

Implementation of Good Corporate Governance in Supporting Financial Performance of Indonesian Islamic Banking Post Merger

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ABSTRACT: PT BSI (PT Bank Sharia Indonesia) is one of the largest Islamic banks in Indonesia which is the result of the merger of three state-owned Islamic banks, including PT BNI Sharia, PT Bank Mandiri Sharia, and PT Bank BRI Sharia. This study aims to analyze the role of Good Corporate Governance in supporting the performance of Islamic Banking after the merger into BSI by analyzing the value of ROA and ROE before and after the merger, and reviewing the role of GCG in supporting financial performance as measured by the CGPI rating obtained from the company's annual report. This study uses a quantitative descriptive approach in analyzing differences in ROA and ROE before and after the merger, and analyzing the role of GCG in supporting this financial performance. The results of the analysis on GCG indicators show that there is no difference before and after the merger. Meanwhile, financial performance shows an increase compared to before the merger, which is indicated by the value of ROA and ROE in 2020 to 2022. This study gives insight in developing knowledge related to the financial performance after merger, and focusing on the sharia bank industry.

Keywords: Good Governance, Bank Performance, PT BSI's, Merger



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INTRODUCTION

Intermediary Financial Institutions or better known as Banks are one of the important aspects in modern economic activities. The role of banks in the traffic of capital and payment activities is as a facilitator that has a link in economic growth in a country. In addition, banks are also financial management institutions that have a dominant function in the economic movement of society (Sahoo et al., 2019). Based on the pattern of operation, banks can be divided into two, namely conventional banks and Islamic banks (Asfarawenti & Saiful, 2019; Halim et al., 2020). The development of the Islamic Banking industry in Indonesia is currently quite rapid, the birth of Law

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Number 21 concerning Islamic Banking in 2008 is a legal basis that can provide encouragement in the existence of Islamic Banking with a concrete example, namely Bank Sharia Mandiri which can be seen from its banking assets which recorded a growth of 13.03 percent in 2020 which was previously recorded at IDR 112.29 trillion in 2019, this is a good impact on the performance of Islamic banking ([Irawati et al., 2019; Rustendi, 2018](#)).

According to the Financial Services Authority, the journey of Islamic banking has a change recorded in September 2021, marked by developments in the percentage of market share, which originally amounted to 4.87 percent in 2015, an increase of 6.52 percent ([Financial Services Authority, 2016](#)). February 1, 2021 was a decisive point in the development of Islamic banks in Indonesia, when the Minister of State-Owned Enterprises made changes to the position of 3 state-owned Islamic banks, namely Bank Sharia Mandiri, Bank BNI Sharia, and Bank BRI Sharia, all three of which were subsidiaries of the companies Bank Mandiri, Bank BNI and Bank BRI which eventually became one entity, namely PT Bank Sharia Indonesia. After the merger, BSI was categorized as Commercial Banks by Business Activity 3 (three) with a core capital of IDR 23.2 Trillion and ranked 7th (seven) nationally for Commercial Banks in Indonesia with total assets of IDR 265.3 Trillion. ([Laporan Keuangan PT. BSI Tahun 2021, 2021](#))

The performance of the 3 (three) state-owned Islamic banks in 2020, starting with the performance of PT Bank Sharia Mandiri which has succeeded in having an impact on quality business growth with a profit exceeding IDR 1.07 trillion, this data provides a conclusion of an increase of 22.66 percent year on year as of September 2020, this is due to an improvement in the cost of funds due to an increase in the ratio of low-cost funds or current account and saving account (CASA) which in turn has become a driving force in the process of increasing profits. This positive achievement is a foothold for the sustainability of Mandiri Sharia ahead of the merger with two Himbara-owned Islamic banks in 2021.

From a business point of view, until the end of September 2020 Bank Mandiri Sharia recorded third party funds (DPK) at IDR 106.12 trillion and an increase of 17.26 percent from IDR 90.49 trillion as of September 2019. Where savings which are contributors and mainstay products experienced a growth of 19.12 percent year on year to IDR 44.77 trillion, this made the CASA portion reach up to 59.22 percent of total deposits. The increase in deposits made the value of Bank Mandiri Sharia assets reach IDR 119.43 trillion, up 16.19 percent from September 2019 which was recorded at IDR 102.78 trillion. Bank Mandiri Sharia managed to maintain financing growth with well-maintained quality during the pandemic, in addition to Bank Mandiri Sharia's financing distribution which reached IDR 79.27 trillion compared to the previous year, whose growth was 7.39 percent on an annual basis as of September 2020. This achievement strengthens Bank Mandiri Sharia's position as the largest Islamic Bank in Indonesia.

Apart from Bank Mandiri Sharia, PT Bank BRI Sharia has also recorded net profit growth in the third quarter of 2020 of 238 percent compared to the 2019 period year on year to IDR 190.5 billion. This increase in net profit occurred due to support and optimization of the intermediary function followed by controlling the cost of funds. Until the third quarter of 2020, Bank BRI Sharia distributed financing worth IDR 40 trillion and experienced a growth of 57.90 percent year on year, this was due to the support of the Retail section (SME, Micro and Consumer) to provide more optimal achievements. On the Third-Party Fund (DPK) side, Bank BRI Sharia recorded a

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growth of 72.7 percent. In raising funds, Bank BRI Sharia focuses on increasing low-cost funds (CASA) by 135 percent year on year in the third quarter of 2020 which aims to control the cost of funds. In the third quarter of 2020, the total assets of Bank BRI Sharia were recorded at IDR 56.09 trillion.

Bank BNI Sharia, which is the third state-owned bank to merge with net profit attributable to owners, was recorded at only IDR 387.01 during the third quarter of 2020 compared to 2019, the profit figure decreased by 16.05 percent year on year, while Third Party Funds (DPK) managed to reach IDR 45.65 trillion or increased by 21.76 percent year on year. This increase in DPK has an influence on the increase in total assets of PT BNI Sharia in the third quarter of 2020 which reached IDR 52.39 trillion compared to the previous year, the percentage increase in assets owned by PT BNI Sharia was recorded at 19.30 percent year on year. According to Anam, the realization of BNI Bank's recorded financing was IDR 32.28, this can be seen from the consumer segment which contributed IDR 16.40 trillion or contributed 50.80 percent, the commercial segment of IDR 7.74 trillion with a percentage contribution of 23.97 percent, and the small and medium segment of Rp6.18 trillion with a percentage role of 19.15 percent. ([Anam, 2023](#))

According to [Umam & Kimberly \(2022\)](#) the vision of creating a strong and competitive national banking system that is responsive to the complex and dynamic developments of the times is the background for the merger of Islamic banks. Advantages and Obstacles in the Merger Process of Islamic Banks, according to [Setiawan \(2020\)](#) the merger of Islamic Banks can have several positive impacts such as expanding the economic scale of a company, providing strength to capital, and providing benefits to customers, especially MSME activists (Micro, Small, Medium Enterprises). However, on the one hand, this can raise concerns about layoffs due to difficulties in coordination and communication between bank management that previously had great strength and a strong culture.

During the two years that Bank Sharia has been active, the President Director of PT Bank Sharia Indonesia, said that asset growth, financing quality, and DPK (Third Party Funds) growth have increased, besides that BSI noted an increase in the use of BSI Mobile of around 39 percent or equivalent to 4.81 million users. This can be said to be a brilliant achievement after the merger in 2021. Based on Bank Indonesia Regulation in Chapter One which contains general provisions, contained in Article 1 (one) Point 10 (ten), Good Corporate Governance or what can be said as a bank governance which has several principles, including: Transparency, Accountability, Responsibility, Professionalism, Fairness. This is reaffirmed in Article 2 (Two) Point 1 (one), that all banks and sharia business units are required to carry out banking activities by implementing GCG, in addition to the obligation to implement GCG regulated by law, the implementation of GCG is important, especially in protecting the rights and obligations of stakeholders. Also, this study considers the importance of good corporate governance in improving financial performance.

Relevant Previous Studies

According to [Yantiningasih et al. \(2016\)](#), It is said that the implementation of GCG has a positive and significant effect on financial performance projected by (CAR and BOPO). This picture shows that the quality of GCG implementation in the Islamic banking industry has contributed to improving the financial performance of Islamic banking, and can affect the attractiveness of

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investors to increase investment ([Amendolagine et al., 2023](#); [Karan et al., 2023](#)). However, the implementation of GCG still has a negative and significant effect on financial performance projected by, ROA and ROE. The Corporate Governance mechanism is a procedure or rule with the aim of producing good corporate governance so that it can provide many benefits for the company.

Mechanisms in GCG supervision are divided into two groups, namely internal and external. According to [Wardhani \(2007\)](#), Internal mechanism is a way of controlling the company by using internal structures and processes such as the number of boards of directors, boards of commissioners, and independent commissioners. The board plays a very significant role and even the main role in determining the company's strategy. Indonesia is a country that uses the two-tier concept, where the board consists of the Board of Directors and the Board of Commissioners. While the external mechanism is a way of influencing the company with corporate control and market mechanisms.

There are several studies regarding the effect of GCG implementation on financial performance ([Ma & Kuo, 2021](#); [Nguyen et al., 2021](#); [Tamakloe et al., 2023](#); [Vinh & Dung, 2020](#)). Based on research conducted by [Fadhillah \(2018\)](#), It is concluded that GCG has a positive effect on financial performance in the profitability ratio with indicators of Good Corporate Governance (GCG), Non-Performing Financing (NPF), and Return On Asset (ROA). In addition, GCG also has a negative effect on financing risk with an indicator of the NPF rate, and there is an influencing relationship between the NPF rate and ROA.

In research [Agustina & Maria \(2017\)](#), the results of the first study showed that the concurrent positions of the Sharia Supervisory Board and the Independent Commissioner Board had a significant effect on maqasid sharia performance, while the results of the second study showed that the Board of Commissioners, Sharia Supervisory Board, Independent Commissioner Board had a significant effect on maqasid sharia performance. The results of the first study say that the concurrent positions of the Sharia Supervisory Board and the Independent Board of Commissioners have a significant effect on maqasid sharia performance, while the results of the second study show that the Board of Commissioners, Sharia Supervisory Board, Audit Committee, and Audit Committee Meetings have no significant effect in improving Maqosid Sharia performance in Indonesia. GCG before and after the merger had no difference, being at score 2 (good), but after the merger there was an improvement in ROA while in FDR, NPF, and CAR there was no difference either before or after the merger.

From several studies that have been conducted previously, it can be concluded that assessing the performance of a bank is not enough to be assessed from the financial aspect alone, but non-financial aspects are an important concern, one of which is the implementation of GCG in the bank's operational system. Banks are institutions that depend on public funds and trust with many internal or external risks and many rules governing the banking sector (highly regulated). The implementation of GCG has become a must in the banking industry, especially Islamic banking at this time in realizing healthy, conducive and sharia-compliant financial conditions. Through this, the need for the implementation of quality corporate governance (GCG) in banking is expected to increase ([Apriliyana & Suryarini, 2018](#); [Shin & Kim, 2019](#)).

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This research idea was generated from research [Yunistiyani & Harto \(2022\)](#) which said there were data limitations, namely only one year and there were other ratios that were not examined according to RGEC guidelines. In this study, the data studied will have an update on the improvement of post-merger Islamic banking performance. In accordance with the research background which focuses on looking at the comparison of BSI performance before and after the merger and the role of GCG in the performance process so that it can be seen whether there is an increase in financial and non-financial performance improvement after the merger ([Abu et al., 2022](#); [Banafa et al., 2015](#); [Kuroki & Motokawa, 2021](#)).

METHOD

This study uses a descriptive approach method, by analyzing secondary data in the form of financial reports, annual reports of Islamic banks, and corporate governance reports before and after the merger into PT BSI, to analyze Corporate Governance, this research uses five GCG principles, namely: transparency, accountability, responsibility, professionalism and fairness, as well as the CGPI rating adopted from IICG (The Indonesian Institute for Corporate Governance), while measuring the financial performance of Indonesian Islamic Banks, this study uses ROA and ROE. The object of this research is three state-owned banks that merged into PT BSI in 2021, the three banks are PT BNI Sharia, PT BRI Sharia, PT Bank Mandiri Sharia with the largest share ownership value held by Bank Mandiri Sharia, the data used is secondary data on financial and annual reports obtained from the Bank Sharia Indonesia website and Islamic banking performance data from the OJK website, the research sample uses the financial statements of the three banks in 2019, the financial statements of PT BSI in 2021 and the financial statements of PT BSI in 2022, The next step is to analyze the financial condition of banks with ROA and ROE at the three State-Owned Enterprises banks after the merger into PT BSI.

RESULT AND DISCUSSION

PT Bank Sharia Indonesia - CGPI Post Merger

On December 13, 2023 PT BSI won an award in the category of Extraordinary Sharia Banking Company on Good Corporate Governance Implementation in an event organized by CNBC Indonesia Awards 2023, this award was given to PT BSI which was considered successful in implementing Good Corporate Governance (GCG) well based on five principles namely transparency, accountability, responsibility, independence, and equality and fairness.

The reporting and implementation of GCG at PT BSI is in accordance with the regulations contained in the OJK through Bank Indonesia Regulation number 11/33/PBI/2009, POJK Number 8/POJK.03/2014 and SEOJK Number 10/ SEOJK.03/2014 concerning Health Level Assessment of Sharia Commercial Banks and Sharia Business Units in this case PT BSI implements GCG Self-Assessment. PT BSI's Self-Assessment is carried out every semester, namely at the end of the June and December periods, and the GCG self-assessment results are grouped into 5 (five)

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categories, namely Rank 1 (first), Rank 2 (second), Rank 3 (third), Rank 4 (fourth), and Rank 5 (fifth).

In semester II-2022, the results of BSI's GCG assessment received a score of 2 (good), which means that the implementation of PT BSI's GCG in semester II-2022 is quite stable compared to the assessment in semester I-2022, this score of 2 (good) was obtained by PT BSI for a complete governance structure and infrastructure, a governance process whose implementation is in accordance with the provisions reflected in the fulfillment and implementation of obligations to all stakeholders, and another example of implementing good governance is the implementation of ISO 37391 Standard:2021 Compliance Management System for the scope of anti-money laundering, Anti-Money Laundering and Prevention of Financing of Terrorism. The last indicator that helps in the assessment is the Governance Result itself in the form of the achievement of the main indicators of the Bank's financial performance in 2021 and 2022, as well as a form of non-financial achievement in the form of awards received by PT BSI in 2021 and 2022. ([Laporan Keuangan PT. BSI Tahun 2022, 2022](#))

It can be concluded that the things that support and can be an opportunity for the development of GCG assessment in the future are in the governance structure which includes the assessment of Shareholders, Board of Commissioners, Board of Directors, and the person in charge of functional management, while the assessment indicators on the governance process include the effectiveness of systems and mechanisms in managing business model changes, and the assessment indicators on governance results include financial performance and non-financial performance.

In 2021 PT BSI received a score of 88.89 and in 2022 PT BSI received a score of 90 which means that PT BSI is a Highly Trusted Islamic Bank in the Corporate Governance Perception Index (CGPI) assessment organized by The Indonesian Institute for Corporate Governance (IICG), this is a good achievement both financially and non-financially and is real evidence not only based on self-assessment.

The implementation of GCG in all aspects of work at PT BSI has yielded positive results, especially the net profit which was recorded at 31.04 percent year on year to IDR 4.20 trillion and there was an increase in assets of 14.23 percent year on year with an acquisition figure of IDR 319.85 trillion in the third quarter of 2023. In terms of sustainable financing distribution, BSI also continued to increase until the third quarter of 2023 with an acquisition figure of IDR 53.6 trillion dominated by MSMe of IDR 43.4 trillion and Green Financing of IDR 10.2 trillion.

With this good performance, consumer confidence continues to increase, especially after the merger, the number of customers has reached 19.22 million customers or with a growth rate of 10.9 percent year on year, the increase in the number of customers also has an impact on the increase in BSI Mobile users, until the third quarter of 2023 registered users on BSI Mobile reached 5.9 million users, while the number of transactions also shot up to IDR 266.3 million. Through Digital Channels and Smart Agents, PT BSI also continues to increase accessibility with a vision in service and reaching all levels of society, this is reflected in the number of QRIS transactions which reached 7.28 million transactions.

PT Bank Sharia Indonesia - Implementation of Good Corporate Governance Principles

If these achievements and good performance are linked to the five principles of GCG, the following conclusions can be drawn:

1. Transparency

In this disclosure principle, it is expected that the company can provide material and relevant information in a way that is easily accessible and understood by stakeholders in every business activity carried out by the company. In this case PT BSI has implemented it in the form of a Website (<https://ir.bankbsi.co.id/>) owned by Bank Sharia, in which there is Company Info, Financial Info, Governance, Disclosure, Stock Info, and several complementary features that make it easy for anyone to access information about Bank Sharia Indonesia, and there is also data in the form of financial reports from year to year.

2. Accountability

In the principle of accountability, PT BSI has optimized the performance and role of each individual company through several points contained in the General Meeting of Shareholders Report which can be found in chapter 1 of the 2021 PT BSI GCG Report which can be obtained from the PT BSI Website directly, there are points that explain the change of positions and positions in order to improve the performance and role itself and for the implementation of audits PT BSI has appointed the Public Accounting Firm Tanudiredja, Wibisana, Rintis & Rekan (a member firm of PwC Global Network) and Public Accountant M. Jusuf Wibisana to audit the Company's Financial Statements for the fiscal year ending on December 31, 2021. ([Laporan Keuangan PT. BSI Tahun 2021, 2021](#))

Likewise, in 2022 on Agenda three contained in the GCG Report of PT BSI in 2022, it has determined the Public Accounting Firm Tanudiredja, Wibisana, Rintis & Rekan (a member firm of PwC Global Network) and Public Accountant M. Jusuf Wibisana to audit the Company's Financial Statements for the fiscal year ending on December 31, 2022. and explained at subsequent points regarding changes in position holders in order to optimize the performance and role of individuals in the Banking Business, especially PT BSI. ([Laporan Pelaksanaan Tata Kelola 2021, 2021](#))

3. Responsibility

The principle of responsibility is a principle that enforces where laws must be obeyed by the company and is responsible for society and the environment, in this case it has been outlined in several regulations contained in the GCG Report of PT BSI for 2021 and 2022, including: Law Number 21 of 2008 concerning Sharia Banking, Financial Services Authority Regulation Number 27 / POJK.03 / 2016 concerning Capability and Compliance Assessment for the Main Parties of Financial Institutions, and there are still many regulations and laws that are used in running this banking business, and it can be said that this is a form of PT BSI's responsibility in running a business, as a limitation, protection of shareholders, the general public, government and also stakeholders. power.

4. Professional

Professional Principles and also Independence that have been applied in PT BSI's banking activities can be seen in the composition of the Board of Commissioners and the provisions of each board of commissioners who serve do not hold concurrent positions in financial institutions or those that conflict with applicable laws and regulations, then there are also provisions described in the PT BSI governance report, namely all members of the Board of Commissioners do not have financial and / or family relationships (up to the second degree, both vertical and horizontal) with Controlling Shareholders (PSP), and / or fellow members of the BSI Board of Commissioners and / or members of the BSI Board of Directors, the purpose of this regulation is to prevent conflict of interest conditions from occurring.

The implementation of the duties, authorities and responsibilities of the Board of Commissioners during 2021 and 2022 was generally in accordance with the articles of association and prevailing laws and regulations. In an effort to carry out its duties and responsibilities to supervise the activities and operations of the Bank, the Board of Commissioners during the 2021 and 2022 periods conducted meetings with a quorum (meeting the minimum number of meeting participants) and decisions were made based on deliberation to reach consensus without excluding the dynamics that occurred during the meeting.

5. Fairness

Based on PT BSI's GCG Report for 2021 and 2022, good GCG implementation can align the Bank's objectives with those of its stakeholders to create a conducive business climate that ultimately helps the company achieve its stated performance.

Likewise with this fifth principle, the principle of fairness will be created when the first to fourth principles are well realized, the financial statements will reflect the existing and reasonable conditions when the preparation process is transparent, the GMS process is detailed in the form of reports and can be accessed on the PT BSI web is a proof that PT BSI wants to show that these five principles have been implemented into post-merger business activities.

PT Bank Sharia Indonesia - Financial Post Merger

ROA (Return On Assets) is a measurement tool for the efficiency of an activity that is largely determined by the method of depreciation or decrease in fixed assets, to analyze the ROA value, previously it was necessary to know how much the ROA value of PT BSI was in the year before and after the Merger, it can be seen in the financial ratio table that has been presented.

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Table 1:

Table of Profit or Loss and Other Comprehensive Income of PT BSI

Description	2022 (IDR Million)	2021 (IDR Million)	BRI Sharia 2020 (IDR Million)	Mandiri Sharia 2020 (Rp Million)	BNI Sharia 2020 (IDR Billion)
Total Income from Fund Management by Bank as Mudharib	19.622.865,00	17.808.432,00	4.347.121,00	8.635.480,00	4.095,00
Third Party Right to Profit Sharing of Temporary Shirkah Funds	-4.032.169,00	4.378.807,00	1.458.915,00	2.590.433,00	-920,00
Bank-owned Profit Sharing Rights	15.590.696,00	13.429.625,00	2.888.206,00	6.045.047,00	3.175,00
Other Business Income	3.701.111,00	3.012.246,00	360.909,00	2.088.766,00	177,00
Operating Expenses	-9.895.336,00	8.782.773,00		6.156.216,00	-2.087,00
Provision for Loss on Earning and Non-Earning Assets - Net	-3.748.797,00	3.551.249,00	1.180.051,00		-552,00
Operating Profit	5.647.674,00	4.107.849,00	433.258,00	1.977.597,00	3.352,00
Non-operating Income (Expense) – Net	8.534,00	-45.641,00	-28.027,00	-17.622,00	-24,00
Profit Before Zakat and Tax Expense	5.656.208,00	4.062.208,00	405.231,00	1.959.975,00	689,00
Zakat	-141.405,00	-101.684,00		-48.999,00	-17,28

Source: PT BSI Financial Report

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Description	2022 (IDR Million)	2021 (IDR Million)	BRI Sharia 2020 (IDR Million)	Mandiri Sharia 2020 (Rp Million)	BNI Sharia 2020 (IDR Billion)
Income Tax Expense	-1.254.621,00	- 932.319,00	-157.177,00	-476.488,00	-166,72
Net Profit	4.260.182,00	3.028.205,0 0	248.054,00	1.434.488,00	505,00
Total Other Comprehensive Income Net of Tax	50.893,00	189.591,00	7.188,00	6.239,00	455,00
Comprehensive Income (Loss) for the Period	4.311.075,00	3.217.796,0 0	255.242,00	1.440.727,00	
Basic Earnings per Share for the Year (in full Rupiah)	102,54	73,69	25,45	2.379,00	
Diluted Earnings per Share (in full Rupiah)	102,54	73,66	25,45		182,00

Source: PT BSI Financial Report

Table 2:

Financial Ratio Table of PT BSI

(%)

Description	2022	2021	BRI Sharia 2020	Mandiri Sharia 2020	BNI Sharia 2020
Return On Assets (ROA)	1,98	1,61	0,81	1,65	1,3
Return On Equity (ROE)	16,84	13,71	5,03	15,03	9,97

Source: PT BSI Financial Report

The ROA value can be found by using the calculation of the ROA ratio value.

$$\text{ROA} = (\text{Net Income} / \text{Total Assets}) * 100\%$$

The following is an analysis of the ROA value from 2021 at the beginning of the merger process until 2022, and the ROA value in 2020 as a comparison material with the ROA value after and

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before the merger, the ROA value data retrieval is sourced from the Financial Information report in the Financial Overview section on the PT BSI website.

If you look at the PT BSI Financial Ratio Table from 2020 before PT BSI merged to 2022 after the merger, it can be seen that there was an increase, the ROA value in 2020 at BRI Sharia, Mandiri Sharia, and BNI Sharia banks, on average, has an amount of 1.25 percent and in 2021 it has increased by 0.36 percent, then increased again in 2022 with a value of 1.98 percent, from 2021 to 2022 PT BSI's ROA value has increased by 0,37 percent , from the results of these calculations it can be said that PT BSI has a positive Efficient and Productive level, and also the high ROA value indicates that the company can manage its balance sheet in achieving profits, when viewed from Return On Equity (ROE) the average ROE in 2020 of the three Islamic banks is 10.01% when compared to the ROE value in 2021 and 2022 it can be said that there is an increase in ROE percentage from year to year.

This research is in line with research Hisamuddin & Tirta K (2015) that the implementation of Good Corporate Governance (GCG) can improve company performance positively, which measures financial performance using ROA and ROE when Islamic banking has not merged which publishes annual reports and Good Corporate Governance (GCG) reports for the period 2008 to 2010.

GCG and Financial Performance

Return On Equity (ROE) which is the ratio between the bank's net income and its own capital which has increased every year after the merger can be concluded that the increase in net income from the bank concerned has a positive effect, indicating that if the quality of GCG implementation increases, it will also be followed by an increase in ROE value. This contradicts the research of Pratiwi (2016) shows that the quality of GCG has a significant negative effect on the ROE ratio, while in research Hisamuddin & Tirta K (2015) which reveals that the implementation of GCG can improve financial performance and reduce the risk of fraud for its own interests, from these two studies it can be concluded that the implementation of GCG on ROE value does not have a big role.

CONCLUSION

This study aims to analyze the effect of good corporate governance on the financial performance of Islamic Banks after the merger with GCG measurement with CGPI ratings and measurement of financial performance on ROA and ROE, from the results of the analysis there are differences in ROA and ROE values both before the merger and after the merger, while GCG before and after the merger has no difference and based on the corporate governance report it can be concluded that the company implements good governance policies. Changes in ROA and ROE values that show an increase are evidence of the company's ability to generate profits from its assets. This is in line with the quality of financing that is getting better with the target market applied at this time. In the end, the results of the merger of the three state-owned banks gave a positive view by recording good performance in the world of Islamic banking and became a milestone in increasing market share in the process of developing the halal industry in Indonesia.

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This research can be a practical implication in consideration before investing, while for stakeholders it can be an evaluation of the company's strategy if the company's performance after the merger has not shown a positive trend. In addition, the success or failure of the BSI merger can be a benchmark for the government regarding the plan to merge BTN Sharia into BSI. The improvement in the financial performance of PT BSI banking is the impact of the merger that has occurred for three years since 2021, with an increase in financial performance, the level of trust of stakeholders will also increase, one example is investors who will invest.

This study has several limitations and is still not too complete in various aspects and lacks depth in the discussion of financial performance indicators other than ROA and ROE there are still many financial performance measurements that can be seen to assess the development of PT BSI. Suggestions for further research are to conduct research with a longer data period than only data obtained two years after the merger in order to obtain broader research results in describing the financial performance of PT BSI Post Merger.

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