

# The Influence of Capital Adequacy Ratio and Governance on Financial Performance at PT. Bank Raya Indonesia Tbk

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## ABSTRACT

This study aims to examine the influence of Capital Adequacy Ratio (CAR) and Good Corporate Governance (GCG), measured by the number of directors and independent commissioners, on the financial performance of PT Bank Raya Indonesia Tbk. Employing a quantitative approach with a descriptive-verify method, the research uses secondary data from the bank's audited annual financial reports between 2017 and 2023. The population of this study comprises all bank published financial statements, while the sample is selected through purposive sampling based on data availability and completeness. Data were analyzed using multiple linear regression with SPSS software. The findings indicate that CAR and the number of directors significantly influence the bank's financial performance, while the number of independent commissioners does not show a significant effect. These results highlight the importance of capital strength and effective leadership structure in enhancing financial outcomes, providing valuable insights for banks undergoing digital transformation and facing increasing industry competition.

**Keywords:** Capital Adequacy Ratio, Good Corporate Governance, Board of Directors, Independent Commissioners, Financial Performance.

## I. Introduction

The banking sector in Indonesia plays a strategic role in supporting the national economy. As a financial intermediary, banks are primarily responsible for collecting public funds and redistributing them through credit to support economic growth (Pandia, 2012; Fauzan, 2019). This role is not merely a provider of financial services but also a key driver of the stability of the national financial system that supports the real sector. In this context, the health and sustainability of the banking sector are imperative to support Indonesia's sustainable economic development.

Bank financial performance is one of the leading indicators in measuring the effectiveness of this role (Pandia, 2012; Oktaviani et al., 2024). Good performance reflects the bank's ability to manage its assets to optimally generate income and profit, which is typically measured through profitability ratios such as Return on Assets (ROA) (Anik et al., 2021). Banks that maintain strong financial performance increase their competitiveness and strengthen public and investor confidence (Fatihudin & Mochklas, 2018; Oktaviani et al., 2024). Conversely, a decline in financial performance may trigger a loss of confidence among stakeholders, including investors and customers, thereby threatening the stability of the bank itself (Agustiningih et al., 2016; Nurazi et al., 2020).

The national banking industry does not escape challenges arising from both internal and external dynamics. The rapid development of financial technology and digital banking services has intensified competition among banks, compelling each institution to continuously innovate and improve its performance to remain relevant (Oktaviani et al., 2024). These challenges have been exacerbated by global crises and the COVID-19 pandemic, which placed extraordinary pressure on the financial sector's stability (Beck, 2020). Nevertheless, Indonesia's banking sector has demonstrated considerable resilience, thanks to responsive policies from financial authorities and the consistent strengthening of capital buffers (OJK, 2021; Santioso, 2023). This reinforces the argument that maintaining and improving financial performance is a strategic imperative in the face of global economic uncertainties (Oktaviani et al., 2024).

The Capital Adequacy Ratio (CAR) is one of the crucial pillars in strengthening a bank's resilience against financial risks. CAR reflects the bank's capacity to absorb potential losses from its operational activities (Dendawijaya, 2015; Sari & Riharjo, 2021). Banking regulations require every bank to maintain a minimum level of CAR to ensure the bank has an adequate capital buffer to face credit or market risks (Bank Indonesia, 2011). The higher the CAR level, the greater the bank's capacity to withstand financial pressure, thus safeguarding its operational continuity in crises such as the COVID-19 pandemic (Santioso, 2023). In line with this view, several previous studies have shown that CAR significantly influences bank financial performance. Research by Suciati and Kurniawan (2022) indicated that a strong CAR contributes significantly to the stability of bank financial performance. Similarly, Fauzan (2019) emphasized that CAR has a significant positive relationship with ROA, underscoring the importance of capital strengthening in maintaining bank profitability. Furthermore, findings by Mulyanti et al. (2023) reinforced this result by stating that CAR positively contributes to the financial performance of Islamic banking. However, contrasting results have also been found in other studies. In their study, Sari et al. (2020) revealed that CAR does not significantly influence the financial performance of Islamic commercial banks. These findings suggest that the effectiveness of CAR in driving financial performance is contextual, heavily influenced by the bank's internal characteristics and external conditions. Therefore, it is important to continue examining the influence of CAR in various situations to gain a more comprehensive understanding.

Apart from capital adequacy, good corporate governance (GCG) is equally important in maintaining and enhancing financial performance in banks. GCG is a set of governance principles that include transparency, accountability, responsibility, independence, and fairness in corporate management (Effendi, 2009; Sari & Riharjo, 2021). Properly implementing GCG is believed to improve public and investor trust, strengthen internal oversight, and promote efficient bank management (Supriadi et al., 2021).

Several studies provide empirical evidence of the positive influence of GCG on bank financial performance. In their research, Nadila and Annisa (2021) found that GCG significantly influences Islamic banks' financial performance in Indonesia, particularly through the effectiveness of the board of commissioners and the audit committee in supervisory functions. Likewise, Supriadi et al. (2021) stated that the effective implementation of GCG can enhance bank profitability, as reflected in the improvement of ROA. In the same vein, Mulyanti et al. (2023) also noted that GCG implementation significantly contributes to improving the financial performance of Islamic banking. Strong governance practices enhance management efficiency and create added value for the company by reducing operational risk and increasing stakeholder confidence. However, other studies have revealed variations in findings regarding the influence of GCG on bank financial performance. In their research, Sari et al. (2020) found that Islamic Corporate Governance does not significantly impact the financial performance of Islamic commercial banks, indicating that the effectiveness of GCG is highly dependent on contextual factors such as organizational culture and management's commitment to its implementation. Fadhill and Riza (2020) also found similar results in BNI Syariah, where GCG implementation had yet to significantly impact ROA, highlighting the need to strengthen oversight components and internal governance.

PT Bank Raya Indonesia Tbk, a subsidiary of PT Bank Rakyat Indonesia (Persero) Tbk, which is currently transforming into a digital bank, is a highly relevant object of study in this context. The ongoing transformation requires the strengthening of capital structure and the more effective implementation of GCG

to ensure the sustainability of the bank's financial performance amid the intense competition within the banking industry (OJK, 2023). Considering the various findings from previous research that indicate differing conclusions regarding the influence of CAR and GCG on bank financial performance, this study is designed to explore further how these two variables affect the financial performance of PT Bank Raya Indonesia Tbk. By focusing on a bank undergoing digital transformation, this research is expected to provide both academic and practical contributions to understanding the strategic roles of capital adequacy and corporate governance in maintaining the stability and sustainability of banking businesses. Furthermore, the results of this research are expected to enrich the literature concerning the determinants of banking financial performance in Indonesia and offer practical recommendations for the management of PT Bank Raya Indonesia Tbk in efforts to strengthen capital and implement more effective corporate governance. Thus, this research will contribute to theoretical advancement and managerial practice in facing the challenges of digitalization and increasingly complex global competition in the banking industry.

## II. Literature Review

### 2.1. Capital Adequacy Ratio

The Capital Adequacy Ratio (CAR) is a key indicator for assessing a bank's financial health and stability. This ratio measures the extent to which a bank's capital can cover potential losses arising from its operational activities, particularly in the face of problematic loans or market fluctuations (Dendawijaya, 2015). According to Susilowati and Tiningrum (2019), CAR reflects a bank's ability to maintain sufficient capital and management's competence in identifying, measuring, monitoring, and controlling risks that may affect the required capital level. In other words, the higher the CAR value, the greater the bank's ability to absorb losses and ensure business continuity. Banking regulations in Indonesia stipulate a minimum CAR standard of 8% as per Bank Indonesia regulations, aimed at maintaining the stability of the national banking industry (Bank Indonesia, 2011; Susilowati & Tiningrum, 2019). The enforcement of this minimum threshold is not merely to comply with regulatory obligations but also demonstrates the bank's preparedness to face potential risks that could threaten its solvency. Suciati and Kurniawan (2022) emphasize that banks with a high CAR tend to maintain more stable financial performance because sufficient capital provides a buffer against emerging financial risks. In general, the formula for calculating the Capital Adequacy Ratio (CAR) is as follows:

$$\text{CAR} = \left( \frac{\text{Bank Capital}}{\text{Risk-Weighted Assets}} \right) \times 100\%$$

This formula illustrates that CAR is derived from the comparison between the capital owned by the bank and the total assets that have been adjusted based on the risk associated with each asset. The larger the available capital relative to the risk-weighted assets, the higher the CAR value, thereby equipping the bank with better resilience to potential losses. From a profitability perspective, various previous studies provide empirical evidence showing that CAR has a positive relationship with bank financial performance, as proxied by Return on Assets (ROA). Fauzan (2019) found that CAR significantly influences ROA, indicating that strengthening capital is essential for maintaining and improving bank profitability. Similarly, Mulyanti et al. (2023) stated that CAR has a positive and significant effect on the financial performance of Islamic banks in Indonesia, suggesting that a higher CAR enables banks to generate greater profits. However, research findings regarding the influence of CAR on bank financial performance have not always been consistent. Sari, Hudaya, and Imtikhanah (2020), in their study of Islamic commercial banks, found that CAR did not have a significant impact on financial performance, indicating that the effectiveness of CAR can be contextual and influenced by other factors such as asset quality, risk management, and macroeconomic conditions. This highlights the need for further research to gain a more comprehensive understanding of the role of CAR in predicting bank

performance. In addition to serving as a primary pillar in maintaining bank stability, CAR is also considered an indicator of investor and depositor confidence in the bank's financial health. Nadila and Annisa (2021) emphasized that capital adequacy, as reflected in CAR, can enhance stakeholder trust, promoting third-party fund growth and strengthening the bank's funding base. On the other hand, research by Fadhil and Riza (2020) revealed that CAR indeed plays a role in specific contexts but still needs to be supported by other variables such as asset quality and operational efficiency to have a more optimal impact on financial performance. Managing CAR is essential to a bank's risk management strategy. As Mulyanti et al. (2023) noted, strengthening CAR, supported by prudent policies, can help banks improve competitiveness, especially in the increasingly fierce competition within the national banking industry. Thus, the Capital Adequacy Ratio is a regulatory requirement and a strategic tool for maintaining financial soundness and enhancing sustainable financial performance.

## 2.2. Good Corporate Governance

Good Corporate Governance (GCG) is a governance system designed to establish structures and mechanisms for managing companies in a transparent, accountable, responsible, independent, and fair manner to protect the interests of all company stakeholders (Effendi, 2009; Sari & Riharjo, 2021). The importance of GCG is increasingly critical in the banking industry, considering that banks operate in a financial sector that relies heavily on public trust while continuously facing complex risks (Supriadi et al., 2021). Through the effective implementation of GCG, banks can enhance the trust of customers and investors, strengthen internal control systems, and improve operational efficiency (Supriadi et al., 2021). According to agency theory, GCG serves as a supervisory mechanism to align the interests between management as agents and the company's owners as principals, thereby minimizing conflicts of interest and reducing the risk of moral hazard (Sari & Riharjo, 2021). GCG consists of several key elements, such as the board of commissioners, audit committee, independent directors, and controlling shareholders, all collectively responsible for ensuring effective corporate management (Diyanty & Yusniar, 2019).

As a measure of GCG effectiveness, this study focuses on two primary indicators: the number of directors and independent commissioners. An adequate number of directors is believed to enhance the bank's strategic decision-making quality and strengthen oversight of daily operational activities (Diyanty & Yusniar, 2019). The board of directors plays a central role in formulating policies and corporate strategies; therefore, diverse perspectives and sufficient capacity within the board will enrich the strategies devised, especially in addressing the continuously evolving dynamics of the banking industry. In addition, independent commissioners hold a vital role in creating an objective supervisory mechanism. Nadila and Annisa (2021) emphasize that independent commissioners are responsible for maintaining objectivity in decision-making and preventing the dominance of particular interests in the bank's management. The greater the number of independent commissioners within the supervisory structure, the stronger the board of commissioners' capacity to perform its duties effectively and independently of personal interests (Fauzan, 2019). This is also supported by Supriadi et al. (2021), who state that an optimal presence of independent commissioners can positively enhance the bank's financial performance, as measured by Return on Assets (ROA).

Previous studies have shown that the implementation of GCG generally has a significant impact on the financial performance of banks. Fauzan (2019) demonstrated that GCG plays a role in improving bank financial performance through the effectiveness of supervision carried out by the board of independent commissioners. Similarly, Nadila and Annisa (2021) stated that the active involvement of the board of commissioners and audit committee strengthens corporate governance and positively impacts the financial performance of Islamic banks in Indonesia. Furthermore, research by Mulyanti et al. (2023) indicated that consistency in implementing GCG principles fosters managerial efficiency and reduces operational risks, thereby supporting the growth and sustainability of banking businesses. However, these findings are not always consistent across all research contexts. In their study of Islamic commercial banks, Sari, Hudaya, and Imtikhanah (2020) concluded that implementing Islamic Corporate Governance does not significantly impact

banks' financial performance. This finding suggests that the effectiveness of GCG, particularly regarding the number of directors and independent commissioners, may be influenced by the bank's internal characteristics, organizational culture, or the effectiveness of internal supervisory mechanisms. In line with this, Fadhil and Riza (2020) also observed in their study of BNI Syariah that GCG implementation had not shown a significant impact on ROA, indicating that, aside from the composition of the management structure, factors such as supervisory capabilities, the expertise of board members, and commitment to sound governance principles greatly affect the effectiveness of GCG in improving bank financial performance.

Nadila and Annisa (2021) further emphasize that the success of GCG is strongly influenced by the active involvement of all corporate governance organs, particularly independent commissioners, in establishing high levels of transparency and accountability. With optimal involvement, the risk of errors in decision-making can be minimized, and oversight of the company's operational activities can be enhanced, ultimately improving the bank's financial stability. With the increasing complexity of the banking business and the widespread digital transformation in the financial sector, strong implementation of GCG, supported by an adequate number of directors and independent commissioners, becomes essential, especially for PT Bank Raya Indonesia Tbk. As emphasized by OJK (2023), strengthening corporate governance is a necessity for banks in Indonesia to ensure data security and integrity, bolster public trust, and secure business continuity in an increasingly competitive digital banking era. Thus, this review affirms that Good Corporate Governance, as focused on in this study on the number of directors and independent commissioners, is a key element in creating healthy and effective corporate governance. Although previous studies have reported varying findings, strengthening the structure of directors and independent commissioners is believed to improve banks' financial performance significantly.

### 2.3. Financial Performance

Financial performance is an essential indicator that reflects a company's success, particularly in the banking sector, in carrying out its operations effectively and efficiently to achieve corporate objectives. In banking, financial performance demonstrates a bank's ability to manage its available resources to generate profit while fulfilling its obligations to stakeholders, including customers, shareholders, and regulators (Anik et al., 2021). Pandia (2012) emphasizes that healthy bank financial performance is crucial for maintaining the smooth function of financial intermediation, which lies at the heart of the banking sector's economic role. According to Oktaviani et al. (2024), financial performance reflects management's effectiveness in managing assets and liabilities and serves as a barometer of public trust in the financial institution's stability. With positive performance, banks can strengthen their corporate image, enhance customer loyalty, and attract investor interest for capital infusion. Conversely, declining financial performance may trigger doubts and distrust among the public and other stakeholders (Fatihudin & Mochklas, 2018; Nurazi et al., 2020).

Banking financial performance is generally measured using financial ratios such as Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM). ROA is one of the primary ratios that reflects the extent to which a bank's assets generate profit (Fauzan, 2019). Supriadi et al. (2021) also assert that ROA provides a comprehensive picture of the bank's effectiveness in managing its assets to achieve optimal profitability. The higher the ROA, the better the bank's financial performance, indicating greater efficiency in utilizing assets to generate income. In addition to ROA, the Return on Equity (ROE) ratio is widely used to measure financial performance, as it reflects the extent to which the company can generate profits from shareholders' invested capital (Mulyanti et al., 2023). A high ROE indicates the company optimizes equity management to produce substantial profits. Similarly, the Net Interest Margin (NIM) is another key indicator that assesses the bank's ability to manage productive assets to generate net interest income (Suciati & Kurniawan, 2022).

Internal factors such as capital adequacy (Capital Adequacy Ratio, or CAR) and implementing Good Corporate Governance (GCG) play a significant role in determining a bank's financial performance. Fauzan (2019) confirmed that adequate capital positively and significantly influences financial performance, as it

enhances the bank's capacity to absorb potential losses and strengthens market confidence. In line with this, Muliyanti et al. (2023) also reported that capital adequacy and GCG implementation significantly affect the financial performance of Islamic banks, especially in maintaining stability and sustainable profitability. Besides internal factors, external conditions such as global economic volatility also impact banks' financial performance. As Beck (2020) noted, global crises and the COVID-19 pandemic pressured the banking sector's stability. However, banks with strong capital bases could withstand these pressures and maintain positive financial performance (Santioso, 2023). This highlights that a bank's financial performance is greatly influenced by its internal ability to adapt to dynamic external challenges.

Interestingly, research findings regarding the determinants of bank financial performance have shown varied results. Sari, Hudaya, and Imtikhanah (2020) found that in the context of Islamic commercial banks, factors such as CAR and GCG do not significantly affect financial performance, indicating that the influence of these variables is highly contextual and depends on internal bank characteristics and the business environment faced. Conversely, research by Nadila and Annisa (2021) demonstrated that effective GCG implementation, particularly through the active role of independent commissioners, positively contributes to enhancing the profitability of Islamic banks. Similarly, research by Fadhil and Riza (2020) added that internal factors such as the effectiveness of the board of commissioners' oversight and adherence to sound governance principles greatly influence a bank's success in achieving its financial performance targets. Therefore, evaluating a bank's financial performance requires a comprehensive approach that considers both internal and external aspects and correctly implements good governance practices and adequate capitalization.

### III. Research Method

This study adopts a quantitative research approach with a descriptive-verify method. The quantitative approach is selected as this research aims to empirically examine the influence of the independent variables, namely Capital Adequacy Ratio (CAR) and Good Corporate Governance (GCG), measured through the number of directors and the number of independent commissioners, on the dependent variable, which is the financial performance proxied by Return on Assets (ROA). The verify method validates the earlier hypotheses by analyzing secondary data from official financial reports. The object of this research is PT Bank Raya Indonesia Tbk, a national banking institution currently transforming digital banking. This study analyzes the impact of Capital Adequacy Ratio (CAR) and Good Corporate Governance (GCG), specifically through the number of directors and independent commissioners, on the bank's financial performance over a specified period.

The population of this research comprises the published financial reports of PT Bank Raya Indonesia Tbk. The sampling technique applied is purposive sampling, which involves selecting samples based on specific criteria relevant to the research objectives. The criteria for sample selection include audited annual financial reports of PT Bank Raya Indonesia Tbk from 2017 to 2023, which contain complete data on CAR, the number of directors, independent commissioners, and financial data necessary for calculating ROA. Accordingly, the research sample consists of financial statement data covering seven years of observation. Given that the available financial data is reported annually. At the same time, this study requires a more granular monthly analysis to enhance data variation and improve the robustness of the regression results; An interpolation method is employed to transform the annual data into monthly data points. The interpolation process uses the linear interpolation method, which estimates the values between two known data points by assuming a constant rate of change between them. The formula for linear interpolation applied in this study is as follows:

$$Y_t = Y_1 + \left( \frac{Y_2 - Y_1}{n} \times t \right)$$

Description:



- $Y_t$  = Estimated value at month  $t$   
 $Y_1$  = Value at the beginning of the year  
 $Y_2$  = Value at the end of the year  
 $n$  = Number of months in the interval (typically 12),  
 $t$  = Month position from the starting point ( $t = 1, 2, \dots, 11$ ).

Applying this interpolation method, the annual data is systematically distributed across twelve months each year, enabling the research to capture monthly variations that enrich the dataset and provide a more detailed empirical analysis. This study relies on secondary data obtained indirectly from official documents published by the company and relevant institutions. The data sources include the annual financial reports and annual reports of PT Bank Raya Indonesia Tbk, along with supporting data from the Financial Services Authority (OJK), the Indonesia Stock Exchange (IDX), and other relevant literature. Data collection in this research is carried out through the documentation method, which collects data from published financial reports and supporting documents from related institutions. In addition, a literature study is conducted to strengthen the theoretical foundation and support the analysis of research findings.

The operational definitions of variables in this study are as follows. Capital Adequacy Ratio (CAR) is the ratio of a bank's capital to its risk-weighted assets, reflecting its ability to absorb potential losses. The formula for CAR is expressed as:

$$CAR = \left( \frac{\text{Bank's Capital}}{\text{Risk-Weighted Assets}} \right) \times 100\%$$

Good Corporate Governance (GCG) in this research is measured by two indicators: the number of directors and the number of independent commissioners. The number of directors refers to the total individuals serving as directors in the reporting period. In contrast, the number of independent commissioners refers to the total individuals holding positions as independent commissioners within the same period. Financial performance is proxied by Return on Assets (ROA), which measures the bank's ability to generate net income from its total assets. The formula for ROA is presented as follows:

$$ROA = \left( \frac{\text{Net Income}}{\text{Total Assets}} \right) \times 100\%$$

The data collected in this study will be analyzed using multiple linear regression analysis with the assistance of the SPSS statistical software. This method examines the independent variables' simultaneous and partial effects on the dependent variable. Before performing the regression analysis, classical assumption tests will validate the regression model's reliability, including the normality, multicollinearity, heteroscedasticity, and autocorrelation tests. These tests ensure that the regression model meets the necessary assumptions for producing unbiased and consistent estimates. Furthermore, the feasibility of the regression model will be evaluated using the F-test to assess the simultaneous effect of the independent variables, and the t-test to examine the partial effect of each independent variable on the dependent variable. The entire data processing and analysis will be performed using SPSS, which provides accurate computations and reliable statistical outputs for hypothesis testing. Hypothesis testing in this research will be conducted by comparing the significance values generated by SPSS with the predetermined significance level of 5% ( $\alpha = 0.05$ ). Suppose the significance value is less than 0.05. In that case, the alternative hypothesis ( $H_a$ ) will be accepted, indicating that the independent variables significantly affect the financial performance of PT Bank Raya Indonesia Tbk.

## IV. Results and Discussion

### 4.1. Profile

PT Bank Raya Indonesia Tbk is a subsidiary of PT Bank Rakyat Indonesia (Persero) Tbk, focusing on digital banking services. Established on September 27, 1989, the company was previously known as PT Bank Agro Tbk before rebranding to Bank Raya Indonesia. As part of its digital transformation, Bank Raya is committed to providing accessible digital financial solutions for the Indonesian community, particularly targeting the micro and small business segments. Bank Raya offers a range of products and services, including Pinang, the first full-service digital loan product that accelerates the disbursement of digital loans. In addition, the bank provides digital savings services and QRIS payment options to meet customers' daily financial transaction needs. Headquartered at Menara BRILiaN, Jalan Gatot Subroto No. 177 A, Menteng Dalam, Tebet District, South Jakarta, Bank Raya employed approximately 747 staff members as of 2023. The majority shareholding of the company, amounting to 86.85%, is owned by PT Bank Rakyat Indonesia (Persero) Tbk. In 2024, Forbes Magazine recognized Bank Raya as one of the top five banks in Indonesia. The bank disbursed digital loans totaling IDR 20.57 trillion to support the growth of the micro and small business segments and recorded a net profit of IDR 50.89 billion. As a continuously growing digital bank, Bank Raya is dedicated to expanding financial inclusion and providing innovative, accessible digital banking services to all segments of Indonesian society.

### 4.2. Descriptive Statistics

**Table 1. Descriptive Statistics**

		<b>Financial Performance</b>	<b>Capital Adequacy Ratio</b>	<b>Board of Directors</b>	<b>Independent Commissioners</b>
N	Valid	84	84	84	84
	Missing	0	0	0	0
Mean		-.134524	2.549524	4.71	2.14
Median		.023012	2.370714	5.00	2.00
Mode		-1.3331 <sup>a</sup>	1.4440 <sup>a</sup>	5	2
Std. Deviation		.4709123	.7647859	.454	.643
Range		1.6254	2.5283	1	2
Minimum		-1.3331	1.4440	4	1
Maximum		.2923	3.9723	5	3
a. Multiple modes exist. The smallest value is shown					

The descriptive statistical analysis presented in the table offers an overview of the characteristics of the data set used in this study, comprising 84 valid observations without any missing data across all variables. The variables analyzed include Financial Performance, measured by Return on Assets (ROA), Capital Adequacy Ratio (CAR), the number of directors, and the number of independent commissioners.

Financial Performance, proxied by ROA, shows an average value of -0.134524, indicating that, on average, PT Bank Raya Indonesia Tbk experienced a negative financial outcome throughout the observation. Although the mean value reflects a loss, the median value of 0.023012 suggests that half of the data points recorded positive results, highlighting the bank's financial performance variation. The mode, which stands at -1.3331, reveals that the most frequently occurring performance figure in the data set was also negative. A standard deviation of 0.4709123 illustrates moderate variability in bank financial results. At the same time, the range from the minimum of -1.3331 to the maximum of 0.2923 further demonstrates the fluctuation between losses and modest gains within the bank's operational periods.

Turning to the Capital Adequacy Ratio (CAR), the data indicate an average CAR of 2.549524, suggesting that the bank generally maintained capital levels comfortably above regulatory requirements. The

median CAR of 2.370714, closely aligned with the mean, indicates a fairly symmetrical distribution of capital adequacy figures throughout the sample period. The mode of 1.4440 represents the most commonly observed CAR value, while the standard deviation of 0.7647859 implies a moderate spread in capital adequacy levels across the years. The minimum CAR value recorded is 1.4440, and the maximum reaches 3.9723, indicating that the bank demonstrated a capacity to adjust its capital position over time, reflected in a range of 2.5283. The descriptive statistics of the Board of Directors show an average of 4.71 members, indicating a relatively consistent board size close to five directors, which is also confirmed by the median and mode values of 5. This consistency is further underscored by a low standard deviation of 0.454, suggesting minimal fluctuation in board composition throughout the analysis. The minimum observed number of directors is four, while the maximum is five, signifying a narrow range and stable board size throughout the sample.

### 4.3. Classic Assumption Test

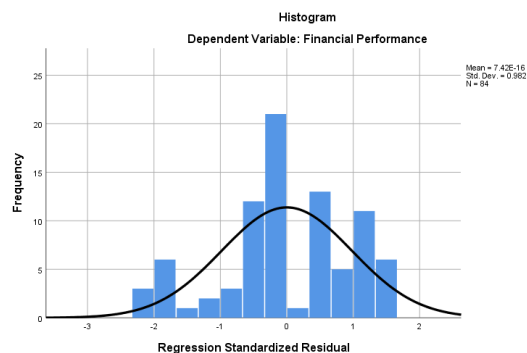
#### 4.3.1. Normality Test

**Table 2. Normality Test Results**

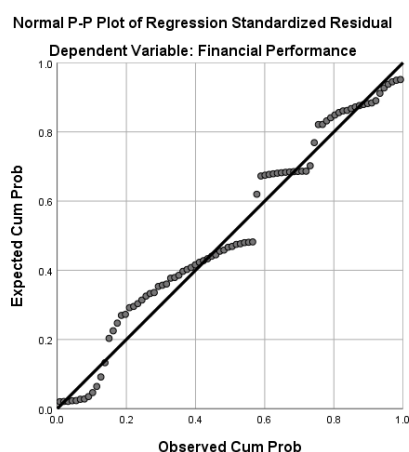
One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		84
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	.36286791
Most Extreme Differences	Absolute	.092
	Positive	.090
	Negative	-.092
Test Statistic		.092
Asymp. Sig. (2-tailed)		.074 <sup>c</sup>
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

The results of the One-Sample Kolmogorov-Smirnov test indicate that the asymptotic significance (2-tailed) value is 0.074, which exceeds the predefined significance threshold of 0.05. This suggests that the residuals of the regression model are normally distributed, as there is insufficient evidence to reject the null hypothesis of normality. With a test statistic of 0.092 and the mean of residuals at zero, the data fulfill the assumption of normality required for multiple linear regression, ensuring that the subsequent analyses and interpretations based on this model can be considered valid and reliable.

The histogram of the regression standardized residuals shows a distribution that closely resembles the shape of a standard curve, as indicated by the overlaying bell-shaped line. The residuals are symmetrically distributed around the mean value of approximately 0, with the highest frequency of residuals concentrated near the center and progressively fewer observations toward both tails. The standard deviation of 0.982 further suggests a moderate dispersion of data around the mean. With 84 observations in total, this visual representation supports the findings of the Kolmogorov-Smirnov test, confirming that the residuals are normally distributed, thereby satisfying the normality assumption required for the validity of regression analysis.



**Figure 1. Normality Test**



**Figure 2. Normal P-P Plot**

The Normal P-P Plot of regression standardized residuals demonstrates that the data points closely follow the diagonal line, indicating that the observed cumulative probabilities align well with the expected cumulative probabilities under a normal distribution. Although there are minor deviations at both ends of the plot, the overall pattern suggests no substantial departures from normality. This visual evidence supports the earlier statistical findings from the Kolmogorov-Smirnov test and the histogram, reinforcing the conclusion that the regression model residuals are typically distributed, fulfilling the normality assumption essential for valid regression analysis.

4.3.2. Multicollinearity Test

**Table 3. Multicollinearity Test**

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Capital Adequacy Ratio	.513	1.950
	Board_of_Directors	.543	1.843
	Independent_Commissioners	.325	3.073

a. Dependent Variable: Financial Performance

The results of the multicollinearity test, as indicated by the collinearity statistics table, show that all independent variables have Variance Inflation Factor (VIF) values below the critical threshold of 10, with the highest VIF recorded at 3.073 for the Independent Commissioners variable. Likewise, all tolerance values exceed the minimum acceptable limit of 0.10, with the lowest tolerance at 0.325, indicating no serious multicollinearity problem among the independent variables in the regression model. These findings confirm

that the predictors in this study are not highly correlated, thereby satisfying the assumption of multicollinearity and ensuring the reliability of the regression analysis results.

#### 4.3.3. Autocorrelation Test

**Table 4. Results of Heteroscedasticity Test**

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.637 <sup>a</sup>	.406	.384	.3696091	1.892
a. Predictors: (Constant), Independent_Commissioners, Board_of_Directors, Capital Adequacy Ratio					
b. Dependent Variable: Financial Performance					

The Durbin-Watson statistic reported in the model summary is 1.892, which falls within the generally accepted range of 1.5 to 2.5, indicating no significant autocorrelation in the residuals of the regression model. A Durbin-Watson value close to 2 suggests that the residuals are independent and randomly distributed, fulfilling the assumption of no autocorrelation. This result ensures that the regression estimates are reliable and not biased due to autocorrelation, thus supporting the validity of the regression analysis in this study.

#### 4.4. Multiple Linear Regression Analysis

**Table 5. Multiple Linear Regression Test Results**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.233	.498		.467	.642
	Capital Adequacy Ratio	.441	.074	.716	5.956	.000
	Board_of_Directors	.258	.121	.249	2.127	.036
	Independent_Commissioners	.129	.111	.176	1.166	.247

Dependent Variable: Financial Performance

The regression results show that the Capital Adequacy Ratio (CAR) has a positive and highly significant effect on the financial performance of PT Bank Raya Indonesia Tbk. This is demonstrated by the regression coefficient (B) of 0.441, indicating that for every one-unit increase in CAR, the financial performance increases by 0.441 units, assuming other variables remain constant. The significance value (Sig.) is 0.000, which is far below the significance threshold of 0.05, confirming that the effect of CAR on financial performance is statistically significant. Moreover, the standardized beta coefficient of 0.716 suggests that CAR has the most decisive influence among the independent variables tested in this study.

The Board of Directors variable also shows a positive and statistically significant influence on the bank's financial performance. The regression coefficient (B) is 0.258, which implies that an increase in the number of directors by one person leads to an improvement in financial performance by 0.258 units, holding other factors constant. The significance level for this variable is 0.036, which is below the 0.05 threshold, indicating that the relationship is statistically significant. The standardized beta coefficient of 0.249 confirms that while the Board of Directors contributes to financial performance, its impact is less dominant than CAR. The regression coefficient (B) is 0.129 for the Independent Commissioners variable, suggesting a positive relationship between the number of independent commissioners and financial performance. However, the significance value for this variable is 0.247, which exceeds the 0.05 significance level. This indicates that the relationship is statistically insignificant, meaning variations in the number of independent commissioners do not have a meaningful impact on the financial performance of PT Bank Raya Indonesia Tbk in this study. The standardized beta coefficient of 0.176 further supports the conclusion that the influence of this variable is relatively weak and insignificant.

**Table 6. F-Test**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.477	3	2.492	18.244	.000 <sup>b</sup>
	Residual	10.929	80	.137		
	Total	18.406	83			
a. Dependent Variable: Financial Performance						
b. Predictors: (Constant), Independent_Commissioners, Board_of_Directors, Capital Adequacy Ratio						

The results of the F-test, as presented in the ANOVA table 6, show an F-value of 18.244 with a significance level of 0.000, which is well below the predetermined threshold of 0.05. This indicates that the overall regression model is statistically significant, meaning that the independent variables—Capital Adequacy Ratio (CAR), Board of Directors, and Independent Commissioners—together have a significant simultaneous effect on the financial performance of PT Bank Raya Indonesia Tbk. The regression sum of squares is 7.477, while the residual sum of squares is 10.929, which suggests that the model can explain a substantial proportion of the variation in financial performance. Therefore, this finding supports the conclusion that the model is fit and that the selected independent variables, when considered collectively, contribute meaningfully to explaining changes in the bank's financial performance.

**Table 7. Coefficient of Determination**

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.637 <sup>a</sup>	.406	.384	.3696091	1.892
a. Predictors: (Constant), Independent_Commissioners, Board_of_Directors, Capital Adequacy Ratio					
b. Dependent Variable: Financial Performance					

The results of the coefficient of determination analysis indicate that the correlation coefficient (R) is 0.637, which reflects a moderately strong positive relationship between the independent variables—Capital Adequacy Ratio, Board of Directors, and Independent Commissioners—and the dependent variable, namely the financial performance of PT Bank Raya Indonesia Tbk. Furthermore, the R Square value is 0.406, meaning that approximately 40.6% of the bank's financial performance variation can be explained by the three independent variables in the model. Meanwhile, the remaining 59.4% is influenced by other factors outside the scope of this study. The Adjusted R Square value of 0.384 slightly adjusts for the number of predictors in the model, confirming that even after accounting for the number of variables, the model still explains about 38.4% of the variation in financial performance. These findings suggest that the regression model has a reasonable explanatory power, and the selected predictors collectively contribute to understanding the financial performance dynamics of PT Bank Raya Indonesia Tbk.

#### 4.5. Discussion

The multiple linear regression analysis results reveal significant findings regarding the influence of the independent variables on the financial performance of PT Bank Raya Indonesia Tbk. Firstly, the Capital Adequacy Ratio (CAR) demonstrates a positive and statistically significant effect on financial performance, as evidenced by a regression coefficient of 0.441 and a significance level of 0.000, far below the conventional threshold of 0.05. This outcome confirms that CAR is critical in enhancing the bank's profitability, as proxied by the return on assets (ROA). These results are aligned with the theoretical premise that CAR, as a measure of a bank's capital strength relative to its risk-weighted assets, provides a safeguard against potential losses and strengthens the bank's ability to sustain its operations (Dendawijaya, 2015; Suciati & Kurniawan, 2022). Empirical studies by Fauzan (2019) and Mulyanti et al. (2023) further reinforce this finding, demonstrating that a robust CAR significantly improves banking institutions' profitability.

Secondly, the variable representing the number of directors also shows a positive and statistically significant effect on financial performance, with a coefficient of 0.258 and a significance value of 0.036. This suggests that increasing the number of directors enhances the bank's financial outcomes, likely by fostering better decision-making and oversight within the organization. Diyanty and Yusniar (2019) support this interpretation, noting that an adequately sized board of directors provides diverse perspectives and improves the formulation of corporate strategies. Similarly, Nadila and Annisa (2021) emphasize the active role of directors in enhancing transparency and accountability, which subsequently strengthens bank performance.

Conversely, while showing a positive coefficient of 0.129, the number of independent commissioners does not exhibit statistical significance, as indicated by its p-value of 0.247, which exceeds the 0.05 benchmark. This implies that variations in the number of independent commissioners do not have a meaningful impact on the financial performance of PT Bank Raya Indonesia Tbk in this study period. This finding partially contrasts with prior research by Fauzan (2019) and Supriadi et al. (2021), who reported that independent commissioners strengthen governance quality and can positively influence profitability. However, it aligns with the results of Sari et al. (2020) and Fadhil and Riza (2020), who found that the mere presence of independent commissioners may not improve financial outcomes if not accompanied by adequate internal controls and robust supervisory capabilities.

Further reinforcing the robustness of the regression model, the F-test results reveal that the overall model is statistically significant, with an F-value of 18.244 and a significance level of 0.000. This indicates that the independent variables, when considered simultaneously, collectively influence the bank's financial performance. The strength of this collective relationship is substantiated by the R Square value of 0.406, which means that approximately 40.6% of the variance in financial performance is explained by the model, encompassing CAR, the number of directors, and the number of independent commissioners. The adjusted R Square value of 0.384 slightly refines this estimate, accounting for the number of predictors included in the analysis. These figures suggest a reasonably strong explanatory power of the model, consistent with findings by Mulyanti et al. (2023) and Nadila and Annisa (2021), who emphasize the combined impact of capital adequacy and governance structures on bank performance.

As demonstrated by the Variance Inflation Factor (VIF) values remaining well below the critical threshold of 10, the absence of significant multicollinearity affirms the explanatory variables' independence and bolsters the regression estimates' reliability. Likewise, the Durbin-Watson statistic of 1.892 confirms no problematic autocorrelation in the residuals, supporting the robustness of the findings. Taken together, the empirical results of this study corroborate the theoretical foundations and much of the prior empirical literature emphasizing the critical role of capital strength and effective governance in driving bank performance. The significance of CAR in this context underscores the importance of maintaining a well-capitalized position to support operational resilience and profitability, particularly amidst the competitive and rapidly evolving landscape of digital banking (Santioso, 2023). Meanwhile, the significant role of the board of directors highlights the need for a competent and adequately staffed leadership team to navigate the complexities of digital transformation and strategic growth (OJK, 2023). However, the insignificance of the independent commissioners variable also points to a nuanced understanding: while structural governance components are important, their effectiveness depends on more than numerical adequacy. As noted by Sari et al. (2020) and Fadhil and Riza (2020), these commissioners' actual engagement level, governance culture, and operational independence critically determine their impact on performance.

Therefore, this study contributes to the growing body of knowledge by affirming that while capital adequacy and leadership composition are essential for bank performance, formal governance structures like independent commissioners may not suffice without substantive functional effectiveness. For PT Bank Raya Indonesia Tbk, these findings provide valuable insights into the strategic prioritization of capital management and board composition to optimize financial performance during its digital transformation.

## V. Conclusion

This study concludes that capital adequacy and corporate governance play a crucial role in shaping the financial performance of PT Bank Raya Indonesia Tbk. The findings reveal that well-maintained capital strengthens the bank's ability to absorb potential risks, ensuring operational resilience and supporting profitability. The Capital Adequacy Ratio emerges as a key determinant, aligning with the theoretical view that strong capital buffers are essential for the sustainability of banking operations. Furthermore, a competent and adequately sized board of directors contributes positively to financial performance. An effective board provides strategic guidance and enhances the bank's capacity to respond to industry challenges, especially amid ongoing digital transformation efforts. On the other hand, the role of independent commissioners, while generally expected to enhance governance quality, does not demonstrate a significant impact on financial performance in this study. This suggests that beyond structural governance arrangements, the effectiveness of oversight functions depends heavily on the active engagement and quality of supervision provided. The study underscores the importance of strengthening internal capital management and optimizing board leadership composition as critical strategies for improving financial outcomes. These insights are particularly valuable for banking institutions navigating a dynamic financial landscape, emphasizing the need for robust capital structures and effective governance to achieve sustainable growth.

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