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RESPOND OJK REGULATION NUMBER 55: CAN GOOD CORPORATE GOVERNANCE AFFECT BANKS CREDIT RISK IN INDONESIA?

Siswantoro[1*]
[1]Universitas Negeri Semarang, Kampus Sekaran Gunungpati Semarang, Indonesia
[*]Korespondensi: siswantoro27@students.unnes.ac.id

ABSTRACT

Efforts to reduce the number of non-performing loans continue to be carried out, one of which is by enforcing the rules regarding good corporate governance as enshrined in POJK Number 55/POJK.03/2016. The purpose of this study is to respond to these regulations by testing whether the attributes of good corporate governance can influence bank credit risk. The total population is 44 established banking companies with three years from 2017 to 2019. The data analysis technique uses descriptive statistical analysis and partial hypothesis testing. The results showed that the size of the Board of Directors and the size of the Risk Monitoring Committee harmed credit risk. Meanwhile, the size of the Board of Commissioners, the proportion of Independent Commissioners, the meeting of the Board of Commissioners, and the size of the Audit Committee does not significantly influence bank credit risk.

***Keywords**: Good Corporate Governance, POJK Number 55/POJK.03/2016, Credit Risk*

ABSTRAK

Upaya untuk menekan jumlah kredit bermasalah terus dilakukan, salah satunya adalah dengan memberlakukan aturan mengenai *good corporate governance* yang termaktub dalam POJK Nomor 55/POJK.03/2016. Tujuan penelitian ini adalah untuk merespon aturan tersebut dengan menguji apakah atribut *good corporate governance* mampu memengaruhi risiko kredit bank. Jumlah populasi di dalam penelitian ini sebanyak 44 perusahaan perbankan konvensional terdaftar Bursa Efek Indonesia dengan rentang waktu selama 3 tahun dari 2017 sampai 2019. Teknik analisis data menggunakan analisis statistik deskriptif dan uji hipotesis parsial. Hasil penelitian menunjukkan bahwa ukuran Dewan Direksi dan ukuran Komite Pemantau Risiko berpengaruh negatif terhadap risiko kredit. Sementara itu, ukuran Dewan Komisaris, proporsi Komisaris Independen, rapat Dewan Komisaris dan ukuran Komite Audit tidak memiliki pengaruh yang signifikan terhadap risiko kredit bank.

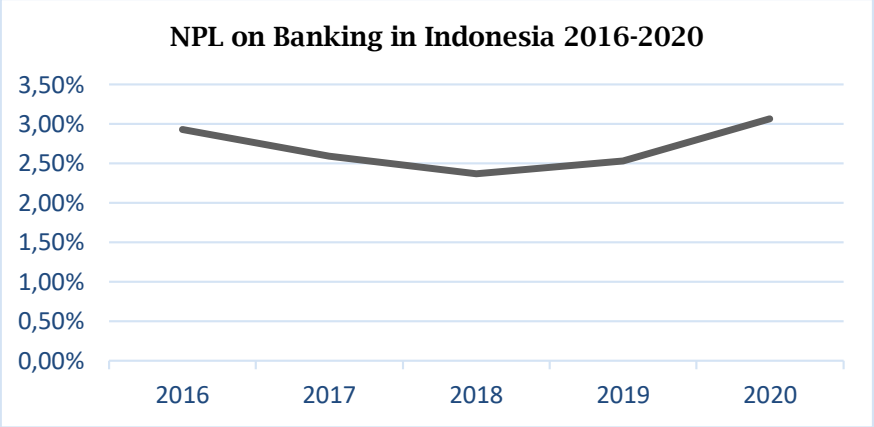
Kata kunci: Good Corporate Governance, POJK Nomor 55/POJK.03/2016, Risiko Kredit

INTRODUCTION

The banking industry will never be separated from various threatening risks, including credit risk. This is because banks have an intermediary function whose job is to collect funds from the public in the form of savings, current accounts or deposits and channel them back in the form of credit or loans. Customers who are indicated to be unable to repay their loans to the bank will impact increasing credit risk, ultimately making the bank lose money.

Currently, the study of bank credit risk has become an exciting subject to be studied in more depth. This is because banking is one of the country's foundations that has the potential to affect the stability of the national economy. If banks cannot control non-performing loans, it may impact more worrying risks such as the economic crisis. The increasing number of non-performing loans will become a different problem for a bank. This condition will affect operational activities due to jammed money circulation, which causes bank liquidity to decrease (Bastomi et al., 2017). By considering these potential losses, proper management of non-performing loans from the company's internal parties is needed to prevent this.

Bank Indonesia (BI), as the regulator of all regulations regarding banking, has set criteria regarding the threshold for the number of non-performing loans that are still categorized as safe, namely a maximum of 5% of the total loans disbursed. These criteria are stated in BI Regulation Number 15/2/PBI/2013. Meanwhile, OJK data shows that the number of non-performing loans (NPL) at banks in Indonesia in the last five years has been confirmed to have fluctuated. However, it is still below 5% by BI regulations. According to data from OJK, the following is a graph of NPL developments in the last five years.



Source: OJK, 2016-2020

Graph 1. Data of NPL on banking in Indonesia 2016-2020

Based on the data presented in Graph 1, the NPL figure for banks in Indonesia tends to experience ups and downs. In 2016, the NPL figure was recorded at 2.93%, which decreased in the following two years to 2.59% in 2017 and 2.37% in 2018. The NPL figure then increased again at 2.53% in 2019 and touched 3.06% in the 2020 period. Based on the data analysis, although the Indonesian banking NPL figure is still below 5% and has complied with BI regulations, the movement shows an inconsistent pattern.

Hussain et al (2019) stated that most of the non-performing loans that showed a pattern that was difficult to predict needed a more in-depth study. This can be done by managing and monitoring credit quality regularly. This effort is made to create an early warning system that can warn the company's ranks about the potential for banks to experience financial stress, which will prevent the potential for a more systemic crisis. From this opinion, it can be concluded that although the credit risk figures show low risk at one time, a more structured credit management is still

needed by the company's management. This is due to the unpredictable nature of credit risk by banks.

OJK, as one of the institutions tasked with regulating and supervising all activities in the financial sector, including banking, is well aware of the impact of the number of non-performing loans that cannot be controlled at any time. To that end, in 2016, OJK has issued regulations to address bank risk issues as stated in POJK Number 55/POJK.03/2016. The essence of enacting this regulation is to force the entire banking industry in Indonesia to implement a more orderly implementation of corporate governance so that companies are expected to overcome various risks that will be faced, including credit risk, through better risk management. Banks that have implemented suitable business governance mechanisms should overcome and minimize the increasing credit risk.

POJK Number 55/POJK.03/2016 exists with the aim that all banks in Indonesia can carry out business governance mechanisms that have been regulated in such a way by OJK. Some of the attributes that OJK focuses on in the regulation are the rules regarding the number of the Board of Directors [Article 4 (1)], the number of the Board of Commissioners [Article 23(1)], the proportion of Independent Commissioners [Article 24(2)], Board of Commissioners meetings [Article 24(2)]. 37 (1), the Audit Committee [Article 41(1)], and the Risk Monitoring Committee [Article 42(1)]. Banks must comply with these regulations to create more regular business governance. Banks have sufficient strength to face various risks that may arise, including uncontrolled credit risk.

In line with these regulations, various previous studies have explored the influence of various determinants in corporate governance mechanisms on credit risk. Some of the attributes in good corporate governance that most of the earlier researches are interested in are the Board of Commissioners, Independent Commissioners and the Board of Directors (Saadaa, 2017);(Lu & Boateng, 2018); (Moussa, 2019); (Switzer & Wang, 2013); (Annisa & Wardhani, 2017); (Aryani, 2019); (Atika et al., 2020);(Ana et al., 2021) (Maria, 2014); (Mathew et al., 2017); (Setyawati, 2016) and (Widiastuty, 2018). Most of these studies formulate evidence that if a company has a large enough number of members of the Board of Commissioners, Independent Commissioner or Board of Directors, then the company has sufficient strength to manage credit risk so that it becomes lower.

In addition, other factors, including activities involving board members such as the frequency of the Board of Commissioners' meetings, are also not spared from previous research studies to predict their effect on credit risk. This can be found in research on Yatim (2009); Bennett (2013); Widiastuty (2018); and Honey et al (2019). The Board of Commissioners, which regularly holds meetings to discuss the company's progress, including the prevention of high credit risk, has implemented an excellent corporate governance mechanism. This condition should also impact better management of non-performing loans, which ultimately reduces the number of non-performing loans.

The committees under the auspices of the Board of Commissioners or the Board of Directors have recently become an interesting issue to examine their influence on credit risk as found in the research Stefanelli & Matteo (2012); Ratih & Dwi (2013); Poudel & Hovey (2012); Annisa & Wardhani (2017); (Ahmad et al., 2021)Atika et al (2020); Maria (2014); Widiastuty (2018) and Saadaa (2017) who examines the impact of the Audit Committee and the Risk Monitoring Committee on credit risk. These studies predict that companies that have many Audit Committees or Risk Monitoring Committees can assist the Board of Commissioners or Board of Directors in preventing the increase in bank credit risk.

Some of these studies have found empirical evidence that components in corporate governance can influence the bank's credit risk, although some show

insignificant results. However, if observed more closely, most of the previous research, especially in Indonesia, has not yet linked it to existing regulations. Most of the previous studies only examined separately what determinants of business governance could impact bank credit risk, and none linked it to code. The OJK has issued a regulation on corporate governance mechanism, summarized in POJK Number 55/POJK.03/2016, which will be a more exciting study when linked to this rule.

Based on the gap phenomenon and previous research studies, it can be seen that the factors in the dimensions of good corporate governance that affect credit risk are worthy of further investigation. However, apart from having this objective, this research also intends to link it to the POJK regulation Number 55/POJK.03/2016 regarding the business governance system in banking companies. Another explicit goal, this research also confirms how many banking companies targeted by POJK No. 55/POJK.03/2016 have complied with the regulation.

RESEARCH METHOD

Approach and Design of Research

The type of research used in this study is quantitative. This is because the data used are numbers, which will be processed using quantification methods and statistical procedures to produce a finding. Meanwhile, this research design uses a clause approach, defined as a casual approach to the relationship between variables. This study will prove whether the six independent variables used are the size of the Board of Directors, the size of the Board of Commissioners, the proportion of Independent Commissioners, the meeting of the Board of Commissioners, the Audit Committee and the Risk Monitoring Committee can influence the dependent variable of bank credit risk.

Population, Sample and Sampling Technique

The population in this study were all conventional banks listed on the Indonesia Stock Exchange in 2017-2019, with a total of 45 companies. This study uses banking companies as the object of research because of the only industry that has a high enough credit risk in banking. Meanwhile, the research period from 2017-2019 was chosen because these years were the year after the POJK regulation Number 55/POJK.03/2016 were enacted. This study intends to respond to the regulation by testing whether the regulatory attributes can influence bank credit risk. After the sample selection process was carried out, only 32 samples were left that met the criteria so that 96 units of final analysis were obtained.

Data Collection Technique

This study used documentation techniques in obtaining research data. The data was obtained by downloading the annual report of banking companies for the period 2017-2019 from the official website of the Indonesia Stock Exchange, namely www.IDX.co.id. The data obtained is then tabulated and calculated using Microsoft Excel by measuring the variables used so that data are accepted in the form of values or numbers that can be analyzed further.

Data Analysis Technique

The data analysis technique used in this study consisted of two analyzes, namely descriptive statistics and inferential statistics, while the analytical tool assisted by SPSS version 21. Descriptive statistics are helpful in terms of explaining the data in detail, which is also used as a reference to confirm how many banks or units of analysis there are who have complied with the applicable credit risk or corporate governance regulations. Meanwhile, inferential statistical analysis was used to study the hypothesis, which consisted of two testing steps.

Before testing the hypothesis, the regression model must first pass a series of classical assumption tests consisting of normality, multicollinearity, heteroscedasticity, and autocorrelation. The normality test was carried out using the Kolmogorov Smirnov method. The multicollinearity test was carried out by looking at the VIF and tolerance values. The heteroscedasticity test was carried out using the white test, and the run test carried out the autocorrelation test. After passing the classical assumption test, the hypothesis was tested using a partial statistical t-test with a multiple regression method.

RESULT AND DISCUSSION

Descriptive Statistical Analysis Results

The results of the descriptive statistical analysis are presented in Table 1 as follows:

Table 1. Descriptive Statistical Analysis Results

Descriptive Statistics					
	N	**Mean**	**Criteria**	**Unit Does not Comply**	**Percentage**
Size_BC	96	4,92	≥ 3	8	8,3%
Prop_IC	96	,5789	≥ 0,5	0	0%
Size_BD	96	6,52	≥ 3	0	0%
Meet_BC	96	13,77	≥ 4	3	3,1%
Size_AC	96	3,93	≥ 3	0	0%
Size_RMC	96	4,69	≥ 3	0	0%
Cre_Risk	96	,0239594	≤ 0,05	2	2,08%
Valid N (listwise)	96				

Based on the descriptive statistical analysis results, it can be seen that N, which shows the number 96, is the total unit of analysis used in this study. The dependent variable credit risk has an average value of 2.39% or lower than the criteria for the BI regulation Number 15/2/PBI/2013 of 5%. However, there are 2 (2.08%) units of analysis that are still above 5%. The variable size of the Board of Commissioners has a mean value of 4.92 and is still above the regulation of POJK No. 55/POJK.03/2016, which requires a minimum of 3 board members, but unfortunately, eight units (8.3%) have not complied with this rule. Furthermore, the Independent Commissioner variable has an average value of 57.89% or still above the provisions of POJK Number 55/POJK.03/2016, which requires banks to have an Independent Commissioner proportion of 50%. The average value of the size of the Board of Directors was recorded at 6.52 or far above the minimum standard of the provisions of POJK Number 55/POJK.03/2016, as many as three members of the Board of Directors must be in banking.

The variable of the Board of Commissioners meeting has an average of 13.77. This means, in one year, the Board of Commissioners has held 13 to 14 internal meetings. This figure is far above the standard set by POJK No. 55/POJK.03/2016, which requires the Board of Commissioners to meet at least four times in one period. There are still 3 (3.1%) units of analysis that are recorded as less than the minimum standard for the number of meetings. Next, the average value of the size of the Audit Committee is summarized at 3.93, slightly higher than the minimum number of Audit Committees in banking which is set at three members. Finally, the variable size of the Risk Monitoring Committee has an average value of 4.69 or greater than the minimum standard set, which is three members as stated in POJK Number 55/POJK.03/2016.

Normality Test Results

The normality test in this study used the Kolmogorov Smirnov method. The basis for decision making is if the Asymp value. Sig (2 tailed) is greater than 0.05,

then the data passes the normality test. The results of the normality test can be seen in Table 2 as follows:

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		96
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,01516822
Most Extreme Differences	Absolute	,108
	Positive	,108
	Negative	-,073
Kolmogorov-Smirnov Z		1,061
Asymp. Sig. (2-tailed)		,211

a. Test distribution is Normal.
b. Calculated from data.

Based on the information presented in Table 2 above, it can be seen that the Asymp value. Sig (2 tailed) is 0.211 or greater than 0.05, so the data is normally distributed and the first classical assumption test is fulfilled.

Multicollinearity Test Results

The multicollinearity test was carried out by looking at the VIF and tolerance values, where if the VIF value was 10 and the tolerance was 0.10, the research data did not show multicollinearity. The results of the multicollinearity test can be seen in Table 3 below:

Table 3. Multicollinearity Test Results

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Size_BC	,251	3,982
	Prop_IC	,862	1,160
	Size_BD	,279	3,585
	Meet_BC	,602	1,662
	Size_AC	,416	2,403
	Size_RMC	,410	2,440

a. Dependent Variable: Unstandardized Residual

Based on the results of the multicollinearity test above, it can be seen that all non-bound variables have a tolerance value of 0.10 and VIF 10 which at the same time ensures that the data is far from multicollinearity symptoms.

Heteroscedasticity Test Results

Heteroscedasticity test was carried out using the white test method. The white test is done by regressing the residual square with the independent variable so that the R Square value is obtained. This value is then multiplied by the number of analysis units (N) to produce a Chi-Square number. In order to be free from heteroscedasticity symptoms, the Chi Square value must be smaller than the Chi Square table. The following are the results of the heteroscedasticity test.

Table 4. Heteroscedasticity Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,263[a]	,069	,006	,00050

a. Predictors: (Constant), Size_BC, Prop_IC, Size_BD, Meet_BC, Size_AC, Size_RMC

The results of the heteroscedasticity test confirmed that the R Square value was 0.069 so that the calculated Chi Square value was obtained at 6.624 which is the result of multiplying the R Square value with N. The Chi Square value table with a significance level of 5% and the value df = k-1 = 6-1 = 5 is equal to 11,070. This shows that the calculated Chi Square value is smaller than the Chi Square table which means that the data is free from heteroscedasticity symptoms.

Autocorrelation Test Results

The autocorrelation test was carried out using a run test. If the Asymp value. Sig (2 tailed) in the Run Test Table is greater than 0.05, then the data passes the autocorrelation test. The results of the autocorrelation test can be seen in Table 5 as follows:

Table 5. Autocorrelation Test Results

Runs Test

	Unstandardized Residual
Test Value[a]	-,00377
Cases < Test Value	48
Cases >= Test Value	48
Total Cases	96
Number of Runs	39
Z	-2,052
Asymp. Sig. (2-tailed)	,054

a. Median

Based on the results of the autocorrelation test, it can be seen that the Asymp value. Sig (2 tailed) is 0.054 or greater than 0.05 so that the data passes the autocorrelation test.

Hypothesis Test Results

After fulfilling the classical assumption test, the data can be said to be feasible for further testing, namely partial hypothesis testing on each independent variable. Partial hypothesis testing is done by looking at the significance value of each non-bound variable. This study uses a significance level of 5% and 10%. If the significance value of each independent variable is less than 5% or 10%, then the hypothesis is accepted which means that the independent variable affects the dependent variable credit risk. Meanwhile, the direction of influence is guided by Column B in the Coefficients Table, which if it shows a negative number, the direction of influence is negative, and vice versa. The results of hypothesis testing are summarized in Table 6 as follows:

Table 6. Hypothesis Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Result
		B	Std. Error	Beta			
1	(Constant)	,045	,013		3,544	,001	
	Size_BC	,001	,002	,114	,581	,563	Rejected
	Prop_IC	-,016	,020	-,089	-,838	,404	Rejected
	Size_BD	-,002	,001	-,315	-1,687	**,095****	**Accepted**
	Meet_BC	0,00007157	,000	,056	,436	,664	Rejected
	Size_AC	,002	,002	,154	1,004	,318	Rejected
	Size_RMC	-,003	,002	-,298	-1,931	**,047***	**Accepted**

a. Dependent Variable: Cre_Risk

*) Level of significance 5%, **) Level of significance 10%

Based on the results of partial hypothesis testing, it can be concluded that 2 of the 6 hypotheses proposed in this study are accepted. The two hypotheses are the third hypothesis and the sixth hypothesis. This is because the significance level of

the 2 variables in the 2 hypotheses is lower than the 5% and 10% confidence levels and the direction of their influence shows a negative effect in accordance with the proposed hypothesis. Meanwhile, the other four hypotheses were rejected because they did not meet the basis for decision making.

Discussion

The Influence of Board of Commissioners Size on Credit Risk

The results of the t-statistical hypothesis test for the variable size of the Board of Commissioners showed a B value of 0.001, while the significance level was above 5% and 10%, namely 0.563. These results provide evidence that the first hypothesis which states that the size of the Board of Commissioners affects credit risk is rejected. The large or small number of the Board of Commissioners in the company is not able to affect the credit risk of the bank.

Governance reforms in many countries recommend a relatively large number of the Board of Commissioners because it will result in effective monitoring so that company performance can be improved (Gaur et al., 2015) which should also drive credit risk to a lower level. Based on the results of descriptive statistical analysis, as many as 91.7% of the analysis units have complied with the rules of POJK No. 55/POJK.03/2016 with an average score of 4.92. This means that the average bank in Indonesia already has 4 to 5 members of the Board of Commissioners and has met the minimum standards of the OJK. This should be able to support the monitoring system on the ratio of non-performing loans, which in turn can reduce credit risk. However, the results of this study reject this assumption.

Annisa & Wardhani (2017) found evidence that the effectiveness of the Board of Commissioners as measured by the number of board members directly has not been sufficient to assist companies in conducting credit assessments and controlling in lending to customers which affects the high and low levels of bank NPL. This means that the number of Board of Commissioners in a company that tends to be large does not necessarily affect the company's policy in managing credit. This is because all policies relating to lending to customers still rely on the company's management. The results of this study are in line with Annisa & Wardhani (2017); Atika et al (2020), and Widiastuty (2018) studies who stated that the size of the Board of Commissioners had not a significant influence to bank credit risk.

The Influence of the Proportion of Independent Commissioners on Credit Risk

The second hypothesis states that a high proportion of Independent Commissioners can reduce bank credit risk. The results of hypothesis testing summarized in Table 4.5 state that the value of B in the Coefficiens Table shows a negative direction of -0.016, but the significance level is still above 10%, amounting to 0.404. Thus, the second hypothesis is rejected, which means that the high and low proportion of Independent Commissioners is unable to influence bank credit risk.

POJK Regulation Number 55/POJK.03/2016 states that banks are required to have a minimum proportion of Independent Commissioners at least half of the total Board of Commissioners. Based on the results of descriptive statistical analysis, all units of analysis have complied with these rules. This means that most of the members of the Board of Commissioners of banking companies in Indonesia are currently dominated by independent parties. The large proportion of Independent Commissioners should be able to assist in increasing more objective supervision, because they come from external parties to the company. An increase in effective supervision can assist companies in carrying out good risk management so that it will encourage the number of non-performing loans to be low. However, the results of this study contradict this statement.

Situmorang & Hadiprajitno (2016) stated that a large proportion of Independent Commissioners has the possibility to hinder coordination between the board of commissioners so that it is not effective in conducting monitoring. Meanwhile, a smaller proportion will actually improve internal communication and increase oversight of company policies. A large number of the Board of Commissioners does not necessarily increase supervision because members of the Independent Commissioner do not guarantee that they will be able to implement effective corporate governance (Darmadi, 2013) so that it does not have an impact on the bank's credit risk. This research is in line with Maria (2014) study who stated that the proportion of Independent Commissioners does not have an influence on bank credit risk.

The Influence of Board of Directors Size on Credit Risk

The results of the hypothesis test of the effect of the size of the Board of Directors on credit risk as stated in the third hypothesis indicate that the B value is -0.002, while the significance level is below the 10% confidence level of 0.095. Thus, the third hypothesis is accepted. This means that the larger the size of the Board of Directors, the lower the credit risk.

The official OJK regulations regarding the minimum number of Board of Directors in banking companies are 3 board members as stipulated in POJK Number 55/POJK.03/2016 have been implemented by all companies. This indicates that all banks have met the minimum standard in terms of the quantity aspect of the Board of Directors so that the company can use it in anticipating bank risks, including credit risk. The results of this study are able to answer this statement.

Setyawati (2016) stated that the larger the size of the Board of Directors in a company, it means that there will be more competent professionals in anticipating the constraints and risks faced by the company, including credit risk. Article 6 (2) in POJK Number 55/POJK.03/2016 states that the majority of members of the Board of Directors in a company must have at least 5 years of operational experience related to banks. With experience in this operational field, the Board of Directors will be able to deal with technical constraints related to bank operational activities, including credit risk management. With the increasing number of members of the Board of Directors, the company's decision making and crucial policies related to risk management will be more effective and efficient (Aryani, 2019). This research is in line with Aryani (2019); Lu & Boateng (2018); Moussa (2019) and Setyawati (2016).

The Influence of the Number of Meetings of the Board of Commissioners on Credit Risk

The fourth hypothesis formulates the statement that the more the Board of Commissioners holds meetings, the lower the bank's credit risk. The results of the statistical t test prove that the B value in the Coeficients Table shows a positive direction of 0.00007157, while the significance level is above the 10% confidence level of 0.664. Thus, the fourth hypothesis is rejected. This means that the number of meetings of the Board of Commissioners does not affect the bank's credit risk.

Article 37 (1) in POJK Number 55/POJK.03/2016 has stipulated that the Board of Commissioners must hold internal meetings at least 4 times in one period. Based on the results of descriptive statistical analysis, there are only 3 (3.1%) of the 96 units of analysis that have not complied with these rules, while the rest have met at least 4 members of the Board of Commissioners in accordance with OJK regulations. Meanwhile, in one period the average number of meetings of the Board of Commissioners is around 13 to 14 times. The existence of a rule regarding the minimum number of meetings is intended so that the Board of Commissioners can be more regular and frequent in monitoring and supervising the company through the meeting agenda. This effective monitoring will assist the company in

implementing better risk management, so credit risk should be lower. However, the results of this study do not support this argument.

The results of this study are in line with Widiastuty (2018) who revealed that the number of meetings of the Board of Commissioners is not able to directly affect bank credit risk. This happens because the Board of Commissioners only functions as a supervisor for bank operational activities. Although most of the Board of Commissioners in banking have conducted a number of meetings in accordance with OJK standards, these meetings tend to only comply with applicable regulations.

The Influence of Audit Committee Size on Credit Risk

The results of the hypothesis test of the size of the Audit Committee on credit risk were declared rejected. This is because the level of significance for these variables is still above the research confidence level of 10%, namely 0.318, while the direction of influence shows the number 0.002. This means that the number of members of the Audit Committee is not significant in influencing bank credit risk.

The Audit Committee has a crucial function in improving supervision of various bank risks. They are to ensure that the financial reports presented to external parties must be of high quality (Siswantoro, 2021), while at the same time assisting the Board of Directors in assessing credit quality, so that credit risk can be controlled (Stefanelli & Matteo, 2012). For this reason, the number of Audit Committees has been legally regulated in POJK Number 55/POJK.03/2016, where banks are required to have a minimum number of 3 Audit Committees. The results of descriptive statistical analysis show that all units of analysis have complied with these rules, with an average number of 3.93. This means that, on average, all banks already have 3 to 4 members of the Audit Committee, which should be able to create increased supervision of disbursed loans which in turn will encourage non-performing loans to be suppressed. However, this study silences that statement.

Maria (2014) argued that most banks only comply with the demands of the rules in terms of meeting the minimum number of Audit Committees. This encourages the level of supervision and examination of company risk to be less effective so that it is unable to reduce the number of non-performing loans. However, the results of the tabulation of data found that 41 (42.71%) of the 96 units of analysis only met the minimum standard for the number of Audit Committees set, which was 3 members. This further strengthens the argument that the company only fulfills the demands of the regulations, without being accompanied by an increase in the quality of supervision and better risk assessment. The results of this study are in line with the research of Annisa & Wardhani (2017), Maria, (2014), Widiastuty (2018) and Saadaa (2017).

The Influence of Risk Monitoring Committee Size on Credit Risk

The results of hypothesis testing for the variable size of the Risk Monitoring Committee indicate that the significance level for this variable is 0.047 or less than the 5% research confidence standard, while the direction of the coefficient indicates a negative direction of -0.003. Thus, the size of the Risk Monitoring Committee has a significant effect in minimizing credit risk.

Article 42 (1) in POJK Number 55/POJK.03/2016 regulates the minimum number of the Risk Monitoring Committee, which is 3 members. Based on the results of descriptive statistical analysis, all units of analysis have complied with these rules. Meanwhile, the average value of the variable size of the Risk Monitoring Committee is 4.69, which indicates that during the research period, banks already had 4 to 5 members of the Risk Monitoring Committee.

The existence of the Risk Monitoring Committee is considered quite important by the company. The Risk Monitoring Committee was established with the aim of assisting the Board of Commissioners in assessing and supervising bank risks. The

more the number of Risk Monitoring Committees in the company, the faster and more efficient the company will be in assessing and managing the various risks it faces, including credit risk. This will encourage a lower level of credit risk. The results of this study support previous studies conducted by Atika et al (2020) dan Saadaa (2017) who both found that the size of the Risk Monitoring Committee had a negative effect on bank credit risk

SIMPULAN

Based on the results of hypothesis testing and analysis results, it can be concluded that the attributes of good corporate governance in POJK Number 55/POJK.03/2016 which were found to have a negative effect on bank credit risk are the size of the Board of Directors and the size of the Risk Monitoring Committee. Meanwhile, other attributes such as Size of the Board of Commissioners, Proportion of Independent Commissioners, number of meetings of the Board of Commissioners and Size of the Audit Committee do not have a significant influence on credit risk. Based on the results of descriptive statistical analysis, it can be seen that the majority of companies have complied with all the rules contained in POJK Number 55/POJK.03/2016 regarding attributes in the business governance system and BI Regulation Number 15/2/PBI/2013 concerning the minimum limit for the number of non-performing loans. However, there are 8 units of analysis that have not met the minimum standard for the number of the Board of Commissioners and as many as 3 units of analysis have not met the minimum number of meetings of the Board of Commissioners in one period. Meanwhile, there are still 2 units of analysis that have a non-performing loan ratio of more than the established standard of 5%.

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