Al Tijarah: Vol. 11 No. 2, December 2025 (330-342)
p-ISSN: 2460-4089 e-ISSN: 2528-2948
Available at: http://ejournal.unida.gontor.ac.id/index.php/altijarah

The Effect Of Corporate Governance, Internal Audit, Risk Management On The Financial Performance Of Sharia Banks With Balanced Scorecard As Moderation (Study On Islamic Commercial Banks 2022-2024)

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Abstract

The financial performance of Islamic banks is an achievement of profitability which is measured through Return on Assets (ROA) in quarterly, reflecting the effectiveness of management to be able to generate profits amidst the growth of industrial assets of IDR 2,582 trillion in 2023. The main problems include formalistic corporate governance, ineffective internal audit, and normative risk management that hinder the resilience of the Islamic sector despite the Islamic principles of transparency and accountability. This study analyzes the effect of X1 (corporate governance), X2 (internal audit), X3 (risk management) on Y (financial performance) with Z (Balanced Scorecard) as a moderator using the quantitative method PLS-SEM SmartPLS 4 on secondary data of 7 banks (21 observations purposive sampling period 2022-2024). The results of the study show that the PLS-SEM SmartPLS 4 model with a t-table of 1.99 indicates that corporate governance (t-count 2.231) and risk management (t-count 2.345) have a significant effect on the financial performance of Islamic banks, while internal audit (t-count 0.157) has no significant effect, Balanced Scorecard moderation is significant on corporate governance (t-count 2.091) and risk management (t-count 2.103) but not significant on internal audit (t-count 0.248).
Keywords: Corporate Governance, Internal Audit, Risk Management, Financial Performance, Balanced Scorecard.

A. INTRODUCTION

In recent years, the Islamic finance industry in Indonesia has shown significant growth. Based on the 2023 Indonesian Islamic Financial Development Report (LPKSI), the assets of the Islamic finance industry (excluding Islamic stock capitalization) reached IDR 2,582.25 trillion with an annual growth of 9.04% (year on year). The Financial Services Authority (OJK) emphasized that this development demonstrates the resilience and great potential of the Islamic finance sector despite facing global economic challenges (Afni, Nur et al. 2025).

There has also been an increase in Islamic financing, third-party fund collection (DPK), and capital adequacy ratio (CAR), which is well above the regulatory minimum. According to OJK data, Islamic banks have succeeded in maintaining liquidity stability and minimizing financial risk, thereby supporting inclusive and sustainable financing growth. This condition is proof that Islamic finance is increasingly accepted by the public, although further efforts are needed to expand its reach and public trust.

Table 1. Financial Performance Report

Bank	Total ROA
Muamalat Indonesia	0.91
Victoria Syariah	10.72
BSI	27.5
Mega Syariah	25.83
BCA Syariah	16.98
BTPN Syariah	103.55
Panin Dubai Sharia	17.5

Source: OJK Report 2022-2024.

Islamic commercial banks in Indonesia show significant variation in Return on Assets (ROA), with BTPN Syariah recording the highest figure at an impressive 103.55%, followed by BSI at 27.5%, Mega Syariah at 25.83%, Panin Dubai Syariah at 17.5%, BCA Syariah at 16.98%, Victoria Syariah at 10.72%, while Muamalat Indonesia is at the lowest position at 0.91%, illustrating the differences in the ability to generate returns from assets among these institutions during the analysis period.

To maintain growth and improve financial performance, Islamic banks require the support of strong governance mechanisms, an effective internal audit function, and comprehensive risk management. Good corporate governance *(GCG*) encompasses the roles of the board of commissioners, the board of directors, the audit committee, and the existence of an independent *sharia supervisory board (SSB)*

Meanwhile, internal audit oversees operations to ensure they are free from errors and fraud, and risk management serves as a crucial foundation for controlling credit risk, market risk, and operational risk (Wandhini, Ayu, and Melia Kusuma, 2024).

In addition to internal management factors, performance measurement also plays a crucial role in supporting the success of Islamic banks. The use of *the Balanced Scorecard* (BSC) provides a more comprehensive approach, assessing not only financial aspects but also customer perspectives, internal processes, and learning and growth.

Research on the health of Islamic banking following the COVID-19 pandemic shows that the sector has generally maintained stability. The study, " *Analysis of the Robustness of Islamic Commercial Banks in Indonesia during the COVID-19 Pandemic,"* found that the average *non-performing financing (* NPF) ratio for Islamic banks in 2020–2024 was 2.44%, with an average *Return on Assets* (ROA) of 1.77% and an average Capital Adequacy Ratio (CAR) of 24.91%. These results indicate that Islamic banks are relatively healthy, but there is still significant room to improve financial performance through more integrated governance and management.

The problem raised in this study is that governance mechanisms in Islamic banks do not always operate effectively, for example, the role of the audit committee and *the Sharia Supervisory Board*

(SSB), which in practice are sometimes merely formalities. Several studies have also shown that the internal audit function has not been consistent in providing a significant contribution to financial performance.

Furthermore, risk management practices remain normative and are not yet fully capable of anticipating operational and technology-based risks. In terms of performance measurement, Islamic banks are generally limited to financial indicators such as *Return on Assets (ROA*) or *Return on Equity (ROE)* , without addressing non-financial aspects. Furthermore, the use of *the balanced scorecard* as a moderating factor in the relationship between governance, auditing, and risk management has received very little research .

Several previous studies have attempted to examine the influence of corporate governance on the performance of Islamic banks. Setyawan et al. examined the quality of governance in Southeast Asian countries using variables such as audit committee size, number of audit committee meetings, SSB size, and SSB meeting frequency, and related these to ROA . This study provides important insights into the role of governance mechanisms, although performance measurement is still limited to a single financial indicator. (Arifudin, Opan, and Udin Wahrudin. 2020) .

Another study by Yulfiswandi et al. also examined the influence *of corporate governance* on the performance of Islamic banks in Indonesia. The variables used included the audit committee, board size, non-executive directors, the sharia board, and the risk management committee . The results showed a positive influence, but limitations remain due to the use of less comprehensive measurement methods. Another study by Yulfiswandi et al. also examined the influence *of corporate governance* on the performance of Islamic banks in Indonesia. The variables used included the audit committee, board size, non-executive directors, the sharia board, and the risk management committee . The results showed a positive influence, but limitations remain due to the use of less comprehensive measurement methods. Based on the literature review, there is still a research gap because most studies only use ROA or ROE as a measure of performance, rarely highlight the role of information technology as a moderating variable, tend to be short-term with limited areas, and not many integrate *corporate governance. governance* , internal audit, risk management, *Balanced Scorecard* At the same time, in practice, Islamic banks still encounter challenges related to reporting transparency, credit risk management, secure digitalization, limited human resource capacity in IT implementation, and internal governance and audits that are often seen as mere formalities.

The purpose of this study is to analyze the influence of *corporate governance* , internal audit, and risk management on the financial performance of Islamic banks with *a balanced scorecard.* as a moderating variable, as well as developing a performance evaluation model that includes financial and non-financial indicators to provide a more holistic and beneficial performance picture for the development of Islamic banking in Indonesia.

Based on what has been described in the previous explanation, the following is the formulation of the problem in this study. Does corporate governance affect financial performance?:, Does internal audit affect financial performance?:, Does risk management affect financial performance?:, Does *corporate governance* moderated by balanced scorecard affect financial performance?:, Does internal audit moderated by *balanced scorecard* affect financial performance?:, Does risk management moderated by *balanced scorecard* affect financial performance?

The urgency of this research is based on the need to address the challenges of increasingly fierce competition in Islamic banking. While previous studies have focused more on governance and internal audit without fully addressing the crucial role of *the Balanced Scorecard* , this study seeks to fill this gap and contribute to the comprehensive and sustainable improvement of Islamic bank performance.

B. LITERATURE REVIEW

Good Corporate Governance

According to OJK Regulation of the Republic of Indonesia 24/POJK.03/2018 concerning the implementation of governance in Islamic Rural Banks (BPRS), good governance is a mechanism for managing BPRS that applies the main principles of transparency, accountability, responsibility, independence, and fairness. Therefore, the implementation of Good Corporate Governance principles is highly dependent on the conditions and characteristics of each company, so that each entity is expected to develop governance standards in accordance with these aspects.

Referring to Article 34 of the Sharia Banking Law, banks are required to implement good governance that includes the principles of transparency, accountability, responsibility, independence, and fairness in carrying out business activities. Governance in Islamic banking has different characteristics from conventional banking because, in addition to complying with general regulations, it must also comply with Islamic law. Islamic banking operates based on a financing mechanism based on the principle of profit and loss sharing (PLS) and financing in accordance with sharia provisions. This PLS model requires a fundamentally different relationship between stakeholders compared to the interest-based lending and borrowing pattern in conventional banking (Artha, Budi, Susila Duarsa, et al. 2021).

Internal Audit

Internal audit or internal examination is an independent evaluation function within an organization that aims to test and assess the organization's ongoing activities. Internal auditors are professionals who operate within companies, both state-owned and private, with the main task of ensuring that the policies and procedures established by top management are followed, assessing the effectiveness of protecting organizational assets, assessing the efficiency and effectiveness of implementing organizational procedures, and measuring the information generated from various units within the organization. The main purpose of conducting internal audits in a company is to assist all members of the organization, especially management, in analyzing and supervising the implementation of their respective responsibilities so that they run effectively and in accordance with established policies (Syaifullah, Muhammad. 2020).

Risk Management

Risk is a threat, impact, or consequence that may occur as a result of a process that is ongoing, will occur, or will occur in the future. Risk can be understood as a condition that, if an undesirable situation occurs, can cause losses. The risk standard is the possibility of an event occurring that impacts the achievement of objectives, measured by its consequences and probability. According to Airmic, risk is the impact of penetration on targets, where long-distance effects can be positive or negative, meaning that risk reflects the potential for situations that threaten the achievement of the objectives of an organization or individual.

The definition of risk management is the management of risk with the aim of increasing the value of the company in dealing with problems comprehensively. Risk management is defined as the process of identifying, measuring, and controlling financial risks that threaten the assets and income of a company or project that can cause damage or loss. Systematically, risk management is a structured series of processes to identify, measure, map, develop alternative treatments, and monitor and control risks, which are proactive in accommodating the potential for partial or total failure of instruments.

Financial Performance

Company performance is the accumulated result of various individual decisions made continuously by management, including investment, operational, and financing decisions. Financial performance is the company's achievement measured in monetary units and is generally reflected in the company's financial statements. This statement is also supported by a website that mentions that the terminology of company performance is often associated with operating results in a certain period, which can be obtained from the company's balance sheet, income statement, and cash flow statement (Bimasakt, Yohanes Kartika and Yusni Warastuti. 2024).

Performance measurement is grouped into three main categories: first, profitability ratios that measure management effectiveness based on returns from sales and investments; second, growth ratios that reflect the company's ability to maintain its economic position in line with economic and industry growth in the market; and third, operational efficiency that measures the effectiveness of asset and investment management through the company's investment decisions and resource optimization.

Financial performance is an important aspect in the business world that affects both internal and external stakeholders of the company. Financial performance is an analysis to measure the extent to which the company's financial management follows the standards set out in the Financial Accounting Standards (SAK) or generally accepted accounting principles (GAAP). Financial performance reflects the results of reporting based on these accounting rules. Financial performance analysis involves the critical process of reviewing data, calculating, measuring, interpreting, and providing solutions related to the company's financial condition in a given period.

Performance Assessment

Performance is a representation of the level of achievement in implementing an activity, program, or policy in realizing the goals, vision, and mission of an organization. Performance appraisal plays an important role and must be carried out periodically. According to Bank Indonesia Regulation Number 11/33/PBI/2009 Article 23, performance appraisal is the process of periodically determining the effectiveness of an organization, organizational unit, and individual employee based on predetermined objectives, standards, and criteria. The main purpose of this assessment is to motivate employees to achieve organizational targets while complying with applicable standards.

Performance consists of two main dimensions, namely operational performance and financial performance. Operational performance focuses on the internal interests of the organization, such as the performance of branches or divisions, which is measured based on indicators of speed and work discipline. Conversely, financial performance is generally evaluated using various financial ratios and the value of company shares on the capital market.

Balanced Scorecard

Previously, performance measurement tended to focus solely on financial aspects. Before the emergence of SWOT analysis and the Balanced Scorecard, companies used a traditional approach with separate measurements, especially financial aspects, due to the ease of measurement and analysis. Advances in management science and information technology have made it possible to measure, analyze, and evaluate all company activities in an integrated and rapid manner.

The Balanced Scorecard introduces a non-financial perspective that is essential in measuring organizational performance. This concept was introduced in the early 1990s in the United States by David P. Norton and Robert Kaplan through research on future organizational performance measurement. The term Balanced Scorecard consists of "balanced" and "scorecard," which refers to a performance measurement method that balances financial and non-financial dimensions, short-term and long-term, as well as internal and external factors.

Simply put, the Balanced Scorecard is a method of measuring and evaluating organizational performance by considering four main perspectives: financial, customer, internal business processes, and learning and growth. This method helps management focus on balanced measures in achieving financial targets while meeting customer expectations, internal processes, and human resource development.

C. RESEARCH METHOD

This research method uses a quantitative approach because the data used is in the form of numbers and is analyzed statistically. This approach aims to test the relationship and influence between the variables studied, such as Corporate Governance, Internal Audit, and Risk Management on the Financial Performance of Islamic Banks. The data was obtained from secondary sources in the form of financial reports and official documents from Islamic banks, thus enabling objective and numerically measurable analysis. This type of research is associative, which aims to determine the cause-and-effect relationship between independent and dependent variables. The independent variables are Corporate Governance, Internal Audit, and Risk Management, while the dependent variable is Financial Performance. In addition, the Balanced Scorecard acts as a moderating variable that influences the strength or direction of the relationship between the independent and dependent variables.

In this study, the data collection method used by the researcher was secondary data obtained from previously available documents and reports. This type of data includes annual financial reports, audit reports, and official documents from Islamic banks as the object of research. In addition, data was also collected from supervisory agencies such as the Financial Services Authority (OJK) and Bank Indonesia, as well as from various scientific articles, books, journals, and previous studies relevant to the research topic (Fitri, Fauziah and Mayar Afriyenti. 2021).

The population of this study is all Islamic Commercial Banks (BUS) registered with the Financial Services Authority (OJK) for the 2022-2024 period, with a total of approximately 14 entities based on OJK 2024 data (14 BUS). The study does not include Islamic Rural Banks (BPRS) in order to focus on large banks, thereby minimizing the complexity of collecting secondary data from OJK and IDX reports.

The sample was determined through purposive sampling with the following criteria:

1. Sharia Commercial Banks registered with the Financial Services Authority from 2022 to 2024.
2. Sharia Commercial Banks that published complete and consecutively audited annual reports during the research period of 2022-2024.
3. Islamic Commercial Banks that did not conduct acquisitions or mergers in 2022-2024.
4. Islamic commercial banks that provide complete information regarding the data required in this study from 2022 to 2024.

5. Based on these considerations, the Islamic Commercial Banks in Indonesia that have published their annual reports, not just their management reports, are Bank Muamalat Indonesia, Bank Mega Syariah, Bank Syariah Indonesia, Bank Victoria Syariah, Bank BCA Syariah, Bank BTPN Syariah, and Bank Aladin Syariah.

With these criteria, the final sample of this study consisted of 21 observations from 7 Islamic commercial banks over 3 periods. This approach produced valid and relevant data to examine the relationship between the variables of Corporate Governance, Internal Audit, Risk Management, and Financial Performance in large Islamic banks.

The data collection method in this study used secondary data obtained from various reliable sources, such as books, journals, and official financial reports published by the Financial Services Authority (OJK), Islamic Commercial Banks (BUS), Bank Syariah Indonesia (BSI), and other related institutions. The secondary data includes annual reports, quarterly financial reports, and official publications containing information related to corporate governance, internal audit, risk management, financial performance, Balanced Scorecard, and information technology in the Islamic banking environment. The use of this secondary data allows the study to obtain valid and accountable data without having to conduct direct surveys of respondents (Kurniawan, Pandu, et al. 2025). Therefore, this study uses official and documented data sources to support quantitative analysis to understand the relationship between variables in depth and accurately. The data obtained will then be tested using the SmartPLS 4 testing tool.

D. RESULTS AND DISCUSSION

Outer Model Analysis Test (Validity and Reliability)

Outer model testing can be carried out in two stages, namely testing validity and reliability. Outer model testing can help determine whether the research meets the requirements for good data, namely validity and reliability.

The following is an image of the results of the measurement model analysis or outer model:

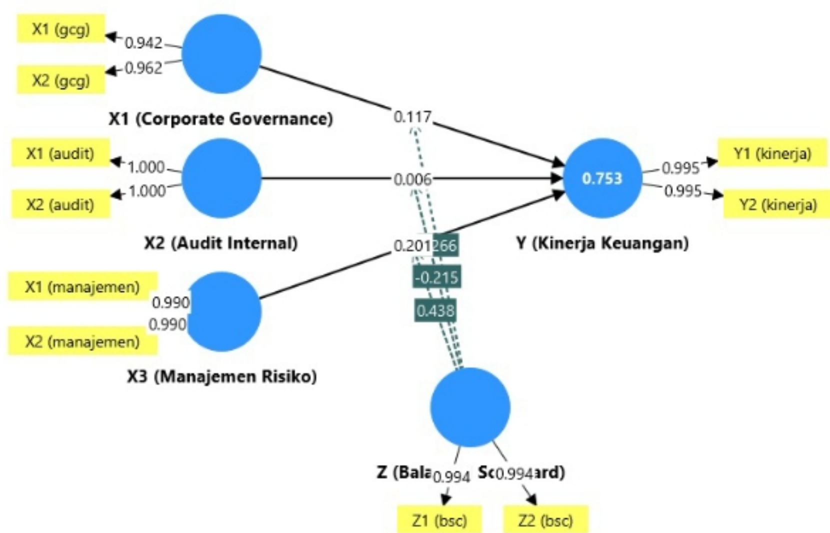

Figure 1. Measurement Model Analysis Results (Outer Model)

a. Validity Test

A validity test is conducted to determine the accuracy of the measuring instrument used to measure the variables under study. Validity is measured based on outer loading item indicators >0.70 and an AVE value of 0.50 (Sugiyono, Toman Sony Tambunan, ed. 2021). The test results obtained in this study are as follows:

Table 2. AVE Value

Variables	AVE
X1 *(Corporate Governance)*	1,000
X2 (Internal Audit)	1,000
X3 (Risk Management)	1,000
Y (Financial Performance)	1,000
Z *(Balanced Scorecard)*	1,000

SmartPLS 4.0 Source

Table 3 shows the AVE value for the variable >0.50, which means that convergent validity is met and declared valid.

b. Reliability Test
The reliability test is conducted to ensure that respondents answer the questionnaire statements consistently. The test is conducted using composite reliability >0.7 and Cronbach's alpha with a value >0.7.

Table 3. Reliability Values

Variables	**Cronbach's Alpha**	**Composite Reliability**	**Information**
X1 *(Corporate Governance)*	1,000	1,000	**Reliable**
X2 (Internal Audit)	1,000	1,000	**Reliable**
X3 (Risk Management)	1,000	1,000	**Reliable**
Y (Financial Performance)	1,000	1,000	**Reliable**
Z *(Balanced Scorecard)*	1,000	1,000	**Reliable**

SmartPLS 4.0 Source

The table above shows that all data is reliable, as indicated by all Cronbach's alpha and composite reliability values >0.70. Thus, it can be concluded that each indicator has met the reliability test requirements.

2. Inner Model Test

The purpose of testing is to examine the relationship between one latent variable and another latent variable. The coefficient of determination describes how much influence the independent variable has on the dependent variable.

a. R-square test

Table 4. R-square

	R-square	Adjusted R-square
Y (Financial Performance)	0.744	0.720

Source: SmartPLS 4.0

According to Falk and Miller in the study (Nugraha, Billy. 2022) suggested an R-square value greater than 0.10 to be said to be adequate. Meanwhile, in the study (Pamungkas and Sudiarno 2022) the R2 criteria are 0.75 substantial or strong, R2 0.50 is moderate or moderate, and R2 0.25 is weak.

Meanwhile, in the research (Rahayu, 2021), the R2 criteria are substantial or strong, R2 0.75 0.50 0.50 0.50 0.25 0.25 0.50 .

b. Effect Size

Table 5. f-square

	Y (Financial Performance)
X1 (Corporate Governance)	0.077
X2 (Internal Audit)	0.000
X3 (Risk Management)	0.085
Z (Balanced Scorecard) x X1 (Corporate Governance)	0.074
Z (Balanced Scorecard) x X2 (Internal Audit)	0.002
Z (Balanced Scorecard) x X3 (Risk Management)	0.066

Source: SmartPLS 4.0

PLS-SEM path analysis reveals a direct effect of Corporate Governance (X1) on Financial Performance (Y) of 0.077 with a moderate contribution, Internal Audit (X2) of 0.000 without a material effect, and Risk Management (X3) of 0.085 which stands out as the highest influence. The moderating effect of the Balanced Scorecard (Z) shows significant strengthening at Z×X1 (0.074) and moderate support at Z×X3 (0.066), while Z×X2 (0.002) remains weak and insignificant, overall indicating that the balanced scorecard effectively strengthens the relationship between governance and risk on financial performance without changing the dysfunction of internal audit.

c. Hypothesis

Hypothesis testing is conducted using a t-test, with the calculated t-value being 1.99 with a p-value less than 0.05. To clarify the hypothesis test value, the following is a table of partial t-test results:

Table 6. t-test

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Corporate Governance x	-0.190	-0.178	0.083	2,289	0.011

Financial Performance					
Internal Audit x Financial Performance	0.011	0.018	0.066	0.158	0.437
Risk Management x Financial Performance	-0.208	-0.221	0.089	2,331	0.010
Balanced Scorecard x Corporate Governance x Financial Performance	-0.180	-0.166	0.085	2.126	0.017
Balanced Scorecard x Internal Audit x Financial Performance	0.022	0.030	0.089	0.246	0.403
Balanced Scorecard x Risk Management x Financial Performance	-0.233	-0.253	0.111	2.103	0.018

Source: SmartPLS 4.0

Based on Table 6, the values presented provide information regarding the influence of each independent variable (*corporate governance,* internal audit, risk management) on the dependent variable (financial performance) and the moderating variable *(balanced scorecard)* in the study of Islamic commercial banks in 2022-2024. From this table, it can be concluded that:

1) From the table, the T-statistic results are 2.289 < 1.99 and P-values 0.011 > 0.05. This proves that corporate governance has a significant effect on financial performance.
2) Internal audit of financial performance found T-statistic results of 0.158 < 1.99 and P-values of 0.437 > 0.05 indicating that internal audit has no significant effect on financial performance.
3) Risk management on financial performance found T-statistic results of 2.331 < 1.99 and P-values of 0.010 > 0.05 indicating that risk management significantly influences financial performance.
4) Corporate governance moderated by Balanced Scorecard on financial performance found T-statistic results of 2.126 < 1.99 and P-values 0.017 > 0.05 indicating that Corporate governance moderated by Balanced Scorecard significantly influences financial performance.

5) Internal audit moderated by Balanced Scorecard on financial performance found T-statistic results of 0.246 < 1.99 and P-values of 0.403 > 0.05 indicating that Internal audit moderated by Balanced Scorecard has no significant effect on financial performance.
6) Risk management moderated by Balanced Scorecard on financial performance found T-statistic results of 2.103 < 1.99 and P-values 0.018 > 0.05 indicating that Risk management moderated by Balanced Scorecard significantly influences financial performance.

The inferential results of the PLS-SEM model indicate that corporate governance structure causally influences the effectiveness of financial performance (T-statistic=2.289>1.99, p=0.011<0.05), consistent with the contribution of risk management (T-statistic=2.331>1.99, p=0.010<0.05). In contrast, the internal audit function does not produce a statistically significant effect (T-statistic=0.158<1.99, p=0.437>0.05). The moderating effect through the Balanced Scorecard framework strengthens the relationship between corporate governance and financial performance (T-statistic=2.126>1.99, p=0.017<0.05) and risk management (T-statistic=2.103>1.99, p=0.018<0.05), but fails to significantly affect internal audit (T-statistic=0.246<1.99, p=0.403>0.05).

Discussion

Corporate Governance on Financial Performance

Based on the statistical test, the results showed that the calculated t value for *Corporate Governance* was 2.289, which was greater than the t table of 1.99 . This shows that *Corporate Governance* significantly influences Financial Performance.

Corporate governance is an organizational management mechanism that aims to ensure openness, accountability, fairness, and responsibility in carrying out business activities, with the main target of protecting the interests of shareholders and other stakeholders while ensuring the continuity and reputation of the company in the long term on an ongoing basis .

Research by (Roflin, Eddy, and Liberty, Iche Andriyani. 2021). The results show that *corporate governance* simultaneously influences a company's financial performance. However, the composition of the independent board of commissioners does not significantly influence a company's financial performance. Furthermore, the number of board members also does not significantly influence financial performance. Conversely, institutional ownership has been shown to have a significant positive effect on a company's financial performance.

Internal Audit on Financial Performance

Based on the statistical test, the results showed that the calculated t value for Internal Audit was 0.158, which was smaller than the t table of 1.99 . This indicates that Internal Audit has no significant effect on Financial Performance.

Internal audit is a crucial function in Islamic banks, tasked with conducting independent evaluation and oversight to ensure the effectiveness of internal controls, compliance with regulations, including Sharia principles, and the smooth running of operational activities. Its function encompasses audits of financial, operational, and Sharia compliance aspects, with the aim of reducing the risk of Sharia violations and increasing stakeholder confidence in the performance of Islamic banks (Bunga Manggala Suci, Cris Kuntadi, and Rachmat Pramukty, 2023).

Research by (Rosyidah, Masayu, and Rafiqa Fijra. 2021). The results show that internal audit, board of directors, and managerial ownership do not significantly influence a company's financial performance. Conversely, intellectual capital has been shown to have a significant positive impact on financial performance. This indicates that non-physical aspects such as knowledge, expertise, and capabilities of human resources, as well as structural capital, play a significant role in improving a company's financial performance, surpassing the direct role of internal audit and managerial ownership structure. This finding is consistent with the Resource-Based View theory , which states that intellectual capital is a key strategic asset for gaining competitive advantage and increasing company value sustainably.

Risk Management on Financial Performance

Based on the statistical test, the results showed that the calculated t value for Risk Management was 2.331, which was greater than the t table of 1.99 . This indicates that Risk Management significantly influences Financial Performance.

Risk management is a systematic process encompassing the identification, measurement, monitoring, and control of risks that may arise in Islamic banking operations. This process integrates

Sharia principles such as transparency, fairness, and ethics in addressing credit, operational, market, and liquidity risks, as well as Sharia risks related to compliance with Islamic law. The primary objective of risk management is to mitigate the negative impact of risks so that banks can operate healthily and sustainably in accordance with Sharia principles. (Muhammad Farid, Wafiq Azizah. 2021)).

Research by (Sari Anita, et al. 2023). The results of the study indicate that the implementation of risk management has a significant influence on the performance of Islamic banks in Indonesia. A simple linear regression analysis conducted using SPSS 25 showed a significance value of 0.000 which is smaller than 0.05, a calculated t-value of 7.165 which is greater than the t-table of 1.986, and an R Square value of 0.363, which means that 36.3% of the variation in Islamic bank performance is explained by the implementation of risk management. The remaining 63.7% is influenced by other factors not included in this study. Thus, the null hypothesis (Ho) is rejected and the alternative hypothesis (Ha) is accepted, concluding that there is an influence of the implementation of risk management on the performance of Islamic banks by 36.3% statistically scientifically.

Corporate Governance moderated by the Balanced Scorecard affects Financial Performance.

Based on the statistical test, the results show that the calculated t value for Corporate Governance moderated by the Balanced Scorecard is 2.126, which is greater than the t table of 1.99 . This shows that Corporate Governance moderated by the Balanced Scorecard significantly influences Financial Performance.

Internal Audit moderated by the Balanced Scorecard affects Financial Performance

Based on the statistical test, the results show that the calculated t value for Internal Audit moderated by Balanced Scorecard is 0.246 which is smaller than the t table of 1.99 . This shows that Internal Audit moderated by Balanced Scorecard has no significant effect on Financial Performance.

Balanced Scorecard- moderated Risk Management has an impact on Financial Performance

Based on the statistical test, the results show that the calculated t value for Risk Management moderated by the Balanced Scorecard is 2.103, which is greater than the t table of 1.99 . This shows that Risk Management moderated by the Balanced Scorecard significantly influences Financial Performance.

E. CONCLUSION

Statistical analysis reveals that Corporate Governance does not have a significant effect on the financial performance of Islamic banks, as the t-value of 0.446 is lower than the t-table value of 1.66. This indicates that the corporate governance system has not been able to contribute significantly to financial performance, even though it conceptually supports transparency and accountability. Internal Audit was also proven to have no significant effect on financial performance, with a t-value of 0.023, which is far below the t-table value of 1.66. This independent oversight function, which should strengthen regulatory compliance and internal control, does not appear to be effective in driving improved financial results in Islamic banking.

Risk Management failed to show a significant impact on financial performance, as evidenced by a t-value of 0.674, which is still less than the t-table value of 1.66. The risk management process, including the identification and mitigation of Islamic risks, has not been proven to be optimal in maintaining the stability and profitability of Islamic banks. Corporate Governance moderated by the Balanced Scorecard, its interaction remains insignificant on financial performance, marked by a t-value of 0.570 below the t-table value of 1.66. The Balanced Scorecard as a performance evaluation tool has not succeeded in strengthening the relationship between governance and financial outcomes.

The effect of Internal Audit moderated by the Balanced Scorecard on financial performance is also insignificant, with a t-value of 0.552, which is less than the t-table value of 1.66. Although designed to integrate financial and non-financial metrics, this moderating role appears weak in the context of internal control. Overall, Risk Management moderated by the Balanced Scorecard does not significantly affect financial performance, as the t-value of 1.17 has not reached the t-table value of 1.66. These findings highlight the need for implementation reforms so that these variables are more aligned with Islamic bank operations.

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