Islamic Business and Management Journal

Islamic Business and Management Journal (IBMJ)
ISSN: 2622-6316
ISSN: 2622-6324

The Role of Good Corporate Governance Mechanisms in Enhancing Earnings Quality of Islamic Commercial Banks in Indonesia: A Panel Data Analysis

Ahmad Suminto
Postgraduate Program, Universitas Islam Negeri (UIN) Sayyid Ali Rahmatullah Tulungagung
ahmadsuminto08@gmail.com

Miftahul Huda
Universitas Darussalam Gontor
miftahulhuda@unida.gontor.ac.id

Agus Eko Sujianto
Universitas Islam Negeri (UIN) Sayyid Ali Rahmatullah Tulungagung
agusekosujianto@gmail.com

Nabilla Orchidea Syarifah
Universitas Darussalam Gontor
nabillaorchidea@gmail.com

Abstract

This study aims to see the effect of Good Corporate Governance on earnings quality. This research is a quantitative study with a descriptive correlational approach. The population used in this study consists of Islamic Commercial Banks that are actively operating in Indonesia within the 5 years from 2019 to 2023, with a sample of 10 Islamic Commercial Banks selected using a purposive sampling technique. The data used is secondary data, namely, data obtained from annual reports published by each bank. Hypothesis testing was conducted using panel data regression analysis with EViews 12. The independent variables used in this study are the Independent Board of Commissioners, Board of Directors, Sharia Supervisory Board, and Audit Committee, which are examined in relation to Good Corporate Governance and earnings quality as the dependent variables. The results of this study indicate that, partially, the variables of the Independent Board of Commissioners and the Board of Directors have a positive and significant effect on earnings quality, while the Sharia Supervisory Board and Audit Committee do not significantly affect earnings quality. Simultaneously, the Good Corporate Governance variable has a significant positive effect on earnings quality.

Keywords: *Good Corporate Governance, Earnings Quality, Islamic Commercial Bank.*

1. Introduction

An Islamic bank is a highly regarded banking institution. The operational system of Islamic banks, based on Islamic principles, is slowly becoming a solution to meet the community's banking needs in accordance with Sharia principles and matters related to the prohibition of usury, speculative and unproductive activities, such as gambling, and violations of the principle of justice when transacting (Ascarya & Yumanita, 2005).

In the early 1990s, Bank Muamalat Indonesia emerged as the first Islamic bank to navigate the 1998 monetary crisis successfully (Abdul et al., 2022). Since then, recognition of the effectiveness of implementing sharia principles has emerged, leading the government and Bank Indonesia, the

ISSN: 2622-6316
ISSN: 2622-6324

central bank, to attempt to develop sharia banking, particularly in Law No. 10 of 1998, which amended Law No. 7 of 1992 (Keuangan, 2014). The policies implemented have an impact on increasing the demand and supply of Islamic banking within the community, allowing it to grow and expand in Indonesia.

Islamic Commercial Banks still exist today. This can be proven by the increasing assets, financing disbursed, and third-party funds of Islamic Commercial Banks. It is recorded that the assets of Islamic Commercial Banks have increased significantly since 2019, reaching IDR 350,364,000,000,000 in 2020, IDR 397,073,000,000 in 2021, and then decreasing to IDR 350,364,000,000,000 in 2022. In 2022, the assets owned by Islamic Commercial Banks increased significantly to reach IDR 531,860,000,000,000. By 2023, the assets of Islamic Commercial Banks had reached IDR 594,709,000,000,000.

In addition to assets, financing distributed by Islamic Commercial Banks has also increased significantly over the past five years. In 2019, the PYD of Islamic Commercial Banks was recorded at IDR 90,423,000,000,000. In 2020, the total reached IDR 96,779,000,000,000, and this trend continued until 2023, when the PYD reached IDR 159,000,000,000. Third-party funds also experienced a significant increase over the five years, reaching IDR 465,932,000,000,000 in 2023, the year in which third-party funds processed by Islamic Commercial Banks reached their peak. According to data published by the Financial Services Authority, the growth of Islamic Commercial Banks has been stable and is expected to continue increasing from 2019 to February 2024 (Wicaksana & Rachman, 2018).

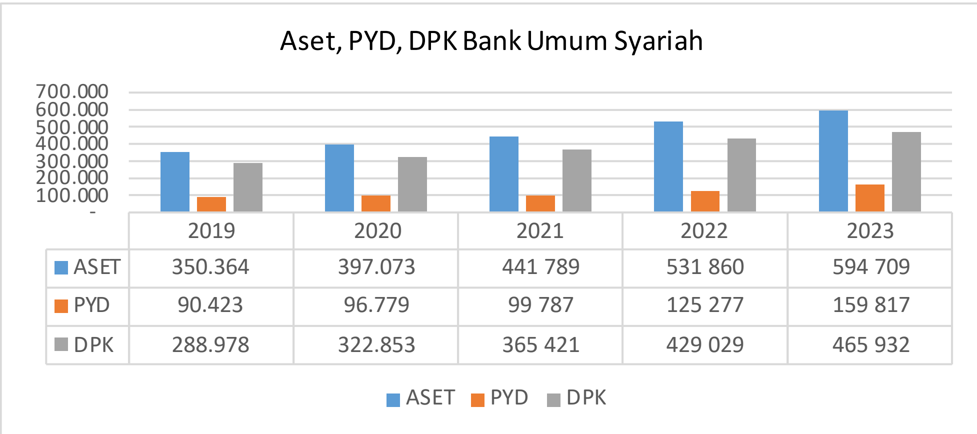

Figure 1. Assets, PYD, DPK
Source: Financial Services Authority Processed Data

The primary objective of a company's operational activities is to generate maximum profits, ensuring its long-term survival (Pasaribu & Hasanuh, 2021). The amount of profit is a reflection of the company's success. Profit is also a consideration tool in decision-making for shareholders and investors (Anggrainy & Priyadi, 2019). Profit is used to measure a company's resource capability. Profit determines whether a business succeeds or fails in achieving its goals.

Earnings Quality is a measure used to assess the profit that the Company has achieved and the suitability of the profit plan it has made. A company's net profit can be used to measure Earnings Quality (Alma Daniatun., 2022). Net profit represents the total income of the Company after it has settled all its liabilities. Including in banking companies. Earnings Quality is a key consideration for investors when making investment decisions. Information about a Company's profit is a picture of the Company's economic health; therefore, quality profit is needed (Polimpung, 2020). However, there is still a possibility that the Company's management manipulates the discussion of the profit figures published in the financial statements. This occurs due to the conflicts of interest between the owners or shareholders and the company's management. This is the cause of opportunistic management, which leads to profit manipulation (Nanang & Tanusdjaja, 2019). To overcome this problem, implement Good Corporate Governance (GCG). If the corporate governance structure is effective, it will increase trust among stakeholders that the company's management has utilized existing resources efficiently (Kurniawan et al., 2022).

Including Islamic General Banks, to improve their performance, Islamic Commercial Banks are required to operate in accordance with the principles of Good Corporate Governance. The structure of Good Corporate Governance (GCG), if applied consistently, can strengthen the position of Islamic Banks in competing with other banks, increase value, and enable managers (stakeholders) and shareholders to manage risks and resources more effectively and efficiently in accordance with Islamic principles, so that a strong sense of mutual trust grows between managers (Stakeholders) and shareholders. The role of the board of directors, independent board of commissioners, and audit committees creates total control in the company, thereby increasing the level of shareholder trust in stakeholders (Edi & Suyadi, 2018). The emergence of trust between the two parties has a positive impact on Islamic banking; however, inconsistencies in the management of Islamic banks can lead to financial risks and even damage to their reputation (Gholy & Nadya, 2020).

Bank Indonesia's goal to build a healthy and resilient Islamic banking system is realized with the issuance of PBI No. 8/4/PBI 2006, which concerns the obligation to implement Good Corporate Governance (GCG) for all commercial banks actively operating in Indonesia. This regulation applies to all banks, including both conventional commercial banks and Islamic Commercial Banks. However, after the issuance of PBI No. 11/33/PBI/2009 concerning the implementation of GCG for Islamic banking, the obligation of Islamic banks in the previous regulation was eliminated (Desiana et al., 2016). This change occurred because Bank Indonesia saw that GCG applied to Islamic banks must be in accordance with Islamic principles, which are reflected in the fulfillment of the duties and responsibilities of the Islamic supervisory board in managing the operations of Islamic banks.

In Bank Indonesia regulations, the implementation of GCG by Islamic banks in Indonesia consists of 5 indicators, namely transparency, accountability, responsibility, professionalism, and fairness (Keuangan, 2014). Islamic banking must contain Islamic values, namely monotheism, piety, consent, balance, justice, and welfare. In recent years, Islamic banking in Indonesia has experienced rapid development, exceeding the development of conventional banking (Wicaksana & Rachman, 2018). Good Corporate Governance is an important effort in improving the performance of Islamic banking, which is carried out by monitoring management performance and ensuring management accountability to shareholders (Novitasari et al., 2019).

In this study, good corporate governance is projected through an independent board of commissioners, a board of directors, a Sharia supervisory board, and an audit committee, with a focus on net profit, which describes the quality of the Company's financial performance. In this study, researchers selected a sample of 10 Islamic Commercial Banks registered with the Financial Services Authority between 2019 and 2023. So that later researchers can reveal and find out the effect of Good Corporate Governance on the quality of profit of Islamic Commercial Banks operating in Indonesia.

2. Literature Review

Good Corporate Governance

The Cadbury Committee first introduced the concept of Good Corporate Governance. This term was later known as the Cadbury report. GCG is a set of regulations that regulates the relationship between stakeholders, managers, creditors, government, employees, and both internal and external stakeholders (Zingales, 2018). The Forum for Corporate Governance in Indonesia defines Good Corporate Governance as a set of systems or rules that control the company's process to reap added value for stakeholders in accordance with the rights and obligations of the parties involved (Forum for Corporate Governance in Indonesia (FCGI), 2024).

The World Bank defines Good Corporate Governance as a set of regulations and legal systems that companies must comply with, which can encourage more efficient performance in generating sustainable profits for shareholders and the public at large (Dwi Urip Wardoyo et al., 2021). According to the definition provided by the Indonesian Institute for Corporate Governance (IICG), Good Corporate Governance (GCG) is a mechanism implemented by a company to regulate and control its operations, ensuring they are carried out correctly and in accordance with shareholder expectations.

The Cadbury, Tjager, and Deny Committee defines Good Corporate Governance as a system that directs and controls a company to achieve a balance between the resilience and authority needed by the company for its continued existence and accountability to shareholders (Setiyawati & Basar, 2017). The continuity of GCG is related to various factors, including owners, directors, managers, regulations, authorities, and others.

From the various definitions above, one similarity can be drawn, namely that Good Corporate Governance (GCG) refers to the efforts of company managers in managing the company, which must be reported to shareholders.

Good Corporate Governance in Islamic Commercial Banks

Examining the fourth pillar of the Indonesian banking architecture, which emphasizes the need for GCG implementation in banks, Bank Indonesia Regulation 8/14/PBI/2006 was issued concerning the principle of mandatory GCG implementation in all banks operating in Indonesia. However, from an Islamic perspective, GCG must be based on monotheism, piety, consent, balance, and justice (Gholy & Nadya, 2020). Therefore, Bank Indonesia issued Bank Indonesia Regulation No. 11 of 2009 concerning the implementation of Good Corporate Governance for Islamic Commercial Banks and Islamic Business Units (Bank Indonesia, 2009).

In PBI No. 11/33/PBI/2009, concerning the implementation of GCG in Islamic Commercial Banks and Islamic business units, Islamic banks are required to fulfill the five principles of Good Corporate Governance, namely transparency, accountability, responsibility, independence, and fairness (Komite Nasional Kebijakan Governance, 2012). Then, it must be adjusted to Sharia principles. Therefore, Bank Indonesia's circular letter No. 12/13/DPbS explains the assessment factors for GCG implementation at Islamic General Bank (Bank Indonesia, 2010).

The self-assessment includes an evaluation of the governance structure, assessing the completeness and adequacy of the bank's governance structure and infrastructure. It comprises independent commissioners, a board of directors, a Sharia Supervisory Board, and an Audit Committee. The structure must exist and operate properly so that the principles of Good Corporate Governance can be implemented in accordance with the expectations of bank stakeholders, based on Sharia principles (Bank Indonesia, 2007).

a. Independent Commissioner

Independent Commissioners are members of the board of commissioners who have no affiliation with the company's management or shareholders (Saraswati et al., 2020). Serves as a counterweight in the decision-making process to protect minority shareholders and other parties involved in the company. The benefits of having an independent commissioner in agency theory can increase transparency towards management performance. Generally, the presence of an independent board of commissioners can enhance the supervision of the board of directors, thereby limiting earnings management behavior and improving the quality of earnings (Ilham et al., 2022). The formula for finding the proportion of independent commissioners is as follows:

DKI = Number of Independent Commissioners X 100%

IBMJ Islamic Business and Management Journal
Islamic Business and Management Journal (IBMJ)
ISSN: 2622-6316
ISSN: 2622-6324

Number of Board of Commissioners

b. Board of Directors

The Board of Directors acts as a planner and strategist to determine the direction of policies made by the company, utilizing an effective system, so that it can improve the quality of its performance (Anjani & Yadnya, 2017). The following formula can determine the proportion of the board of directors:

Board of Directors Proportion = Number of Board of Directors

c. Sharia Supervisory Board

The Sharia Supervisory Board has the authority to maintain the integrity and credibility of Islamic banks in carrying out operations in accordance with Islamic sharia provisions, as well as the obligation to provide direction, consultation, evaluation and supervision to Islamic Commercial Banks (Republik Indonesia, 2008). The existence of DPS fosters trust between banks and stakeholders by providing relevant and accurate information about their operations and performance, in accordance with Sharia principles, thereby reducing the emergence of asymmetric information.

DPS Proportion = Z Sharia Supervisory Board

d. Audit Committee

The Audit Committee is responsible for overseeing management's financial reporting and the implementation and organization of managerial activities within the company (Polimpung, 2020). The better the audit committee in a company, the better the supervision of financial reporting will be, and the lower the possibility of fraud. This, in turn, will enhance the company's profitability.

Audit Committee Proportion = Z Audit Committee

Earnings Quality

Earnings Quality is a value regarding the extent to which the profit can reflect the actual profit obtained by the Company. Earnings Quality can be measured by the net profit received by the Company (Alma Daniatun., 2022). Earnings Quality is also defined as genuine and accurate earnings, describing the Company's operating profit. Earnings quality can be classified based on the nature of the time series, specifically the Company's ability to generate earnings after deducting all income expenses, persistency, and predictability (Putra & Dewi, 2023). Earnings Quality is also defined as the result of the Company's efforts in production, which has an impact on the increase in assets and a reduction in liabilities, increasing the Company's equity value (Suryo et al., 2019).

Profit and loss is an aspect that both internal and external parties highly consider; it is a measure to evaluate the success of the Company's operations. Earnings Quality refers to the profit that accurately reflects a company's profitability, representing the final profit obtained by the Company after fulfilling its obligations and expenses (Wayan Sujana et al., 2019). Net Profit is the profit obtained by the Company after deducting all costs, expenses, and losses from total income using the following formula:

Net Profit = Total Income – (Operating Costs + Taxes + Other Expenses)

Thus, the researcher uses the proportion of the independent board of commissioners, the board of directors, the sharia supervisory board, and the audit committee that projects Good Corporate Governance. In contrast, net profit is used to indicate the Earnings Quality of Islamic Commercial Banks operating in Indonesia.

3. Research methods

This research employs a quantitative, descriptive correlational approach, utilizing the E-Views 12 panel data regression analysis method and correlation techniques. Quantitative research methods are approaches based on the philosophy of positivism that examine a particular population or sample using statistical data analysis to test predetermined hypotheses (Sugiyono, 2020). Researchers utilize secondary data types because they enable researchers to analyze trends and changes over time. The data required by researchers is presented in the form of annual reports,

Islamic Business and Management Journal (IBMJ)
ISSN: 2622-6316
ISSN: 2622-6324

which are easily accessible on each page of the related Islamic General Bank and have high standards of validity. Secondary data have also been collected using standardized methods, making the data easier to compare and analyze (Sugiyono, 2020).

Secondary data sources include publications from government and private institutions, scientific journals, relevant portals, and online databases that provide information pertinent to the research. In this case, the researcher uses the annual financial report data of the related Islamic General Bank in the period 2019-2023 (Huda et al., 2023).

The population studied by researchers in this investigation comprises Islamic Commercial Banks operating in Indonesia over 5 years (2019-2023). Researchers chose Islamic Commercial Banks because they have specific regulations and differ from conventional banks, with Sharia principles applied to their operational activities. Sampling measurement is a step to determine the size of the sample to be taken in a study. Sampling must be done correctly so that the sample taken can accurately describe the actual population conditions (be representative). The researcher selected a sample of 10 Islamic General Banks operating in Indonesia (Mufti Afif et al., 2023).

The sampling technique used in this study is a non-probability sampling with a purposive sampling technique. Non-probability sampling is a sampling technique that does not provide equal opportunity for each member of the population to be included in the sample (Imari et al., 2021). The purposive sampling technique is a method for selecting data sources based on specific criteria. The data collection technique used by researchers is the documentation technique. Documentation obtained through the website of each Islamic General Bank is collected, studied, and analyzed by processing the data (Suminto & Maharani, 2020)..

4. Results and Discussion

Research Overview

This chapter presents the research data obtained from the results of secondary data collection through the official website of the related Islamic General Bank, the data processing process, and the results of the data processing. The data was processed using EViews 12 software. Data analysis was conducted in accordance with the panel data regression analysis method outlined in the previous chapter. The testing stages in the panel data regression analysis were conducted to determine the most suitable model for the study. After obtaining the results of data processing, we have evidence to support the hypothesis developed in the previous chapter, and these results serve as a basis for our conclusion.

This study focuses on Islamic Commercial Banks as its object. The Financial Services Authority defines banking as an entity that collects funds from the public in the form of financing (financial intermediation). Law No. 21 of 2008 concerning Islamic banking stipulates that an Islamic bank conducts its business activities in accordance with Sharia principles or Islamic law, as outlined in the fatwa of the Indonesian Ulema Council (Keuangan, 2023).

These principles include the principles of justice and balance ('adl wa tawazun), welfare (mashlahah), and universalism (alamiyah). In its activities, both operational and non-operational, Islamic banking is prohibited from containing elements such as Gharar, Maysir, riba, zalim, and other prohibited elements. The law also requires every Islamic bank to carry out social functions, such as the Baitul Maal, which receives Zakat, Infaq, and Sadaqah (ZIS) funds or other social funds.

This study utilizes 10 Islamic Commercial Banks, namely BCA Syariah, Bank Riau Kepri Syariah, Bank NTB Syariah, BTPN Syariah, Bank Aceh Syariah, Bank Panin Dubai Syariah, Bank Victoria Syariah, Bank Jabar Banten Syariah, Bank Mega Syariah, and Bank Muamalat Indonesia. This chapter will explain the bank as the object of research.

Islamic Business and Management Journal
Islamic Business and Management Journal (IBMJ)
ISSN: 2622-6316
ISSN: 2622-6324

Results Analysis

At this stage, the researcher will discuss the model determination test in this study. The model determination test that will be carried out in this study is the Chow Test, the Hausman Test, and the Lagrange Multiplier Test. After identifying the right model, the influence of the dependent variable on the independent variable will be analyzed both partially and simultaneously, allowing the hypothesis to be proven and then followed by an analysis relevant to previous research.

Model Determination Test

In model determination tests for panel data regression analysis, there are three primary models: the Common Effect Model (CEM), the Fixed Effects Model (FEM), and the Random Effects Model (REM). Therefore, in panel data regression, a model determination test is needed. The model determination test in panel data regression is carried out in 3 steps, namely the Chow test, the Hausman test, and the LM test if necessary. The Chow test is used to determine which model is the best between the Common Effect Model and the Fixed Effect Model. The Hausman test, in turn, determines which model is the best between the Fixed Effect Model and the Random Effect Model. The Lagrange Multiplier Test is used to determine which model is the best between the Random Effect Model and the Common Effect Model (Fajri et al., 2024).

a. Chow Test

The Chow test is conducted to compare the common effect model (CEM) with the fixed effect model (FEM). So, the function of the Chow test is to choose which model is more suitable between the common effect model (CEM) and the fixed effect model (FEM), with the following equation (Fajri et al., 2024):

$$\text{Chow} = \frac{[RS - RRS\,] / (n - 1)}{URRS / (nT - n - K)}$$

If the probability value is greater than 0.05, then the selected model is the fixed effects model; conversely, if it is less than 0.05, then the chosen model is the random effects model. The results of the Chow test are contained in the following data:

Table 1. Chow Test

Effect Test	Statistics	Df	Prob
Cross Section	25.742705	(9.36)	0.0000
Cross-Section Chi-Square	100.314476	9	0.0000

According to the results of the Chow test, the probability is 0.0000. Suppose the probability in the Chow test is less than 0.05. In that case, the selected model is a fixed effects model, and it must be followed by the Hausman test to determine which model is the best between the fixed effects model and the random effects model.

b. Hausman Test

The Hausman test is a test used to select the best model between the Fixed Effect Model (FEM) and the Random Effect Model (REM), which is more appropriate to the content of the research, with the following hypothesis (Fajri et al., 2024):

Ho: Random Effect Model (REM) is better than Fixed Effect Model (FEM).

H1: Fixed Effect Model (FEM) is better than Random Effect Model (REM). Here are the statistics from the Hausman Test:

$$\chi^2(K) = (b - \beta)\,[\text{var}\,(b - \beta)]\ \text{-}1\,(b - \beta)$$

If the probability value is greater than 0.05, then the selected model is the random effect model; conversely, if it is less than 0.05, then the chosen model is the fixed effect model. The results of the Hausman test are contained in the following data:

Table 2. Hausman Test

Test Summary	Chi-Sq Statistic	Chi-Sq Df	Prob
Cross-section Random	1.647993	4	0.8001

According to the results of the Hausman test, the probability is 0.8001. If the probability in the Hausman test is greater than 0.05, then the selected model is a random effect model. The test is continued with the Lagrange multiplier test to determine which model is the best between the random effect model and the common effect model.

c. Lagrange Multiplier Test

The Lagrange Multiplier Test is a statistical test used to determine which model is the best fit between the Common Effect Model (CEM) and the Random Effect Model (REM). So, the function of the Lagrange Multiplier Test is to select and determine which model is more suitable and appropriate between the Common Effect Model (CEM) and the Random Effect Model (REM) (Fajri et al., 2024).

If the probability value is greater than 0.05, the common effect model is selected; conversely, if it is less than 0.05, the random effect model is selected. The results of the LM test are contained in the following data:

Table 3. Lagrange Multiplier Test

	Cross section	Time	Both
Breusch Pagan	57.43733	2.181477	59.61881
	(0.0000)	(0.1397)	(0.0000)

According to the results of the Chow test, the probability is 0.0000. If the probability in the Chow test is greater than 0.05, then the selected model is a random effect model. After conducting a series of selection tests, the best model chosen for this study was the random effect model.

Analysis of T-Test Results (Partial Test)

Partial Test, also known as the T-Test in panel data regression, is a statistical method used to test the significance of the influence of each independent variable on the dependent variable. The t-test in Panel Data Regression is significant to do, especially if there is more than one independent variable in the study. With the following equation (Amaliah et al., 2020):

$$t = (\bar{x}_1 - \bar{x}_2 - \bar{x}3 - \bar{x}4) / \sqrt{[s^2p(1/n_1 + 1/n_2 + 1/n3 + 1/n4)]}$$

After the model selection test, the selected model was a random effect model with partial testing as follows:

Table 4. Results of T-Test Analysis

Variables	Coefficient	Std. Error	T-Statistic	Prob.
C	-5.96E+11	3.02E+11	-1.975743	0.0543
X_1	1.05E+12	2.88E+11	3.633503	0.0007
X_2	1.17E+11	4.26E+10	2.735291	0.0089
X_3	-8.82E+10	7.98E+10	-1.105247	0.2749
X_4	-4.04E+10	4.51E+10	-0.895450	0.3753

The following is a description of the analysis of the T-test results.

ISSN: 2622-6316
ISSN: 2622-6324

a. Independent Commissioner (X_1)

The results of the Random Effect Model show that variable X_1 has a t-statistic value of 3.633503 with a probability value (significance) of 0.0007, which is smaller than 0.05. From these results, it can be concluded that variable X_1 has a significant effect on variable Y, so partially Independent Commissioners have a considerable impact on Earnings Quality.

b. Board of Directors (X_2)

The results of the Random Effect Model show that the variable X_2 has a t-statistic value of 2.735291 with a probability value (significance) of 0.0089, which is smaller than 0.05. From these results, it can be concluded that variable X_2 has a significant effect on variable Y, indicating that, to some extent, the board of directors has a substantial impact on Earnings Quality.

c. Sharia Supervisory Board (X_3)

The results of the Random Effect Model show that the variable X_3 has a t-statistic value of -1.105247 with a probability value (significance) of 0.2749, which is greater than 0.05. From these results, it can be concluded that variable X_3 does not significantly affect variable Y, which partially suggests that the Sharia supervisory board has a substantial impact on Earnings Quality.

d. Audit Committee (X_4)

The results of the Random Effect Model show that the variable X_4 has a t-statistic value of -0.895450 with a probability value (significance) of 0.3753, which is greater than 0.05. From these results, it can be concluded that variable X_4 does not affect variable Y, so the audit committee does not partially affect earnings quality.

Regression Equation Analysis

From the results of the Random Effect Model test, the researcher obtained the following regression equation.

$$-595853760291+1.04633239714e+12*X1+116584119219*X2-88196266666.8*X3 - 40385006538.1*X4$$

It is known that the constant value obtained from the Random Effect Model is -595853760291, so it can be concluded that if the independent variable increases by one unit on average, the dependent variable will decrease by -595853760291. Partially, the results of the regression equation analysis are listed as follows.

a. The result of the Random Effect Model is the regression coefficient value of variable X_1, namely the Independent Board of Commissioners, has a positive (+) value of 1.04633239714e+12, so it can be interpreted that if variable X_1 increases, variable Y will also increase by 1.04633239714e+12 and vice versa.
b. The result of the Random Effect Model is the regression coefficient value of variable X_2, namely the Board of Directors, has a positive value (+) of 116584119219, so it can be interpreted that if variable X_2 increases, variable Y will also increase by 116584119219 and vice versa.
c. The result of the Random Effect Model is that the regression coefficient value of variable X_3, namely the Sharia Supervisory Board, has a negative value (-) of 40385006538.1, so it can be interpreted that if variable X_3 increases, variable Y will also decrease by 40385006538.1 and vice versa.
d. The result of the Random Effect Model is the regression coefficient value of variable X_4, namely the Audit Committee, has a negative value (-) of 8819626666.8, so it can be interpreted that if variable X_2 increases, variable Y will also decrease by 8819626666.8 and vice versa.

F-Test Analysis (Simultaneous Test)

The Simultaneous Test, also commonly referred to as the F-test, is a statistical method used to determine whether the independent variables collectively have a significant influence on the dependent variable. The F-test is relatively important in panel data regression analysis that involves more than one independent variable. The F-Test is also used to measure variables that can be explained by the

IBMJ Islamic Business and Management Journal

Islamic Business and Management Journal (IBMJ)
ISSN: 2622-6316
ISSN: 2622-6324

model and variables that cannot be explained by the model, with the following equation form (Amaliah et al., 2020):

$$F = (MSR / MSE)$$

Explanation:
F = F-Test Statistic
MSR = Mean Square Regression (Mean Square Regression)
MSE = Mean Squared Error (Mean Squared Error)

After the model selection test, the selected model was a random effect model with simultaneous testing as follows:

Table 5. Results of F-Test Analysis

Weighted Statistics			
Root MSE	1.47E+11	R-squared	0.349584
Mean Dependent Var	4.04E+10	Adjusted R-squared	0.291769
SD Dependent Var	1.84E+11	SE of Regression	155E+11
Sum Squared Resid	1.08E+24	F-Statistic	6.046619
Durbin-Watson Stat	2.150841	Prob (F-Statistic)	0.000555

It is known that from the selected model test, the F-statistic value obtained was 6.046619, with a probability value (F-statistic) of 0.000555, which is smaller than 0.05. Therefore, it can be concluded that the independent variable (X) has a significant influence on the dependent variable (Y).

Analysis of Determination Coefficient (R^2) Test Results

The Determination Coefficient Test, often referred to as R-squared, is a statistical test that analyzes how well the selected model of panel data regression explains variations in the data. The R-squared test shows the proportion of variability in the dependent variable that the independent variables in the model can explain. The higher the R-squared value, the better the model is at presenting the data. With the following equation:

$$R^2 = SSR / SST$$

Explanation:
R^2 = Coefficient of Determination
SSR = Regression Sum of Squares
SST = Total Sum of Squares

After the model selection test, the selected model was a random effects model, as determined by the determination coefficient test, as follows.

Table 6. Coefficient of Determination

Weighted Statistics			
Mean Dependent Var	4.04E+10	Adjusted R-squared	0.291769

It is known that the Adjusted R-Square value is 0.291, indicating that the independent variable in this study accounts for 29.1% of the variation in the dependent variable. The remaining 70.9% of the variation is attributed to other variables outside the scope of this study.

Discussion

The Influence of the Independent Board of Commissioners on the Earnings Quality of Islamic Commercial Banks (BUS) for the 2019-2023 Period

The Independent Board of Commissioners is the first independent variable (X_1) that describes Good Corporate Governance. The results of this study indicate that the variable X_1 has a

Islamic Business and Management Journal (IBMJ)
ISSN: 2622-6316
ISSN: 2622-6324

t-statistic value of 3.633503 with a probability value (significance) of 0.0007. It can be concluded that the Independent Board of Commissioners has a significant positive influence on the Earnings Quality of Islamic Commercial Banks for the period 2019-2023. The results of this conclusion are in line with research conducted by Benarda and Desmita (Benarda & Desmita, 2022), Putri Silvia Agustin and Yuliasti Rahayu (Agustin P.S. & Rahayu Y., 2022), Yolanda Brilian Prasetyo and Agus Endro Suwarno (Prasetyo & Suwarno, 2023), Ando Suryo Wicaksono and Isna Putri (Suryo et al., 2019). This concludes that the Independent Board of Commissioners has a significant positive influence on the quality of Profit. So, the results show that Ha_1 is accepted and $H0_1$ is rejected.

Influence of the Board of Directors on the Earnings Quality of Islamic Commercial Banks (BUS) for the Period 2019-2023

The Board of Directors is the second independent variable (X_2), which describes Good Corporate Governance. The results of this study show that the variable X_2 has a t-statistic value of 2.735291 with a probability value (significance) of 0.0089. It can be concluded that the Board of Directors has a significant positive influence on the Earnings Quality of Islamic Commercial Banks for the period 2019-2023. The results of this conclusion are in line with research conducted by Ando Suryo Wicaksono and Isna Putri Rahmawati (Suryo et al., 2019), Monic Anastasya Maryunda, Rina Trisnawati, Erma Setiawati, Tutik Arniati, Dyah Aruning Puspita, Aminul Amin, and Khansan Pirzada (Arniati et al., 2019), which concludes that the Board of Directors has a significant positive influence on Earnings Quality. This result indicates that Ha_2 is accepted and $H0_2$ is rejected.

The Influence of the Sharia Supervisory Board on the Earnings Quality of Islamic Commercial Banks (BUS) for the 2019-2023 Period

The Board of Directors is the third independent variable (X_3), which describes Good Corporate Governance. The results of this study indicate that the X_3 variable has a t-statistic value of -1.105247 with a probability value (significance) of 0.2749, which is greater than 0.05. Therefore, it can be concluded that the Sharia Supervisory Board has no influence on the Earnings Quality of Islamic Commercial Banks for the period 2019-2023. The results of this study are similar to the research conducted by Imaniar Agustin and Dian Filianti (Agustin & Filianti, 2021). This suggests that the Sharia Supervisory Board does not impact earnings quality. This result indicates that Ha_3 was rejected and $H0_3$ was accepted.

Influence of the Audit Committee on the Earnings Quality of Islamic Commercial Banks (BUS) for the Period 2019-2023

Audit Committee is the fourth independent variable (X_4), which describes Good Corporate Governance. The results of this study indicate that the X_4 variable has a t-statistic value of -0.895450 with a probability value (significance) of 0.3753, which is greater than 0.05. It can be concluded that the Board of Directors has no influence on the Earnings Quality of Islamic General Banks for the period 2019-2023. The results of this study share similarities with those of the research conducted by Alma Daniatun and Nurlaila (Alma Daniatun., 2022), Putri Silvia Agustin and Yuliastuti Rahayu (Agustin P.S. & Rahayu Y., 2022), Indry Maura Kusuma Wardani (Wardani & Fidiana, 2023), and Fitri Yunina and Nurul Nisa (Yunina & Nisa, 2019). This concludes that the Audit Committee does not influence Earnings Quality. This result indicates that Ha_4 is rejected and $H0_4$ is accepted.

The Impact of Simultaneous Implementation of Good Corporate Governance on the Earnings Quality of Islamic Commercial Banks (BUS) for the Period 2019-2023

Good Corporate Governance is an X variable consisting of Independent Commissioners as X_1, Board of Directors as variable X_2, Sharia Supervisory Board as variable X_3, and Audit Committee as variable X_4. Simultaneously, the study shows that Good Corporate Governance has

IBMJ Islamic Business and Management Journal

Islamic Business and Management Journal (IBMJ)
ISSN: 2622-6316
ISSN: 2622-6324

a significant positive influence on earnings quality. This is indicated by the F-statistic value of 6.046619 with a prob value (F-statistic) of 0.000555; this value is smaller than 0.05. It can be concluded that the independent variable (X) has a significant effect on the dependent variable (Y). It can therefore be concluded that Good Corporate Governance has an impact on the Earnings Quality of Islamic General Banks for the period 2019-2023. This is in accordance with research conducted by Adanan Silaban and Meilinda (Silaban & Harefa, 2021), Benarda and Desmita (Benarda & Desmita, 2022), Tasya Rahmatul Nisa and Mia Ika Rahmawati (Nisa & Rahmawati, 2023), Ando Suryo Wicaksono and Isna Putri Rahmawati (Suryo et al., 2019), Lisa JC Polimpung (Polimpung, 2020), Monic Anastasya Maryunda, Rina Trisnawati and Erma Setiawati (Maryunda et al., 2023), Tutik Arniati, Dyah Aruning Puspita, Aminul Amin and Khansan Pirzada (Arniati et al., 2019), Yolanda Brilian Prasetyo and Agus Endro Suwarno (Prasetyo & Suwarno, 2023), Intan Nuraini Lubis, Retnawati Siregar, and Linda Lores (Lubis et al., 2023), which concludes that the Audit Committee does not influence Earnings Quality. Thus, the hypothesis Ha_5 is accepted and $H0_5$ is rejected.

5. Conclusion

The primary objective of this study is to investigate the impact of Good Corporate Governance on the Earnings Quality of Islamic Commercial Banks in Indonesia, with the independent variables being the board of commissioners, the board of directors, the sharia supervisory board, and the audit committee. The results of the research and discussion show that the Independent Board of Commissioners has a positive and significant influence on the Earnings Quality of Islamic Commercial Banks in Indonesia. This means that the greater the proportion of the Independent Board of Commissioners, the better the supervision of the company's performance, resulting in increased Earnings Quality.

The results of the research and discussion show that the Board of Directors has a positive and significant influence on the Earnings Quality of Islamic Commercial Banks in Indonesia. This means that the greater the proportion of the Board of Directors, the better the company's operational planning, resulting in increased Earnings Quality. The results of the research and discussion show that the Sharia Supervisory Board does not affect the Earnings Quality of Sharia Commercial Banks in Indonesia. This means that the larger the proportion of the Sharia Supervisory Board, the less it guarantees an increase in Earnings Quality.

The results of the research and discussion show that the Audit Committee does not affect the Earnings Quality of Islamic Commercial Banks in Indonesia. This means that the larger the proportion of the audit committee, the less it guarantees an increase in Earnings Quality. The results of the research and discussion indicate that the Good Corporate Governance variable has a positive and significant effect on the Earnings Quality of Islamic Commercial Banks in Indonesia. This means that the better the Corporate Governance, the better the company's management, resulting in increased earnings quality.

6. Bibliography

Alisa, J. (2023). Work Engagement in Working Women: Literature Study. *Blantika: Multidisciplinary Journal* , *1* (1), 61–75. https://doi.org/10.57096/blantika.v1i1.20

Abdul, A. R., Mandiri, D. P., Astuti, W., & Arkoyah, S. (2022). Tantangan Perkembangan Perbankan Syariah Di Indonesia. *Journal Tabarru': Islamic Banking and Finance*, *5*(2), 352–365. https://doi.org/10.25299/jtb.2022.vol5(2).9505

Agustin, I., & Filianti, D. (2021). Pengaruh Good Corporate Governance dan Kinerja Keuangan Terhadap Kualitas Laba Perbankan Syariah. *Jurnal Ekonomi Syariah Teori Dan Terapan*, *8*(4), 509–517.

Agustin P.S., & Rahayu Y. (2022). Pengaruh Likuiditas, Profitabilitas, Ukuran Perusahaan, Dan Good Corporate Governance Terhadap Kualitas Laba. *Jurnal Ilmu Dan Riset Akuntansi*, *11*(1).

Alma Daniatun., N. (2022). Pengaruh Persistensi Laba, Ukuran Perusahaan Dan Good Corporate

Governance Terhadap Kualitas Laba Pada Perusahaan Perbankan Syariah Di Indonesia Periode 2016-2020. *Syntax Literate: Jurnal Ilmiah Indonesia*, *7*(12), 5–24. https://www.jurnal.syntaxliterate.co.id/index.php/syntax-literate/article/view/11150/6556

Amaliah, E. N., Darnah, & Sifriyani, S. (2020). Regresi Data Panel dengan Pendekatan Common Effect Model (CEM), Fixed Effect model (FEM) dan Random Effect Model (REM). *ESTIMASI: Journal of Statistics and Its Application*, *1*(2), 106.

Anggrainy & Priyadi. (2019). Pengaruh Struktur Modal, Pertumbuhan Laba, Kualitas Audit, Dan Ukuran Perusahaan Terhadap Kualitas Laba. *Jurnal Ilmu Dan Riset Akuntansi*, *8*(6), 1–20.

Anjani, L. P. A., & Yadnya, I. P. (2017). Pengaruh Good Corporate Governance terhadap Profitabilitas pada Perusahaan Perbankan yang Terdaftar di BEI. *Fakultas Ekonomi Dan Bisnis*, *6*(11), 5911–5940.

Arniati, T., Puspita, D. A., Amin, A., & Pirzada, K. (2019). The implementation of good corporate governance model and auditor independence in earnings' quality improvement. *Entrepreneurship and Sustainability Issues*, *7*(1), 188–200. https://doi.org/10.9770/jesi.2019.7.1(15)

Ascarya, & Yumanita, D. (2005). *Kebanksentralan Bank Syariah: Gambaran Umum*. Pusat Pendidikan dan Studi Kebanksentralan.

Bank Indonesia. (2007). *Surat Edaran Bank Indonesia Kepada Semua Bank Umum di Indonesia No. 9/12/DPNP/2007 Tentang Pelaksanaan Good Corporate Governance bagi Bank Umum.*

Benarda, & Desmita. (2022). Pengaruh good Corporate Governance Terhadap Kualitas Laba. *Jurnal Akuntansi Berkelanjutan Indonesia*, *5*(1), 73.

Desiana, L., Mawardi, & Gustiana, E. (2016). Pengaruh Good Corporate Governance Terhadap Profitabilitas (ROE) pada Bank Umum Syariah di Indonesia priode 2010-2015. *I-Finance*, *2*(2), 1–20. www.rifkadejavu.com/index.php/2010/05/penerapan-gcg-pada-perbankan-syariah/.

Dwi Urip Wardoyo, Rafiansyah Rahmadani, & Putut Tri Hanggoro. (2021). Good Corporate Governance Dalam Perspektif Teori Keagenan. *EKOMA : Jurnal Ekonomi, Manajemen, Akuntansi*, *1*(1), 39–43. https://doi.org/10.56799/ekoma.v1i1.25

Edi, & Suyadi. (2018). Kemampuan dewan manajemen dan dewan direksi dalam mempengaruhi kualitas laba. *DeReMa Jurnal Manajemen*, *13*(2), 258–271.

Fajri, M. Z. N., Amal, I., Delawari, A. F., & Suminto, A. (2024). The Nexus between Financial Development and Carbon Emission in OIC Countries. *Islamic Economics Journal*, *10*(1), 72–87. https://doi.org/10.21111/iej.v10i1.12201

Forum for Corporate Governance in Indonesia (FCGI). (2024). *About Good Corporate Governance*. https://fcgi.or.id

Gholy, P. A., & Nadya, P. S. (2020). Pengaruh Penerapan Good Corporate Governance Terhadap Profitabilitas Pada Bank Umum Syariah Periode 2014-2018. *Nisbah: Jurnal Perbankan Syariah*, *6*(2), 108. https://doi.org/10.30997/jn.v6i2.3265

Huda, M., Alfirania, A. N., Suminto, A., & Haidar, M. A. (2023). The Effect of Dow Jones Industrial Average (DJIA) and Macroeconomic Variables on Indonesia ' s Sharia Stock Index (ISSI) over the Period 2012-2021. *Journal of Management & Muamalah*, *13*(2), 85–101.

Ilham, R. N., Putri, D. E., Putra, H. S., Sari, E. P., & Siallagan, S. (2022). Pengaruh Good Corporate Governance Terhadap Kualitas Laba Perusahaan Sub Sektor Pertambangan Logam dan Mineral. *Jurnal Ilmu Manajemen*, *11*(2), 129. https://doi.org/10.32502/jimn.v11i2.3878

Imari, I. ', Suminto, A., & Gololo, I. A. (2021). The Mediating Role of Customer Satisfaction Between Service Quality and Customer Loyalty According to An Islamic Perspective. *Ikonomika*, *6*(1), 163–180. https://doi.org/10.24042/febi.v6i1.10092

Indonesia, B. (2009). *Bank Indonesia Regulation No. 11/33/PBI/2009 concerning Implementation of Good Corporate Governance Principles for Islamic Commercial Banks*.

Indonesia, B. (2010). *Surat Edaran Bank Indonesia No. 12/13/DPbS tentang Pelaksanaan Good Corporate Governance bagi Bank Umum Syariah dan Unit Usaha Syariah*.

Keuangan, O. J. (2014). *Regulasi Perbankan*. https://www.ojk.go.id/id/kanal/perbankan/regulasi/undang-undang/Default.aspx#

Keuangan, O. J. (2023). *https://ojk.go.id/id/kanal/syariah/tangan-syariah/pages/pbs-dan-kestitutan.aspx*. https://ojk.go.id/id/kanal/syariah/tangan-syariah/pages/pbs-dan-kestitutan.aspx

Komite Nasional Kebijakan Governance. (2012). Prinsip Dasar dan Pedoman Pelaksanaan Good Corporate Governance Perbankan Indonesia. *Knkg*.

Kurniawan, T., Yohana, & Dewi, D. (2022). Pengaruh Konservatisme Akuntansi Dan Good Corporate Governance Terhadap Kualitas Laba Pada Perusahaan Perbankan Yang Terdaftar Di Bursa Efek Indonesia Tahun 2012-2016. *Sitra*, *1*(2), 77–88. https://doi.org/10.58872/si.v1i2.66

Lubis, I. N., Siregar, R., & Lores, L. (2023). Pengaruh Good Corporate Governance dan Konservatisme terhadap Kualitas Laba pada Perusahaan Indeks Value yang Terdaftar di BEI Tahun 2020-2024. *Jurnal Akuntansi Nommensen*, *2*(2), 190–199. https://ejournal.uhn.ac.id/index.php/jran

Maryunda, M. A., Trisnawati, R., & Setiawati, E. (2023). Impact of Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) on Earning Quality with Capital Structure as a Moderating Variable. *Journal Research of Social Science, Economics, and Management*, *3*(04). https://doi.org/10.59141/jrssem.v3i04.566

Mufti Afif, Ahmad Agus Hidayat, Ahmad Suminto, Taufiqul Alvin Abidin, & Fahmi Akhyar Al Farabi. (2023). Analysis of Zakat Management with Institutional Isomorphic Theorizing Approach. *Journal of Islamic Economics and Finance Studies*, *4*(2), 214–235. https://doi.org/10.47700/jiefes.v4i2.6333

Nanang, A. P., & Tanusdjaja, H. (2019). Pengaruh Corporate Governance (Cg) Terhadap Kualitas Laba Dengan Manajemen Laba Sebagai Variabel Intervening Pada Perusahaan Manufaktur Yang Terdaftar Di Bei Periode 2015-2017. *Jurnal Muara Ilmu Ekonomi Dan Bisnis*, *3*(2), 267. https://doi.org/10.24912/jmieb.v3i2.2909

Nisa, T. R., & Rahmawati, M. I. (2023). Pengaruh Persistensi Laba, Leverage, dan Mekanismen Good Corporate Governance Terhadap Kualitas Laba. *Jurnal Ilmu Dan Riset Akuntansi*, *12*, 2–19.

Novitasari, T., Hisamuddin, N., & Maharani, B. (2019). Pengaruh Tata Kelola Perusahaan dan Kualitas Auditor terhadap Manajemen Laba pada Bank Umum Syariah di Indonesia. *Jurnal Ekonomi Akuntansi Dan Manajemen*, *18*(2), 85. https://doi.org/10.19184/jeam.v18i2.12410

Pasaribu, E. M. W., & Hasanuh, N. (2021). Pengaruh Biaya Produksi Dan Biaya Operasional Terhadap Laba Bersih. *Journal of Economic, Bussines and Accounting (COSTING)*, *4*(2), 731–740. https://doi.org/10.31539/costing.v4i2.1625

Polimpung, L. J. C. (2020). Pengaruh Good Corporate Governance Terhadap Kualitas Laba Perusahaan (Studi pada Perusahaan Sektor Consumer Goods dalam Bursa Efek Indonesia Periode 2016-2018). *Jurnal Akuntansi*, *12*(2), 215–222. https://doi.org/10.28932/jam.v12i2.2305

Prasetyo, Y. B., & Suwarno, A. E. (2023). The Effect of Company Size , Profit Growth , Investment Opportunity Set (IOS) and Good Corporate Governance (GCG) on the Company ' s Profit Quality (Empirical Study on Primary Consumer Goods Sector Companies Listed on the Indonesia Stock Exchange in. *American Journal Of Science and Engineering Research*, *6*(3), 167–176.

Putra, P. S., & Dewi, M. K. (2023). Pengaruh Struktur Modal Dan Likuiditas Terhadap Kualitas Laba Pada Perusahaan Sektor Infrastruktur, Utilitas Dan Transportasi. *Jurnal Kajian Akuntansi Dan Auditing*, *18*(1), 64–76. https://doi.org/10.37301/jkaa.v18i1.107

Republik Indonesia. (2008). Law of the Republic of Indonesia Number 21 of 2008 concerning Sharia Banking. *State Gazette*, pasal 1 ayat 12.

Saraswati, K. F. D., Merawati, L. K., & Munidewi, I. A. B. (2020). Pengaruh Likuiditas, Leverage Dan Good Corporate Governance Terhadap Kualitas Laba. *Fakultas Ekonomi Dan Bisnis Universitas Mahasaraswati*, *15*(2), 79–89.

Setiyawati, H., & Basar, Y. S. (2017). Pengaruh Pengungkapan Corporate Social Responsibility Dan Penerapan Good Corporate Governance Terhadap Tingkat Profitabilitas (Studi Empiris Pada Perusahaan Sektor Pertambangan Yang Terdaftar Di BEI). *Jurnal Akuntansi*, *21*(3), 351. https://doi.org/10.24912/ja.v21i3.266

Silaban, A., & Harefa, M. S. (2021). Pengaruh Kinerja Perusahaan Dan Pertumbuhan Laba Terhadap Kualitas Laba: Peran Good Corporate Governance. *JPPI (Jurnal Penelitian Pendidikan Indonesia)*, *7*(3). https://doi.org/10.29210/020211239

Sugiyono. (2020). *Metode penelitian kuantitatif, kualitatif, R&D*.

Suminto, A., & Maharani, S. (2020). Analisis Pengaruh Corporate Social Responsbility, Islamic

Banking Service Quality dan Corporate Image terhadap Loyalitas Nasabah di Bank BRISyariah Kantor Cabang Pembantu Ponorogo. *El-Barka: Journal of Islamic Economics and Business*, *3*(1). https://doi.org/10.21154/elbarka.v3i1.2013

Suryo, A., Isna, W., & Rahmawati, P. (2019). Pengaruh Kecakapan Manajerial, Good Corporate Governance Dan Book Tax Differences Terhadap Kualitas Laba Perbankan Di Indonesia. *Jurmal Mutiara Madani*, *07*(Desember), 161–179.

Wardani, I. M. K., & Fidiana, F. (2023). Profit Quality Analysis of Investment Opportunity Set, Leverage, and Good Corporate Governance. *Akuntansi : Jurnal Akuntansi Integratif*, *9*(2), 220–234. https://doi.org/10.29080/jai.v9i2.1503

Wayan Sujana, I., Supriyanto, H., & Studi Akuntansi, P. (2019). Pengaruh Struktur Modal, Likuiditas, Ukuran Perusahaan, Pertumbuhan Laba Dan Profitabilitas Terhadap Kualitas Laba. *Jurnal Ilmiah Mahasiswa Fakultas Ekonomi UM.Buton*, *1*(1), 1–15. https://www.jurnal-umbuton.ac.id/index.php/entries/article/view/652

Wicaksana, A., & Rachman, T. (2018). *Statistika Perbankan Syariah*. Angewandte Chemie International Edition, 6(11), 951–952. https://medium.com/@arifwicaksanaa/pengertian-use-case-a7e576e1b6bf

Yunina, F., & Nisa, N. (2019). Pengaruh Good Corporate Governance Terhadap Kinerja Keuangan Bank Umum Syariah. *Jurnal Akuntansi Muhammadiyah*, *10*(1), 80.

Zingales, L. (2018). *Corporate Governance*. The New Palgrave Dictionary of Economics, Third Edition. https://doi.org/10.1057/978-1-349-95189-5_2416