage (DAR) variable (X3) is 0.011. This value proves to be smaller than the significance level of 0.05 (0.011 < 0.05), and the calculated t-value is greater than the tabulated t-value (2.553 > 1.653). This means that H3 is accepted, and H0 is rejected. The negative t-value for this variable indicates an inverse correlation, demonstrating that the leverage (DAR) variable has a significant negative effect on financial performance (ROA). Higher DAR ratios result in decreased financial performance (ROA), whereas lower DAR ratios lead to increased financial performance (ROA).

This aligns with the signaling theory, which concludes that there is an inverse relationship between leverage and ROA. A higher DAR ratio indicates a larger debt utilization, requiring the bank's ability to repay its debt from output or profit. A high DAR ratio makes investors or other external parties reluctant to invest due to the risk associated with debt repayment. This can lower ROA. Conversely, a lower DAR ratio indicates lower debt utilization. A low DAR ratio attracts investors or external parties to invest due to the lower risk associated with repaying all debts, leading to increased ROA (Michael, 1973). This study finds that the highest level of leverage (DAR) held by Sharia People's Financing Banks is 60%. According to Kasmir (2019), the healthy range for the DAR ratio is 51% - 70%. This demonstrates that Sharia People's Financing Banks are capable of managing their debt ratios in their operational activities.

These findings are supported by the research of Yunanda & Hutagalung (2020); Laseari et al., (2022); Ernawati & Santoso (2021); and Nugraha et al., (2021), which reveal that higher leverage (DAR) ratios increase the risk faced by Sharia People's Financing Banks in repaying their liabilities and can decrease ROA. However, the results differ from the research of Irawati et al., (2019), which suggests that Sharia People's Financing Banks with high leverage (DAR) ratios are likely to engage in earnings management practices, leading to the finding that leverage (DAR) does not affect ROA.

4.2.4. The Influence of ICG, Bank Size, and Leverage (DAR) on ROA

The fourth hypothesis proposed in this study is that the variables of ICG, company size, and leverage (DAR) simultaneously have an effect on the financial performance (ROA) of Sharia People's Financing Banks. Based on the results of simultaneous hypothesis testing, the significance value is 0.008, which is smaller than the significance level of 0.05 (0.008 < 0.05), and the calculated F-value is greater than the tabulated F-value of 2.65 (4.025 > 2.65). This means that H4 is accepted, and H0 is rejected,

concluding that all independent variables, namely ICG, company size, and leverage (DAR), together have a significant effect on the dependent variable (ROA). These findings are supported by the research of Syafi'i & Haryono (2021), which demonstrates that leverage, company size, and inflation, when considered together, have an effect on ROA.

5. CONCLUSION

This study aims to prove the effect of ICG, company size, and leverage (DAR) on financial performance (ROA). Based on the results of research and discussion, it can be concluded that individually or partially, the independent variable ICG did not exhibit any significant impact on financial performance (ROA) in the BPRS during the period of 2021-2022. Conversely, the independent variable company size showed a substantial positive influence on financial performance (ROA) within the same period. Similarly, the independent variable leverage (DAR) demonstrated a significant negative impact on financial performance (ROA) in the BPRS during the specified period. Furthermore, when examined collectively, the company size and leverage (DAR) demonstrated a combined significant effect on financial performance (ROA) within the BPRS during the period of 2021-2022.

Additionally, considering the positive influence of company size on ROA, BPRS could focus on controlled expansion strategies. To counter the negative impact of leverage (DAR), careful debt management strategies are advised. It's recommended that BPRS institutions adopt a comprehensive approach by addressing both size and leverage factors to optimize financial performance. Further research could delve into more nuanced aspects of these variables and their effects on BPRS's financial outcomes, contributing to more refined strategies for improving financial performance.

REFERENCES

Abubakar, L., & Handayani, T. (2017). Percepatan Pertumbuhan Perbankan Syariah Melalui Implementasi Tata Kelola Syariah. *Law and Justice*, *2*(2), 124–134. https://doi.org/10.23917/laj.v2i2.3417

Amelinda, T. N., & Rachmawati, L. (2021). Pengaruh Penerapan Good Corporate Governance Terhadap Kinerja Keuangan Bank Umum Syariah Di Indonesia. *Jurnal Ekonometrika Dan Bisnis Islam*, *4*(1), 34.

Arifah, L. D., Susanto, B., & Dewi, V. S. (2021). The Influence of Good Corporate Governance and Firm Size on Financial Performance (Empirical Study on Sharia Banking Registered at OJK Period 2014-2020). *Proceeding of The URECOL*.

Davis, James H; Schoorman, F David; Donaldson, L. (1997). *Toward a Stewardship Theory of Management*.

Dewi, G. K., Yani, I. F., Yohana, Kalbuana, N., & Tho'in, M. (2021). Pengaruh GCG, Leverage, Pengungkapan CSR terhadap Performance Financial pada Perbankan Syariah di Indonesia dengan Ukuran Perusahaan sebagai Variabel Moderasi. *Jurnal Ilmiah Ekonomi Islam*, *7*(03), 1740–1751.

Effendi, E., & Ulhaq, R. D. (2021). *Pengaruh Audit Tenur, Reputasi Auditor, Ukuran Perusahaan Dan Komite Audit*. Jawa Barat: CV. Adanu Abimata.

Ernawati, & Santoso, S. B. (2021). Pengaruh Ukuran Perusahaan, Kepemilikan

Institusional, Komisaris Independen Dan Leverage Terhadap Kinerja Keuangan. *Kompartemen : Jurnal Ilmiah Akuntansi*, *19*(2), 111. https://doi.org/10.30595/kompartemen.v19i2.13246

Fadhillah, R. (2018). Pengaruh Penerapan Good Corporate Governance Terhadap Kinerja Keuangan Dan Resiko Pembiayaan Di Bank Umum Syariah. *9th Industrial Research Workshop and National Seminar*, hal. 655-660.

Hosen, M. N., Jie, F., Muhari, S., & Khairman, M. (2019). The Effect of Financial Ratios, Maqasid Sharia Index, and Index of Islamic Social Reporting to Profitability of Islamic Bank in Indonesia. *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah*, *11*(2), 201–222. https://doi.org/10.15408/aiq.v11i2.11588

Indrawati, N., Wardiningsih, S. S., & Wibowo, E. (2018). Pengaruh Capital Adequacy Ratio, Non Performing Financing, Financing to Deposit Ratio, Biaya Operasional dan Pendapatan Operasional, dan Ukuran Perusahaan Terhadap Return On Asset Bank Umum Syariah di Indonesia. *Jurnal Ekonomi Dan Kewirausahaan*, *18*(2), 253–264.

Irawati, N., Marlina, L., & Sipayung, F. (2019). *Analysis of the impact of Leverage, Value Added and Size on Earning Management and Financial Performance of Indonesian Shariah Banking*. *100*(Icoi), 404–409. https://doi.org/10.2991/icoi-19.2019.69

Kasmir. (2019). *Analisis Laporan Keuangan Edisi Revisi* (Edisi Pert). Depok: PT RajaGrafindo Persada.

Laseari, I., Marliyah, & Sugianto. (2022). Pengaruh Intellectual Capital, Leverage, Non Performing Financing Dan Capital Adequacy Ratio Terhadap Kinerja Keuangan Pada Bank Umum Syariah Di Indonesia. *El-Buhuth: Borneo Journal of Islamic Studies*, *5*(1), 2013–2015.

Lukviarman, N. (2016). *Corporate Governance: Menuju Penguatan Konseptual dan Implementasi di Indonesia*. Solo: PT Era Adicitra Intermedia.

Mailinda, R., Azharsyah, & Zainul, Z. R. (2018). Pengaruh Leverage, Likuiditas Dan Ukuran Perusahaan Terhadap Profitabilitas Pada BNI PERIODE 2015-2017. *Jurnal Ilmiah Mahasiswa Ekonomi Manajemen*, *3*(4), 147–160.

Maqhfirah, S., & Fadhlia, W. (2020). Pengaruh Modal Intelektual Dan Ukuran Perusahaan Terhadap Profitabilitas Bank Umum Syariah. *Jurnal Ilmiah Mahasiswa Ekonomi Akuntansi (JIMEKA)*, *5*(1), 137–148.

Mardiani, L., Yadiati, W., & Jaenudin, E. (2019). Islamic Corporate Governance Dan Kinerja Keuangan Unit Usaha Syariah (UUS) Periode 2013-2017. *Jurnal Akuntansi : Kajian Ilmiah Akuntansi (JAK)*, *6*(2), 128. https://doi.org/10.30656/jak.v6i2.1411

Michael, S. (1973). Job market signaling. *Quarterly Journal of Economics*, *87*, 354–374.

Nugraha, D. P., Prayudiawan, H., & Sudariswan, E. (2021). *Is There Relationships of Investment, Risk, Efficiency Levels of Financial Performance in Sharia Insurance in Indonesia? 12*(1), 166–171.

Nurindahyanti, T., & Rahman, K. (2021). Pengaruh Zakat Perbankan, Corporate Social Responsibility (Csr) Dan Ukuran Perusahaan Terhadap Kinerja Bank Umum Syariah. *Journal of Sharia Economics*, *2*(1), 59–78.

Otoritas Jasa Keuangan. (2022). *Statistik Perbankan Syariah Desember 2022*.

Pahlevi, R. W. (2020). *Tata Kelola Perusahaan Perspektif Islam: Implementasi Tata Kelola Perusahaan Yang Sesuai Syariah Islam*. Yogyakarta: Stelkendo Kreatif.

Rahayu. (2020). *Kinerja Keuangan Perusahaan*. Jakarta: Program Pascasarjana

Universitas Prof. Moestopo (Beragama).

Rahayu, D. Y., Kurniati, T., & Wahyuni, S. (2020). Analisa Pengaruh Intellectual Capital, Islamicity Performance Index Dan Corporate Social Responsibility Terhadap Profitabilitas. *Kompartemen: Jurnal Ilmiah Akuntansi*, *19*(2), 85–98. https://doi.org/10.30651/jms.v6i3.7997

Rahmawati, I. D., & Tjahyadi, B. (2018). Analysis of ICG and The Size of Companies to Islamic Banking Financial Performance. *Advances in Social Science, Education and Humanities Research (ASSEHR)*, *125*(Icigr 2017), 311–315. https://doi.org/10.2991/icigr-17.2018.75

Reni, D., & Af'idah, P. A. I. (2021). Pengaruh Islamic Corporate Governance Terhadap Kinerja Keuangan Bank Umum Syariah Periode 2017-2021. *El-Ujrah: Journal Of Silamic Banking And Finance*, *02*, 95–107.

Rosada, A. (2021). The Effect of Good Corporate Governance Implementation on Islamic Bank Financial Performance. *Management Analysis Journal*, *10*(1), 55–61. https://doi.org/10.15294/maj.v10i1.44339

Sari, A. K., Hudaya, F., & Imtikhanah, S. (2020). Pengaruh Sharia Compliance, Islamic Corporate Governance, Car, Dan Zakat Terhadap Kinerja Keuangan Bank Umum Syariah. *Jurnal Neraca*, *16*(2), 29–50. https://doi.org/10.48144/neraca.v16i2.496

Setiyobudi, I., & Windyastuti. (2021). Islamic Corporate Governance and The Performance of Sharia Banks. *RSF Conference Series: Business, Management and Social Sciences*, *1*(3), 384–389. https://doi.org/10.31098/bmss.v1i3.351

Siswanto, E. (2021). *Buku Ajar Manajemen Keuangan Dasar*. Malang: Universitas Negeri Malang.

Syachreza, D., & Gusliana, R. (2020). Analisis Pengaruh CAR , NPF , FDR , Bank Size , BOPO Terhadap Kinerja Keuangan Bank Umum Syariah Di Indonesia. *Jurnal Akuntansi Dan Manajemen*, *17*(01), 25–37.

Syafi'i, I., & Haryono, S. (2021). Pengaruh Leverage, Ukuran Perusahaan dan Inflasi terhadap Profitabilitas Pada Bank Umum Syariah di Indonesia. *MALIA: Journal of Islamic Banking and Finance*, *5*(1), 17. https://doi.org/10.21043/malia.v5i1.10482

Wardati, S. D., Shofiyah, & Ariani, K. R. (2021). Pengaruh Dewan Komisaris, Dewan Direksi, Komite Audit, Dan Ukuran Perusahaan Terhadap Kinerja Keuangan. *Jurnal Inspirasi Ekonomi*, *3*(4), 1–10. https://doi.org/10.32938/ie.v3i4.2015

Yunanda, S., & Hutagalung, M. A. K. (2020). Pengaruh Modal Kerja Dan Leverage Terhadap Profitabilitas Pada Pt. Bank Sumut Syariah Kcpsy Hamparan Perak. *Jurnal Al-Qasd*, *2*(2), 163–172.

Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (http://creativecommons.org/licenses/by/4.0/).