

Corporate Governance and Bank Performance in Indonesia: A Panel Analysis with Ownership Moderation and HAC Robust Inference

Anggi Gayatri Setiawan

Management Study Program, Faculty of Economics and Social Sciences,
Universitas Bakrie
anggi.setiawan@bakrie.ac.id

Abstract

Background: Corporate governance has long been recognised as a determinant of firm performance, yet evidence from emerging market banking sectors remains mixed, particularly when institutional heterogeneity between state-owned and private banks is not accounted for. **Objective:** This study examines the effect of board size, board independence, and gender diversity on return on assets (ROA) in Indonesian listed commercial banks, with ownership type (state-owned versus private) as a moderating variable. **Method:** Pooled ordinary least squares regression with Newey-West HAC standard errors is applied to a panel of 18 Indonesian listed commercial banks over 2022–2024 (54 observations). **Results:** Governance characteristics do not exert significant direct effects on ROA, attributed to regulatory homogeneity imposed by the Financial Services Authority (OJK). However, ownership type significantly moderates the governance-performance relationship: board size negatively affects ROA in private banks ($\beta = -0.0031$, $p < 0.01$) but this effect is reversed for state-owned banks via a positive interaction term ($\beta = +0.0069$, $p < 0.001$); gender diversity generates significant performance benefits exclusively in state-owned banks ($\beta = +0.0498$, $p < 0.001$). Bank size and NPL ratio are significant control determinants. **Conclusion:** Ownership structure is a critical institutional boundary condition for the governance-performance nexus in Indonesian banking, with implications for regulatory design and board appointment policy in state-owned enterprises.

Keywords: Board Independence; Board Size; Corporate Governance; Gender Diversity; Indonesian Banks; Ownership Type; Return on Assets.

1. Introduction

Corporate governance has occupied a central position in finance and management scholarship since Jensen and Meckling's (1976) foundational articulation of agency theory, which identifies the separation of ownership and control as the primary source of managerial self-interest that erodes firm value. In the banking context, this agency problem is further complicated by the presence of depositors and regulators as additional principals whose interests may diverge from those of shareholders (Fama & Jensen, 1983; Adams & Mehran, 2003). The opacity of bank balance sheets, the systemic importance of financial institutions, and the dual mandate that state-owned banks carry between commercial efficiency and public policy objectives render the governance-performance relationship in banking particularly complex.

Indonesia presents an instructive institutional context. The country's banking sector operates under the oversight of the Financial Services Authority (*Otoritas Jasa Keuangan*, OJK), which mandates minimum corporate governance standards through POJK No. 55/POJK.03/2016. A distinctive feature of the Indonesian banking landscape is the structural bifurcation between state-owned enterprise (SOE) banks, in which the government holds a majority equity stake and exercises board appointment rights, and private commercial banks subject to capital market discipline. SOE banks carry additional mandates including participation in government credit programmes

(*Kredit Usaha Rakyat*, KUR) and national financial inclusion targets that may compete with profit maximisation objectives (Shleifer & Vishny, 1994; Lin & Su, 2008).

Despite a growing body of empirical literature on corporate governance and bank performance in Indonesia (Utama et al., 2010; Tri Maharani & Sutrisno, 2023; Julianti et al., 2026), existing studies have largely treated governance effects as homogeneous across ownership types, failing to account for the institutional heterogeneity between SOE and private banks. Moreover, most studies employ cross-sectional designs or short panels without robust correction for serial correlation, limiting the reliability of their inferences. The present study addresses these gaps by examining whether board size, board independence, and gender diversity affect ROA in a panel of 18 Indonesian listed banks over 2022–2024, and critically, whether ownership type moderates these relationships.

The proposed study makes three specific contributions. First, it introduces ownership type as a formal moderating variable in the governance-performance relationship, responding to calls for context-sensitive governance research in emerging markets (Boachie, 2023; Nwude et al., 2023). Second, it employs HAC standard errors to address autocorrelation inherent in short bank panels, improving the precision of inference relative to standard OLS. Third, it contributes empirical evidence on the distinctive performance value of gender diversity in SOE banking environments, where political economy of board appointments may amplify or suppress the monitoring role of female commissioners (Adams & Ferreira, 2009).

2. Literature Review

Agency Theory and Corporate Governance in Banking

Agency theory (Jensen & Meckling, 1976) provides the foundational rationale for examining corporate governance as a performance determinant. The theory posits that agents (managers) may pursue private benefits at the expense of principals (shareholders), and that governance mechanisms are designed to reduce this conflict by aligning incentives and improving monitoring. In banking, the multi-principal agency problem, where depositors, regulators, and shareholders all have legitimate but potentially conflicting claims, creates governance demands that exceed those in non-financial firms (Fama & Jensen, 1983). The board of commissioners, as the primary internal governance mechanism, is tasked with monitoring management and ensuring decisions are consistent with shareholder and stakeholder interests (Jensen, 1993).

Resource dependence theory (Pfeffer & Salancik, 1978) offers a complementary lens, emphasising the board's role as a boundary-spanning mechanism connecting the firm to external resources including capital, expertise, and regulatory legitimacy. Larger and more diverse boards may enhance performance not only through better monitoring but through superior resource acquisition. Stewardship theory (Davis et al., 1997) provides a contrasting perspective, modelling managers as stewards whose interests align with organisational success, a dynamic particularly relevant in SOE banking given explicit public-interest mandates.

Board Size and Financial Performance

The relationship between board size and firm performance remains contested. Jensen (1993) argued that large boards are less effective due to coordination costs, free-rider problems, and reduced cohesiveness, predicting a negative board size-

performance relationship. Lipton and Lorsch (1992) similarly recommended limiting boards to seven or eight members to maintain effectiveness. Empirical evidence in banking is mixed. Hordofa (2023), in a balanced panel of 17 Ethiopian banks over 2010–2021, found that larger boards are consistently associated with improved profitability, defying traditional prescriptions against board expansion. García-Meca et al. (2015), in an international analysis across 159 banks, reported an inverted U-shaped relationship between board size and performance. In the Indonesian context, Tri Maharani and Sutrisno (2023) found that board size negatively affects ROA in listed banks over 2019–2022, consistent with agency cost arguments.

H1: Board size is negatively associated with ROA in Indonesian listed banks.

Board Independence and Financial Performance

Independent commissioners, lacking the career and financial ties that bind affiliated directors to management, are theoretically better positioned to exercise objective oversight (Fama & Jensen, 1983). However, empirical evidence on board independence and bank performance is ambiguous. Boachie (2023) found that board independence positively moderates governance effectiveness in Ghanaian banks, particularly under state ownership. Evidence from Latin America suggests that independent directors may be negatively associated with performance when their appointment is driven by regulatory compliance rather than genuine monitoring capacity (Bel-Oms et al., 2024). In Indonesia, OJK mandates that at least 50% of the board of commissioners consist of independent members, creating a regulatory floor that limits observed variation in independence ratios and may suppress detectable performance effects.

H2: Board independence is positively associated with ROA in Indonesian listed banks.

Gender Diversity and Financial Performance

Female directors contribute distinctive human capital, risk management perspectives, and stakeholder sensitivity that may translate into performance advantages (Adams & Ferreira, 2009; Hazaea et al., 2023). Baselga-Pascual and Vähämaa (2021) found female directors on bank boards positively associated with financial stability. Agnese et al. (2023), in a study of 311 banks across the United States, Europe, and Canada over 2015–2020, found that gender diversity enhances environmental performance across all three sub-pillars. However, the effect is context-dependent: García-Meca et al. (2015) found women on Islamic bank boards negatively associated with financial performance. For Indonesian SOE banks, Julianti et al. (2026) found no significant direct effect of female board representation on financial performance, but moderating analyses have not been conducted.

H3: Gender diversity is positively associated with ROA in Indonesian listed banks.

Ownership Type as Moderator of Governance-Performance Relationship

Shleifer and Vishny (1994) argued that state ownership introduces a political agency problem in which officials use state enterprises to pursue redistributive or electoral objectives at the expense of commercial efficiency. In Indonesia, this manifests in SOE banks' mandatory participation in subsidised credit programmes and financial inclusion targets. Boachie (2023) demonstrated that ownership structure moderates the governance-performance relationship in Ghanaian banks. Nwude et al. (2023) similarly found that institutional ownership type conditions

governance effectiveness in Nigerian banks. Julianti et al. (2026) confirmed that governance mechanisms operate differently under state versus private ownership in Indonesian SOEs, but did not examine banking specifically or employ interaction modelling.

H4: Ownership type moderates the relationship between board size and ROA.

H5: Ownership type moderates the relationship between board independence and ROA.

H6: Ownership type moderates the relationship between gender diversity and ROA.

3. Method

Sample / Participants

The proposed study employs a purposive sampling approach, selecting Indonesian commercial banks listed on the Indonesia Stock Exchange (IDX) that meet the following criteria: (1) classified as conventional commercial banks, excluding Islamic banks and digital-only banks whose governance structures are not directly comparable to conventional institutions; (2) listed on the IDX prior to January 2022; (3) not undergoing a significant merger, acquisition, or delisting during the study period; and (4) having published complete annual reports for 2022, 2023, and 2024 with accessible board composition data.

The resulting sample comprises 18 banks: four state-owned banks (BBRI, BMRI, BBNI, BBTN) and 14 private commercial banks (BBCA, BNGA, BNLI, BDMN, BNII, PNB, NISP, BTPN, MEGA, BSIM, BVIC, BBMD, BNBA, BINA), observed over three fiscal years (2022–2024), yielding a balanced panel of 54 bank-year observations. Islamic banks (BRIS, BTPS), digital-only banks (ARTO, BBHI), and regional government-owned banks (BJBR, BJTM) were excluded due to structural incomparability. The sample covers all four OJK capital classification tiers (KBMI 1–4), spanning total assets from IDR 8.2 trillion (Bank Bumi Artha) to IDR 2,427 trillion (Bank Mandiri). Table 1. Presents The Complete List of Sample Banks.

Table 1. Sample banks. KBMI = Bank Capital Classification per OJK (1 = smallest, 4 = largest).

No.	Code	Bank Name	KBMI	Type	Category
STATE-OWNED BANKS (BUMN) — Ownership = 1					
1	BBRI	Bank Rakyat Indonesia (Persero) Tbk	4	SOE	Big-4 SOE
2	BMRI	Bank Mandiri (Persero) Tbk	4	SOE	Big-4 SOE
3	BBNI	Bank Negara Indonesia (Persero) Tbk	4	SOE	Big-4 SOE
4	BBTN	Bank Tabungan Negara (Persero) Tbk	3	SOE	SOE
PRIVATE COMMERCIAL BANKS — Ownership = 0					
5	BBCA	Bank Central Asia Tbk	4	Private	Large Private
6	BNGA	Bank CIMB Niaga Tbk	3	Private	Large Private
7	BNLI	Bank Permata Tbk	3	Private	Large Private
8	BDMN	Bank Danamon Indonesia Tbk	3	Private	Large Private
9	BNII	Bank Maybank Indonesia Tbk	3	Private	Large Private

No.	Code	Bank Name	KBMI	Type	Category
10	PNBN	Bank Pan Indonesia Tbk	3	Private	Large Private
11	NISP	Bank OCBC Indonesia Tbk	3	Private	Large Private
12	BTPN	Bank SMBC Indonesia Tbk	3	Private	Large Private
13	MEGA	Bank Mega Tbk	2	Private	Mid-size Private
14	BSIM	Bank Sinarmas Tbk	2	Private	Mid-size Private
15	BVIC	Bank Victoria International Tbk	2	Private	Mid-size Private
16	BBMD	Bank Mestika Dharma Tbk	2	Private	Mid-size Private
17	BNBA	Bank Bumi Artha Tbk	1	Private	Small Private
18	BINA	Bank Ina Perdana Tbk	1	Private	Small Private
Total	18 Banks (4 SOE + 14 Private) × 3 Years = 54 Observations (2022–2024)				

Instruments

All variables were operationalised using secondary data extracted directly from bank annual reports and OJK publications. No survey instruments were used. Table 2 presents variable definitions.

Table 2. Variable operationalisation.

Variable	Role	Measurement	Source	Expected Direction
ROA	Dependent Variable	Net income / Total assets	Annual report / OJK SPI	—
Board_Size	Independent Variable	Total members of Board of Commissioners	Annual report — GCG section	Negative
Board_Indep	Independent Variable	Independent commissioners / Total commissioners (0–1)	Annual report — GCG section	Positive
Gender_Div	Independent Variable	Female commissioners / Total commissioners (0–1)	Annual report — GCG section	Positive
Ownership	Moderator	1 = SOE (BUMN); 0 = Private	IDX / OJK company profile	—
BS_x_Own	Interaction	Board_Size × Ownership	Computed	unknown
BI_x_Own	Interaction	Board_Indep × Ownership	Computed	unknown
GD_x_Own	Interaction	Gender_Div × Ownership	Computed	unknown

Variable	Role	Measurement	Source	Expected Direction
LnTA	Control Variable	Natural log of total assets; proxy for bank size	Annual report — balance sheet	Positive
NPL	Control Variable	Gross non-performing loan ratio; proxy for asset quality	Annual report / OJK SPI	Negative

Data Collection Procedures

Governance data (board size, board independence, and gender diversity) were manually extracted from the corporate governance (*Tata Kelola Perusahaan*) sections of each bank's published annual report for fiscal years 2022, 2023, and 2024. Financial data (ROA, NPL ratio, and total assets) were obtained from the same annual reports and cross-validated against OJK's Statistik Perbankan Indonesia (SPI) monthly publications (December edition for each year). Ownership classification was verified through IDX company profiles and OJK regulatory filings. All data were recorded in a structured panel dataset (long format: one row per bank per year) prior to analysis.

Data Analysis

The proposed study employs pooled ordinary least squares (Pooled OLS) regression as the primary estimation technique. Given the short temporal dimension of the panel ($T = 3$), fixed effects estimators would consume a substantial proportion of degrees of freedom without meaningful gains in identification. Pooled OLS with HAC standard errors (Newey-West, Bartlett kernel, bandwidth = 4) was adopted to address heteroskedasticity and serial correlation in the error term (Newey & West, 1987). All analyses were conducted using EViews 12.

Two nested models were estimated. Model 1 tests the direct effects of governance variables on ROA:

$$ROA = \alpha + \beta_1(Board_Size) + \beta_2(Board_Indep) + \beta_3(Gender_Div) + \beta_4(LnTA) + \beta_5(NPL) + \varepsilon$$

Model 2 adds the ownership moderator and three interaction terms:

$$ROA = \alpha + \beta_1(BS) + \beta_2(BI) + \beta_3(GD) + \beta_4(Own) + \beta_5(BS \times Own) + \beta_6(BI \times Own) + \beta_7(GD \times Own) + \beta_8(LnTA) + \beta_9(NPL) + \varepsilon$$

4. Result and Discussion

Descriptive Statistics

Table 3 presents descriptive statistics for all variables across the 54 bank-year observations.

Table 3. Descriptive statistics (N = 54, 18 banks × 3 years, 2022–2024).

Variable	N	Mean	Std. Dev.	Min	Max	Role
ROA	54	0.0204	0.0114	0.0015	0.0403	Dependent Variable
Board_Size	54	6.37	2.41	3	11	IV
Board_Indep	54	0.563	0.077	0.500	0.750	IV
Gender_Div	54	0.082	0.116	0.000	0.500	IV

Variable	N	Mean	Std. Dev.	Min	Max	Role
Ownership	54	0.222	0.420	0	1	Moderator
BS_x_Own	54	1.407	2.757	0	11	Interaction
BI_x_Own	54	0.125	0.226	0	0.700	Interaction
GD_x_Own	54	0.018	0.074	0	0.300	Interaction
LnTA	54	19.22	1.47	15.89	21.61	Control
NPL	54	0.031	0.018	0.007	0.103	Control

The mean ROA of 2.04% reflects Indonesia's post-pandemic banking recovery, ranging from 0.15% (Bank Sinarmas, 2023) to 4.03% (Bank Mandiri, 2023). Board size varies substantially from 3 to 11 members, consistent with the heterogeneity between large SOE banks and smaller private commercial banks. Gender diversity is notably low (mean = 8.2%), with nine bank-year observations recording zero female commissioners. The NPL ratio shows considerable dispersion, with Bank Sinarmas recording 10.27% in 2022, an outlier attributable to legacy credit quality issues, while Bank Mestika Dharma achieved 0.66% in 2024, reflecting its conservative lending approach.

Regression Results

Table 4 presents the regression results for both models with HAC standard errors.

Table 4. Regression results: HAC standard errors (Newey-West, Bartlett kernel, BW = 4).

† $p < 0.10$, *** $p < 0.01$. Dependent variable: ROA.

Variable	Model 1 Coef.	Model 1 Prob.	Model 2 Coef.	Model 2 Prob.	Hypot hesis	Sig .
Constant	-0.0188	0.469	0.0149	0.623		
Board_Size	-0.0008	0.448	-0.0031	0.004	H1	***
Board_Indep	0.0023	0.912	-0.0456	0.127	H2	
Gender_Div	-0.0100	0.263	-0.0136	0.223	H3	
Ownership	—	—	-0.0943	0.000		***
BS_x_Own	—	—	0.0069	0.000	H4	***
BI_x_Own	—	—	0.0556	0.102	H5	
GD_x_Own	—	—	0.0498	0.000	H6	***
LnTA	0.0042	0.016	0.0047	0.000		***
NPL	-0.2939	0.108	-0.2667	0.095		†
R-squared	0.457		0.658			
Adj. R-squared	0.400		0.588			

Variable	Model 1 Coef.	Model 1 Prob.	Model 2 Coef.	Model 2 Prob.	Hypot hesis	Sig .
Wald F-statistic	15.24 (p=0.000)		50.67 (p=0.000)			
Observations	54		54			

Discussion

The results of Model 1 confirm that governance characteristics do not exert significant direct effects on ROA. This finding is consistent with the regulatory homogeneity argument: OJK's mandatory governance standards suppress between-bank variation in board independence to a narrow band of 0.500–0.750, substantially reducing the statistical power needed to detect differential performance effects (Boachie, 2023). The low mean gender diversity (8.2%) and high proportion of zero-diversity observations further limit the detectability of gender effects as a direct predictor, which is consistent with Julianti et al. (2026). Model 1 nonetheless confirms strong model fit (Wald F = 15.24, $p = 0.000$, Adj. $R^2 = 0.400$), driven primarily by bank size (LnTA) and asset quality (NPL) as performance determinants.

Model 2 substantially improves explanatory power (Wald F = 50.67, $p = 0.000$, Adj. $R^2 = 0.588$), confirming that ownership type is a critical moderating variable. The main effect of ownership ($\beta = -0.0943$, $p = 0.000$) confirms that SOE banks, on average, earn lower ROA than private banks, consistent with the political agency cost argument of Shleifer and Vishny (1994).

H1 is rejected in its predicted positive direction but a significant negative effect is confirmed for private banks in Model 2 ($\beta = -0.0031$, $p = 0.004$), consistent with Jensen's (1993) coordination cost hypothesis and Tri Maharani and Sutrisno (2023). H2 and H3 are not supported, attributable to regulatory homogeneity in independence ratios and low gender diversity variation respectively.

H4 is strongly supported ($\beta = +0.0069$, $p = 0.000$). The net effect of board size for SOE banks is $-0.0031 + 0.0069 = +0.0038$ per additional commissioner, compared to -0.0031 for private banks. This reversal supports the resource dependence argument (Pfeffer & Salancik, 1978): SOE banks with complex dual mandates, commercial performance and public policy delivery, require greater board capacity, echoing Hordofa (2023) for Ethiopian commercial banks. H5 is not supported ($p = 0.102$), likely due to the universal 50% independence floor imposed by OJK across both bank types.

H6 is strongly supported ($\beta = +0.0498$, $p = 0.000$). Gender diversity generates significant performance benefits exclusively in SOE banks. This finding is theoretically coherent: in politically influenced institutional environments, female commissioners may exercise more independent judgment precisely because they are less embedded in the political networks that typically influence SOE board appointments (Adams & Ferreira, 2009). This extends Adams and Ferreira's (2009) argument about female directors enhancing board monitoring intensity to the specific context of political agency costs in emerging market state-owned banking.

5. Conclusion

This study examines how board size, board independence, and gender diversity affect ROA in 18 Indonesian listed commercial banks over 2022–2024, with ownership

type as a moderating variable. Three key conclusions emerge. First, governance characteristics do not exert significant direct effects on ROA, a result attributed to OJK's mandatory governance standards that suppress between-bank governance variation. Second, SOE banks earn significantly lower ROA than private banks on average, confirming the political agency costs of state ownership in the Indonesian banking context. Third, ownership type significantly moderates two of three governance-performance relationships: board size effects are reversed for SOE banks, and gender diversity generates significant performance benefits exclusively in the SOE context.

These findings carry practical implications for three stakeholder groups. For regulators, the results suggest that uniform governance standards are insufficient to differentiate governance quality across the sector, differentiated frameworks accounting for ownership structure may enhance policy effectiveness. For the Ministry of State-Owned Enterprises (Kementerian BUMN), the finding that gender diversity adds measurable value to SOE bank profitability provides empirical support for gender-inclusive board appointment policies. For private bank boards, the negative board size effect implies efficiency gains from more compact governance structures.

This study is subject to limitations. The sample size (54 observations) is at the lower bound for panel regression with multiple interaction terms, limiting statistical power for some hypotheses. The short panel ($T = 3$) precludes the use of fixed effects estimators. Future research should extend the panel as additional annual reports become available, incorporate GMM estimation to address potential endogeneity in governance choices, and examine whether the ownership moderation effects generalise to non-banking sectors of the Indonesian economy.

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