IJEBA: *International Journal of Economic, Business and Applications* p-ISSN: **2477-1244, e-ISSN: 2477-1236 DOI:** https://dx.doi.org/10.31258/ijeba.6.1.41-53

Received: March 4, 2021; Accepted: May 30, 2021

The Effect of Return on Assets, Firm Size, and Risk Management on Firm Value with Good Corporate Governance as a Mediation Variable (Empirical Study of Shariah Commercial Banks 2015-2019)

Eka Purnama Sari, Andewi Rokhmawati, Edyanus H Halim
Faculty of Economics and Business Riau University, Pekanbaru, Indonesia
Eka170593@gmai.com

Abstract: *The implementation of Good Corporate Governance aims to create added value for all interested parties through improved management performance to increase corporate value and encourage the creation of efficient, transparent, and following statutory regulations. In conducting this research, the research objectives are to analyze and determine the Return on Assets, Company Size, Risk Management, and Good Corporate Governance, which affect the Company's Value through Good Corporate Governance. This study found that return on assets, firm size, and risk management significantly affected good corporate governance. Good corporate governance, return on assets, firm size, and risk management significantly affect firm value.*

Keywords: *Good Corporate Governance, Return on Assets, Company Size, Risk Management, Firm Value*

INTRODUCTION

The company's main objective is to increase its value by increasing the owner's or shareholders' prosperity. Company value can provide maximum shareholders' wealth if the company's share price increases. Corporate value is the market value of shares that reflects the wealth of the owner. The higher the share price can be a sign that the owner's wealth is also increased. Investors will choose to invest in companies with maximum corporate value because, if the company value is high, the share price will also increase, increasing shareholders' prosperity (Ridwan & Gunardi, 2013). In this case, we take Shariah commercial banks, where a bank is an entity that collects funds from the public in financing and distributes the funds to the public as borrowing. It carries out the function of financial intermediation. There are two kinds of operational banking systems in Indonesia's banking system: conventional banks and Shariah banks. According to Law no. 21 of 2008, a Shariah bank is a bank that carries out business activities based on Shariah principles or Shariah law principles as stipulated in the Indonesian *ulema* council's *fatwa*. The development of Shariah banks is a favorite attraction for those with excess funds, such as investors. Investors are more interested in investing in business entities with a good track record of growth and development. Investors will, of course, also pay attention to the value of the company that is the object of their investment, whether the shares are worthy of buying or not buy, to buy or to sell, and whether they have a good image or not.

Contrary to the national Shariah banking industry's development, Shariah banking's market share value is still low. Market share is an indicator to analyze the strength of a company or industry. An increase in the market share of an industry indicates that the industry is experiencing positive growth (Margaretha, 2011).

To measure the value of the company, we used a price-book value ratio. This value illustrates that the company is valued the same as the value of the listed company. If the ratio is below one, it means that the company is undervalued or in the market. The company value is below the carrying value. Conversely, if the ratio is above one, it is considered higher in the market than its listed value (overvalued). In this study, the firm value of Shariah commercial banks is proxied by the price book value. This ratio is considered to provide the best information because it can explain various phenomena in company activities. The following table shows the value of Shariah commercial banks from 2015-2019:

Table 1. Shariah Commercial Bank Company Values 2015-2019

No	Sharia Bank	2015	2016	2017	2018	2019
1	Bank BCA Syariah	1.056	1.103	1.140	1.266	1.166
2	Bank BNI Syariah	1.476	1.656	1.522	1.893	1.893
3	Bank Muamalat Syariah	3.218	3.280	5.026	3.554	3.568
4	Bank Panin Dubai Syariah	1.170	1.198	0.269	0.696	0.707
5	Bank Bukopin Syariah	0.844	0.799	0.839	0.843	0.847
6	Bank BRI Syariah	1.182	1.268	1.315	1.035	1.047
7	Bank Victori Syariah	1.627	0.925	1.109	0.940	0.984
8	Bank Mega Syariah	1.136	1.253	1.420	1.421	1.521
9	Bank MayBank Syariah	0.921	0.723	0.712	0.647	0.727
10	Bank Aceh Syariah	1.939	2.059	2.114	2.128	2.305
11	Bank Jabar Banten Syariah	1.713	0.869	0.658	0.676	0.575
12	Bank Syariah Mandiri	2.822	3.214	2.939	2.690	3.093
13	Bank Tabungan Pensiunan Nasional Syariah	1.678	10.563	13.207	5.188	7.001
14	Bank BPD Nusa Tengara Barat Syariah	1.967	13.973	12.883	1.798	1.848

Source: Processed data

From Table 1, it can be concluded that in terms of company value, Shariah commercial banks, as measured by the price book value, have fluctuated and even tend to have a downward trend. Many Shariah commercial banks experienced a price book value below one, such as Panin Dubai Shariah Bank in 2018-2019, Bank Bukopin Shariah from 2015-2019, Bank Victori Shariah in 2016 and 2018, Bank Maybank Shariah in 2015 -2019, and at Bank Jabar Banten Shariah 20162019. This situation, of course, will make Shariah banking undervalued or in the market, the company value is below the recorded value, and this will have a destructive impact on the company, coupled with the increase in NPL, which has continued to be high since 2015 from 2.2 percent to 4.89 percent, in 2019. Meanwhile, 12 Shariah banks have core capital between IDR 1 trillion to IDR 5 trillion, classified as book 2. A total of 6 Shariah banks whose core capital is still below IDR 1 trillion or in book position 1. Only Bank Shariah Mandiri is at book level 3.

Furthermore, the drop in sales transactions triggered by lower demand is due to reduced purchasing power. The economic slowdown, which was only around 4-4.5 percent, the depreciation of the IDR against the US dollar, which had touched IDR 15,400, unclear government policies, and burdensome tax regulations will impact the sales growth of Shariah commercial banks. This situation has resulted in many companies aiming to optimize their company value at the maximum point to invite investors to invest.

GCG has a positive effect on corporate value. This result shows that investors are willing to give more premiums to the corporation that provides transparency on the implementation of GCG in their annual reports. GCG is proven to strengthen DER, and corporate size against corporate value follows the study results of Isnanta (2016). Another factor that can affect corporate value is financial performance. Financial performance results from many decisions made continuously by corporate management to effectively and efficiently achieve specific goals (Anwar *et al.,* 2014). Several financial ratios measure a corporation's performance, one of which is its ability to generate profits (ROA). Return on Asset (ROA) as a measure of financial performance in this study. The level of a corporate's value is the corporate's financial performance. A corporation with good financial performance will generate maximum profits to have a high return on investment. According to Wachowicz (2012), ROA is the ratio used to measure the net profit obtained from the use of assets. In other words, the higher this ratio, the better the productivity of assets in obtaining net profits. This condition, in turn, will increase the corporate's attractiveness to investors. The corporation's increased attractiveness makes the corporation more attractive to investors because the return rate or dividends will be even greater.

Bank capital consists of two types, namely core capital and supplementary capital. According to Indonesian Financial Services Authority (OJK) regulations, the minimum capital that a bank must have is 8%. Uncertainty or risk will not be separated from the company's activities. Risk is the possibility of a loss that indicates an uncertain condition. Risk must be managed so that the company can minimize losses. Companies are dealing with business risks and non-business risks. Business risk is associated with the company's activities/business, while the non-business risk is the risk that the company cannot control.

A study by Mardiana (2018) showed that risk management, proxied by NPL, Enterprise Risk Management, and operating cost to operating income ratio (BOPO), simultaneously positively affects firm value. Risk management, proxied by NPL and enterprise risk management, is not significant to company value. Amri (2014) stated that risk management is proxied by CAR does not affect firm value. Research conducted by Hidayat (2014) stated that ERM has a positive and insignificant effect on corporate value. It is different from Srihayati's (2015) research, showing that enterprise risk management has no significant effect on firm value.

Based on this background, the authors are interested in researching the title "The Effect of Return on Assets, Company Size, and Risk Management on Company Value with Good Corporate Governance as a Mediation Variable (Empirical Study on Shariah Commercial Banks 2015-2019)".

LITERATURE REVIEW

The Cadbury Committee (1992) of the United Kingdom defines Corporate governance as a set of rules that define the relationship between shareholders, managers, creditors, the government, employees, and other internal and external stakeholders regarding their rights and responsibilities, or the system by which companies are directed and controlled." Salowe (2002 in Soegiharto, 2005: 39) stated that good corporate governance can be interpreted as an interaction between structures and mechanisms that ensure control and accountability while still encouraging company efficiency and performance.

According to Cadbury, 1992, good corporate governance's main principles are openness, integrity, and accountability. Meanwhile, according to the Organization for Economic Corporation and Development or OECD, sound corporate governance principles are fairness, accountability, transparency, responsibility, and independence. The definition of return on assets, according to Kasmir (2014: 201), is "return on total assets is a ratio that shows the results (return) on the total assets used in the company." Brigham and Houston (2010: 148) said that ROA is "the ratio of net income to total assets measuring the return on total assets."

According to Hanafi (2008: 42), ROA is "measuring the company's ability to generate net income based on a certain level of assets." Dendawijaya (2009: 53) suggests that "Return on Assets (ROA) is a measure of the overall ability of the company to generate profits with the total number of assets available in the company." Meanwhile, Riyanto (2008: 336) stated that "Return on assets is the ability of capital invested in all assets to generate net profits." As for the meaning of ROA put forward by Gibson (2008: 290): the return rate on investment uses the ratio of return measures received from invested capital. This measurement ratio is used to evaluate company performance. The rate of return on investment is a type of rate of return on capital. This ratio measures the company's ability to provide profits for those who provide long-term funds and attract long-term providers in the future.

According to Brigham and Houston (2010: 4), company size is the size of a company that is shown or valued by total assets, total sales, total profit, tax expense, and others ". According to Hartono (2008), company sizes are the company's size that the total company assets can measure using the logarithm of total assets. Torang (2012) stated that the organization's size could be defined as the number of members associated with choosing how to control activities to achieve goals.

In this study, risk management is used in enterprise risk management, which is the company's strategy in carrying out policies to manage risks to provide adequate confidence regarding company goals. Fahmi (2015) defines risk as a form of uncertainty about a situation that will happen later with various considerations. Thus, a good strategy is a strategy that considers the risks that may occur, both in the organization's internal and external context, and anticipates risk treatment if these risks become a reality. Companies cannot avoid risks, so it is necessary to take steps to anticipate risks. These steps are called enterprise risk management (ERM).

THE FRAMEWORK OF THE HYPOTHESIS

The implementation of good corporate governance aims to create added value for all interested parties through improved management performance to increase corporate value and encourage the creation of efficient, transparent, and following statutory regulations. This argument is because corporate governance is a concept based on agency theory. This result is due to good corporate governance that can balance various parties' interests and achieve company goals and benefits. The implementation of good corporate governance can also signal investors that the company has sound management. Overall, increased corporate governance will also increase company value (Saragih, 2018).

When put in a business context, risk management regulates every condition to overcome business income risk. This one risk is significant because a business's failure often occurs when managing finances. Messy cash flow, irregular financial records, accumulated debt arrears are among the effects of the inability to manage financial risk. Regarding managing this risk, some things need to be considered, especially those related to finance, including liquidity. From the discussion above, the conceptual framework developed in this model is as follows: This research was conducted using the path analysis method. So the authors describe the model frame of mind shown in Figure 1.

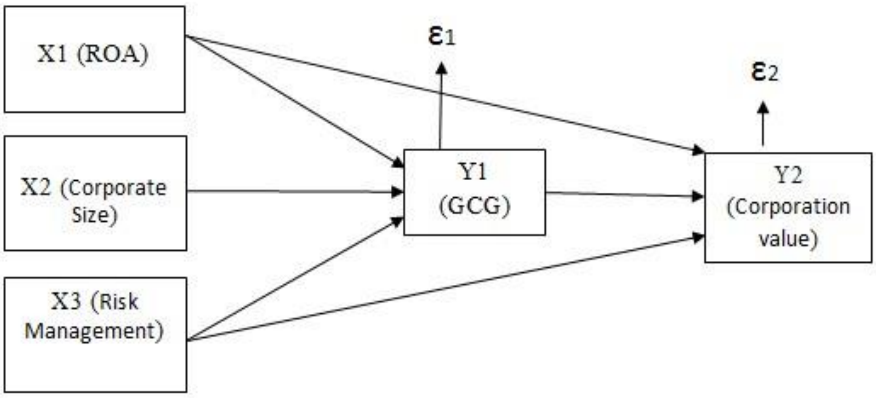

Figure 1: the framework of the model

The hypotheses obtained include; 1. Return on assets affects firm value, 2. Firm size affects firm value. 3. Risk management affects firm value. 4. Good corporate governance affects company value. 5. Return on assets affects company value mediated good corporate governance. 6.

Company size affects company value mediated by good corporate governance. 7. Risk management affects the value of the company mediated by good corporate governance.

METHODOLOGY

The location and time to obtain data in this study are the official website www.idx.co.id, www.ojk.co.id, and the Shariah banking statistics website (SPS). This study's population was 45 Shariah commercial bank companies registered with the Financial Services Authority on the Shariah banking statistics site in 2015-2019. Sampling in this study was carried out using a purposive sampling method. Descriptive statistical analysis provides information about the data held and does not intend to test the hypothesis. This analysis is only used to present and analyze data accompanied by calculations to clarify the data's circumstances or characteristics in question. The measurements used in this study were the mean, standard deviation, maximum, and minimum.

Firm Value

The company's goal in financial management is to maximize firm value. This goal is linked to three decisions, namely investment decisions, funding decisions, and dividend decisions. Firm value in this study is measured using Price Book Value (PBV). The formula is used as follows:

$$PBV = \frac{Market\ Price\ per\ Share}{Book\ Value\ per\ Share}$$

Good Corporate Governance Index (GCGI)

In this case, the method used in measuring GCG uses index measurements formed and applied. The unweighted index uses a dichotomous value, namely 1 for each item disclosed and 0 for not. GCG measurements can be calculated by using the following formula:

$$\mathrm{GCGI} = \frac{\text{the sum of the disclosed CG disclosure item scores}}{\text{The maximum score of the CG disclosure item}}$$

Return on Asset (ROA)

Return on Asset (ROA) is a ratio to measure the company's ability to generate net income based on certain asset levels. It can be said that ROA is a ratio that describes the company's ability to generate profits from every dollar of assets used. ROA calculations are generally generated from dividing net income by total assets for the past year can be calculated by using the following formula:

$$\mathrm{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Firm Size

Firm size is measured by calculating the logarithm of the company's total assets. The firm size formula is:

Firm size = Ln (Total Assets)

Risk Management

Enterprise Risk Management's strategy in implementing policies is to manage risk to provide adequate confidence regarding company goals. Increasing the Capital Adequacy Ratio can increase customer security, which indirectly increases bank profitability, positively impacting bank profitability.

$$ERMDI = \frac{\sum ij\ Ditem}{\sum ij\ ADitem}$$

Source: Sunitha Devi, *et., al* (2017:30)

ERMDI : ERM Disclosure Index

$\sum$ij Ditem : The total score of an ERM or IC item that is disclosed

$\sum$ij ADitem : Total ERM or IC items that should have been disclosed

$$ERMDI = \frac{\sum_{ij} D_{item}}{\sum_{ij} AD_{item}}$$

ERMDI= ERM Disclosure Index

$\sum_{ij} D_{item}$= the total score of an ERM or IC item that is disclosed $\sum_{ij}$ AD_{item}= the total ERM or IC items that should have been disclosed

Path Analysis

Path analysis is a technique for analyzing causal relationships in multiple regression if the independent variable, directly and indirectly, affects the dependent variable (Retherford, 2013). Path analysis was used to study the direct and indirect effects between the explanatory and dependent variables. Path analysis aims to determine several variables' direct effect based on the beta regression coefficient (path coefficient). The path's benefit extends the multiple or straightforward regression equations needed on the relationship between variables that involve more than one equation.

The steps for testing path analysis are as follows. Formulate hypotheses and structural equations as follows:

$Y_1 = \alpha + \rho\ y_1x_1 + \rho\ y_1x_2 + e_1$ $Y_2 = \alpha + \rho\ y_2x_1 + \rho\ y_2x_2 + \rho\ y_2y_1 + e_2$

Keterangan :

Y1 = *Good Corporate Governance*

Y2 = Corporation Value

α = Constant

ρ = Coefficient

X_1 = ROA

X_2 = Corporation Size

X_3 = *Good Corporate Governance*
e1 = Error 1
e2 = Error 2

RESULT AND DISCUSSIONS

Value of the ROA path coefficient, firm size, and risk management on firm value with good corporate governance as a mediating variable

The method used is path analysis, which is to test the intervening/mediation variable, an extension of multiple linear regression to estimate the causality relationship between variables previously applied based on theory. From the results obtained, the path coefficient results for direct and indirect effects can be seen in the following table:

Table 2. Path analysis test results

Indirect Influence	**Direct Effe**	**t Coefficient**	**Indirect influence coefficient**
ROA ❼ GCG ❼Firm value	ROA ❼ GCG (0,213)	GCG ❼ Firm Value (0,276)	0,05878 (s)
Firm Size ❼ GCG ❼ Firm Value	Firm Size ❼ GCG (0,142)	GCG ❼ Firm Value (0,276)	0,03919 (s)
Risk Management ❼ GCG ❼ Firm Value	Risk Management ❼ GCG (0,060)	GCG ❼ Firm Value (0,276)	0,01656 (s)

Source: Data processed by researchers, 2020

From Table 2, a research path diagram can be drawn, as shown in Figure 2 below:

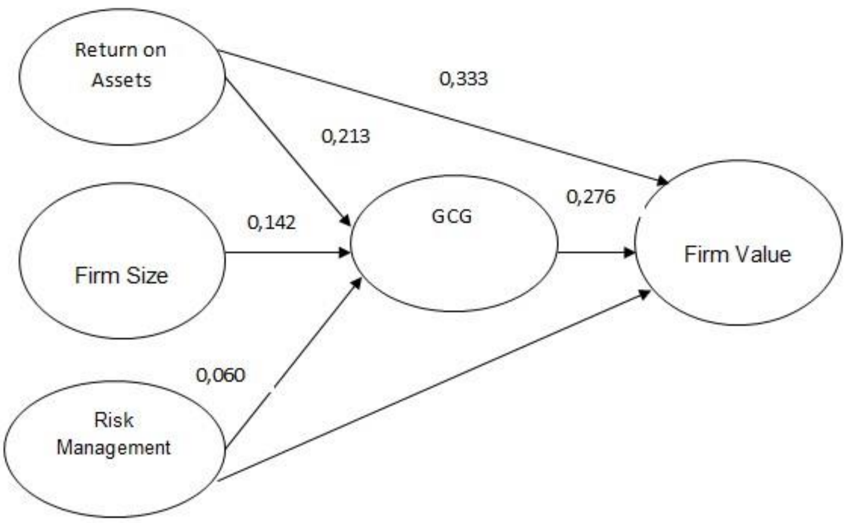

Figure 2. Research path diagram

DISCUSSIONS

The effect of return on assets on good corporate governance

Companies that can produce a high ROA ratio value will provide positive signals to consumers and investors to increase capital in developing the company to increase its stock price. This situation will also provide positive signals from investors in assessing the company's GCG. Positive return on assets (ROA) shows that the capital invested in all assets used for company operations can benefit the company. On the other hand, a negative ROA shows that of the total assets used for operations, the company cannot provide profits for the company, which in the end, the company will suffer losses.

The influence of company size on good corporate governance

This study finds that company size significantly positively affects good corporate governance in Shariah commercial banks. This result can be explained by the higher the company size seen from the high total assets, the higher the value of GCG. Company size is one of the variables that are considered in determining the value of a company. The size of the company is a reflection of the total assets owned by a company. The company itself is categorized into two types, namely small-scale companies and large-scale companies. Research conducted by Andawasatya *et al.* (2017) states that company size positively affects firm value. This result is in line with Karadeniz et al. (2011), which shows that company size positively affects firm value because the company's value will increase significantly.

The size of a company with a high operational definition of total sales and profits will be even greater. It will signal investors to invest their funds to assume that corporate governance is well operated. In this case, investors will also tend to invest in companies that own banks with a larger company size because they have a smaller risk level. Besides, the size of the company also determines the level of investor confidence. The bigger the company, the better it will be known by the public, which means it is easier to get information to increase company value. Even large companies that have large enough total assets can attract investors to invest in these banks.

Effect of risk management on good corporate governance

Mardiana (2018) claimed that risk management proxied by NPL, Enterprise Risk Management, and BOPO simultaneously positively affects firm value. Partially, risk management, which is proxied by NPL Enterprise Risk Management, is not significant to company value. Risk management monitors the achievement of significant objectives ethically to maximize shareholder value and balance stakeholders' interests (Demidenko & McNutt, 2010). Risk management protects stakeholders against the adverse effects of risk through risk treatment following procedures. Implementing good and correct risk management will support the realization of GCG through business planning by considering the risks that may occur.

According to Susilo and Kaho (2014), applying risk management will better control risk. Companies can further explore and exploit existing opportunities, improve relationships with stakeholders, improve their reputation, and protect directors and other officials in managing the company. It can be said that the application of risk management can help companies design strategies to achieve company goals by taking into account the balance of the interests of all stakeholders and protecting policies and company resources. The application of risk management can positively impact corporate governance if its application follows risk management principles and procedures.

The influence of good corporate governance on firm value

This study found that good corporate governance has a significant positive effect on Shariah commercial banks' firm value. This result can be explained that the better the bank implements good corporate governance, namely by reducing risks that the board may carry out with decisions that benefit themselves, it will increase firm value in Shariah commercial banks. GCG has a positive effect on firm value. This result shows that investors are willing to give more premiums to companies that provide transparency on the implementation of GCG in their annual reports. GCG strengthens DER and company size against firm value.

Good corporate governance, namely using index measurements, formed and applied an unweighted index using a dichotomous value, namely 1 for each item disclosed and 0 for items not disclosed by rules of the BAPEPAM decision- LK No. KEP-134 / BL / 2006 and general guidelines for Indonesian good corporate governance (KNKG, 2006). Some of the fraud committed by management in the misuse of corporate governance can cause company performance irregularities and harm other parties such as shareholders, creditors, employees, and other related parties. The collapse of the world economy in 1998 due to weak corporate governance systems suppressed the need to improve and reform corporate governance at the international level. Since then, corporate governance has become an important aspect that must be applied to increase Indonesia's corporate value.

Effect of return on assets (ROA) on firm value mediated by GCG

The results of this study found that return on assets has a significant positive effect on firm value. It can be explained that the higher the value of return on assets (ROA) generated by the company, the increase in firm value in Shariah commercial banks. Shariah commercial banks with a reasonably high ROA value will undoubtedly increase investor confidence in good corporate governance. Investors are confident to invest in these Shariah commercial banks and improve performance, resulting in an increased corporate value in banks. General Shariah.

Return on Asset (ROA) is the profitability ratio of a company. It can be measured by connecting the firm profitability from its main activities with the assets owned to generate company profits. It shows the company's financial performance on the capital invested in the total assets owned by the company. Firm value is the price a prospective buyer is willing to pay if the company is sold. Management's various policies to increase corporate value by increasing company owners' and shareholders' prosperity are reflected in share prices (Brigham & Houston, 2001). Meanwhile, good corporate governance is a set of regulations governing the relationship between holders, managers, creditors, government, and employees to create added value for all interested parties.

This study shows that the ROA value in Shariah commercial banks increases, followed by increased firm value because investor confidence in Shariah commercial banks increases. Investors assume that good performance will implement good corporate governance and increase corporate value for Shariah commercial banks.

The influence of company size on firm value mediated by GCG

The results of this study find that company size has a significant positive effect on firm value. It can be explained that the larger the size of the company produced using the company's total assets within one year, it will increase the firm value of Shariah commercial banks. The increase or decrease in the value of acquired assets will reflect its development, affecting investors' value.

According to Anthony and Nanik (2015), the greater the public share ownership as an aspect of good corporate governance, the greater the demand for control over management behavior. A good company's financial performance will have the effect of high company value. One of the ways to get high company profits is to maximize company value. The high value of the company measures the welfare of the stakeholders in the company. A significant relationship between financial performance and firm value will be seen if we look at each company's main objective: to maximize profit. An increase in profit shows that a company's financial performance has increased (Anthony & Nanik, 2015).

The results of this study indicate that company size has a direct effect on firm value. Firm size has an indirect effect on firm value through good corporate governance. This result shows that the larger the size of the company, the direct corporate value will affect. On the one hand, if the company's size is getting higher, good corporate governance will increase, indirectly affecting its value. This result is inseparable from stakeholders' demands to get a return rate from the investment that has been issued. It requires management to maximize profits so that the company's size will be better and profitable for investors. Increasing the company's attractiveness makes the company more attractive to investors because the profit level will be even greater. Therefore, company size is one of the factors that influence firm value.

The effect of risk management on firm value mediated by GCG

The results of this study found that risk management has a significant positive effect on firm value. It can be explained that the better the company applies risk management, the better the company value will increase in Shariah commercial banks. The republic of Indonesia law number 10 of 1998 defined a bank as a business entity that collects funds from the public in savings. It distributes them to the public in credit and other forms to improve people's living standards. According to Law no. 21 of 2008 concerning Shariah banking, Shariah bank is a bank that carries out business activities based on Shariah principles or Shariah law principles as stipulated in the Indonesian *ulema* council's *fatwa*. Bank Indonesia (BI) pays special attention to GCG and risk management implementation as the central bank. Besides, BI also issued regulations on the implementation of banking risk management to control banks' risks through PBI Number 11/25 / PBI / 2009 concerning amendments to PBI Number 5/8 / PBI / 2003 dated May 19, 2003, the application of risk management for commercial banks.

Risk management is essential to reduce potential losses and to achieve organizational goals. Risk management in banking is carried out against risks in several ways, namely credit, liquidity, capital, and operational risks. Credit risk is the bank's risk due to the debtor being unable to repay the loan principal and interest. The increase in non-performing loans caused income and profits to decrease, ROA and ROE also decreased (Purwanto, 2011). Therefore, banks need to improve their management of credit risk. The non-performing loans (NPL) level does not exceed Bank Indonesia (BI) regulations, a maximum of 5% of total loans.

Several studies, especially those related to GCG, found that GCG has an effect on the implementation of risk management in a bank, such as the results of research by Iannotta *et al.* (2007), Laevan and Levine (2009), their study concludes that the GCG mechanism can play a role. In increasing risk-taking so that bank-risk management will also improve. Besides affecting risk management, GCG can also help companies increase company value. Weir *et al.* (2002) found that internal and external governance mechanisms affect improving company performance. This result shows that the implementation of effective risk management will encourage good corporate governance.

Moreover, internal monitoring mechanisms (the board of directors, the composition of the board of commissioners, existence, and effectiveness of the audit committee) and external monitoring (proportion of independent commissioners, ownership structure), quality of audits, and threats of the takeover of the company) can encourage an increase in company performance at the Shariah commercial bank.

CONCLUSION AND RECOMMENDATIONS

Based on the research and discussion results and analysis conducted in the previous chapter, this chapter suggests the following research conclusions:

1. Return on assets (ROA) has a significant positive effect on GCG. The higher the return on assets (ROA) value generated by Shariah commercial banks, the better the implementation of GCG in these Shariah banks.
2. Company size has a significant positive effect on GCG. The higher the value of company size reflected in Shariah commercial banks' total assets, the better the implementation of GCG Shariah banks.
3. Risk management has a significant positive effect on GCG. The better the implementation of risk management in Shariah commercial banks, which is reflected in non-performing loans below 5%, the better the implementation of GCG in these Shariah banks.
4. Good corporate governance has a significant positive effect on firm value. This result means that the better the implementation of GCG in Shariah commercial banks, the better the company value in these Shariah commercial banks.
5. Return on assets (ROA) has a positive and significant effect on firm value mediated by GCG. This means that the increase in the ROA value generated by Shariah commercial banks will increase company value good corporate governance.
6. Firm size has a positive and significant effect on firm value mediated by GCG. This result shows that the increasing company size reflected in Shariah commercial banks' total assets will increase investor confidence in company performance. It impacts company value and the effectiveness of GCG implementation. Risk management positively and significantly affects firm value mediated by GCG. This result shows that the better the risk management implementation of Shariah commercial banks, the better the GCG and the ROA. The improvement of risk management implementation is reflected by an NPL ratio below 5%, the improved investor confidence in Shariah banks, resulting in increased corporate value and more effective implementation of GCG.

Concerning performance appraisal on return on assets (ROA), company size as a proxy through total assets and risk management leads to all-around performance. Further research can develop bank performance measurement from a financial and non-financial perspective in a balanced scorecard (BSC) concept. The practical implementation of good corporate governance (GCG) should be seen from more complex elements. This study only includes good corporate governance (GCG) elements from the directors, the commissioners, the independent commissioner, and the audit committee.

REFERENCE

Andawasatya, R., Indrawati, N. K., & Aisjah, S. (2017). The Effect of Growth Opportunity, Profitability, Firm Size to Firm Value through Capital Structure (Study at Manufacturing Companies Listed On the Indonesian Stock Exchange). *International Journal of Interdisciplinary Research*. 3 (2), 1887-1894.

Anthony, W & Nanik, L, (2015). The Effect of Financial Performance on Firm Value. *Finesta*. 3(1), 46-51.

Anwar, Oktaviani D, and Masodah. (2014). The Influence of Financial Performance on Firm Value with Managerial Ownership CSR Disclosure as a Moderating Variable. *Journal of Gunadarma University Depok*.

Brigham and Houston, (2010). *Fundamentals of Finance*, Book I (Edition 11) Jakarta: Salemba Empat

Brigham, E.F., and Houston, J.F (2011), *Essentials of Financial Management*, Edisi Kesebelas, Translation by Ali Akbar Yulianto, Salemba Empat, Jakarta.

Cadbury Committee. (1992). *Report of the Committee on the Financial Aspects of Corporate Governance*. London: Gee.

Demidenko, E. and Mcnutt, P. (2010). The Ethics Of Enterprise Risk Management As A Key Component Of Corporate Governance. *International Journal of Social Economics*, 37(10).

Dendawijaya, L. (2009). Banking Management Second Edition. Jakarta: Ghalia Indonesia.

Fahmi, I. (2015). *Introduction to Financial Management Theory and Question and Answer*. Bandung: Alfabeta.

Margaretha, F. (2011), *Financial Management for Non-financial Managers*, Erlangga Publisher, Jakarta.

Gibson. (2008). *Organizational behavior, Structure, and Process*. New York. Mc Graw hill Konopaske.

Ridwan. M and Gunardi, A. (2013). "The Role of the Corporate Governance Mechanism as a Moderator of Earning Management on Company Value." *Trikonomika Journal,* 12(1), 49–60.

Hanafi, M. (2008). *Financial management*. Edisi 1. Yogyakarta: BPFE

Hartono. (2008). *Portfolio Theory and Investment Analysis*. Fifth edition, BPFE Publisher, Yogyakarta.

Hidayat, A. A. (2014). *Research Methods and Technical Data Analysis*. Jakarta: Salemba Medika.

Iannotta, G, Noera, G and Sironi, A. (2007). "Ownership Structure, Risk, and Performance in the European Banking Industry." *Journal of Banking and Finance*.

Isnanta, R. (2016). The Effect of Corporate Governance and Ownership Structure on Earnings Management and Financial Performance. *Thesis.* Http://rac.uii.ac.id/server/dokumen/Public/2008087084504312069.pdf

Karadeniz E, Kandir Y.S, Iskenderoglu O, Onal B.Y. (2011). Firm Size and Capital Structure Decisions: Evidence From Turkish Lodging Companies. *International Journal of Economics and Financial Issues*, 1(1),1- 11.

Kasmir, (2014). *Financial Statement Analysis.* First Edition, Seventh Printing. Jakarta: PT. Rajagrafindo Persada.

Mardiana, (2018). The effect of risk management on financial performance with good corporate governance as a moderation variable. *Management and economics journal*, vol. 2, No, 3.

Margareta, F, and Setiyaningrum, D. (2011). The Effect of Risk, Management Quality, Size, and Bank Liquidity on the Capital Adequacy Ratio of Banks Listed on the Indonesia Stock Exchange. *Jurnal Akuntansi dan Keuangan*, 13 (1), 47-56.

Purwanto, W.H., (2011). *Banking Management Risk*. Jakarta: CMB PRESS.

Retherford. (2013). *Regression Analysis Case Theory and Solutions: Statistical Models For Casual Analysis*.

Riyanto., B. (2008). *Dasar-Dasar Pembelanjaan Perusahaan*. Yogyakarta: Penerbit GPFE

Saragih, J. L. (2018). The Effects of Return on Assets (ROA), Return on Equity (ROE), and Debt to Equity Ratio (DER) on Stock Returns in Wholesale and Retail Trade Companies Listed in Indonesia Stock Exchange. *International Journal of Science and Research Methodology*, 8(3). 348-367

Srihayati. (2015). The Effect of Banking Financial Performance on Firm Value Using the Tobin's Q Method in Banking Companies Listing in Kompas 100. *Academic Civitas Research Proceedings (Social and Humanities)*. Bandung Shariah University.

Soegiharto., (2005). *Role of Accountants in Enforcing Good Corporate Governance*. Genta Press. Yogyakarta.

Susilo, L. J. and Kaho, V. R. (2014). *Non-Banking Industry ISO 31000 Based Risk Management Guide*, Jakarta: PPM Publisher.

Torang, S., (2012). *Organizational Structure & Behavior Research Methods*. Bandung: Alfabeta.

Wachowicz. (2012). *Principles of Financial Management*. Thirteenth edition. Salemba Empat, Jakarta.

Weir, C, Laing, D., and McKnight. P. J. (2002). Internal and External Governance Mechanism: Their Impact on The Performance of Large UK Public Companies. *Journal of Business Finance and Accounting*, 29 (5), 1-50.