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| RESEARCH ARTICLE

Does Corporate Governance Improve Bank Performance? A study of Rural Banks in West Java, Indonesia

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| ABSTRACT
The objective of this research is to examine the correlation between Sound Corporate Governance and Financial Performance within Rural Banksing Institutions. The design/methodology uses balanced panel data multiple regression analysis on EViews 13 software. The study sample comprises Rural Banks located in West Java Province. The study's findings demonstrate that the inclusion of female directors significantly enhances ROA. The directors adversely impact both ROA and ROE. Furthermore, the board of commissioners and independent commissioners have no impact on ROA but negatively impact ROE. This study is unique in that it focuses on Rural Banks, which have received less attention in earlier research.

| KEYWORDS
Keywords: Good Corporate Governance, Financial Performance, Rural Banks.

| ARTICLE INFORMATION
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1. Introduction

Corporate governance is a significant component in companies across various sectors. The term Corporate Governance emerged as a method, coordination, and framework used to monitor the actions of self-interested managers, reduce opportunistic actions by managers, improve the quality of company information, and regulate interactions between all parties to ensure their interests are balanced (Gunarsih et al., 2018). All parties within the company are involved in implementing corporate governance, with top management being the primary actor (Banda & Epm, 2023). Governance in this scenario involves three boards: directors, commissioners, and an independent board of commissioners, as this level is responsible for oversight and company policy-making (Utomo et al., 2025).

Corporate governance is a business area concerned with managing connections between directors and firm management, stakeholders, and other relevant parties, both internally and externally. This relationship enables the entity to develop and engage in various economic, financial, and legal matters (Kushkowski et al., 2020). The aims and objectives of the business will not be achieved effectively if they are not balanced with Control and supervision by authorized parties specifically appointed by the company. This is because establishing a framework for the relationship between managers and company owners requires a focus on governance (E'Leimat et al., 2024).

Governance is the mechanism through which directors, top management, and company owners collaborate (Alemu & Worku, 2025). However, in reality, the concept of corporate governance first appeared when the corporation was founded, and it was limited only to the company being regulated. It has become a significant concern for many policymakers and several enterprises have failed, impacting practitioners, such as Regal Treasury Bank Limited, Lehman Brothers, Commerce Bank, and Enron, due to their weak corporate governance (Lassoued, 2018). Good governance is a primary need for companies, particularly in the banking industry, as one of the causes of countries experiencing multidimensional crises is the instability of the banking industry (Menicucci & Paolucci, 2023).

Banks, as companies engaged in the sale of financial services, pay close attention to governance principles because they believe that various elements of corporate governance impact financial performance (Zournatzidou et al., 2025). The extent to which a bank adheres to corporate governance rules determines its ability to improve financial performance is a key indicator of effective corporate governance (Molla et al., 2023). Financial performance describes a study that evaluates the degree to which a company has effectively and correctly implemented financial management principles. Profitability can be described through various metrics, one of which is Return on Assets (ROA), a measure that assesses a company's capability to generate returns. The results of the investments made (Istikhoroh et al., 2024).

Every company aims to improve its financial performance, but there are times when an organization experiences periods of diminishing financial performance, culminating in suboptimal results (Malelak et al., 2024). Therefore, companies must manage their business activities effectively and efficiently to operate efficiently and enhance financial results (Yun et al., 2021). This higher revenue can, in turn, improve financial performance and shareholder returns, making the institution more attractive to potential investors. This demonstrates how effective governance is the foundation for healthy and sustainable asset growth, ultimately benefiting all stakeholders (Noor et al., 2024).

The banking sector has distinct characteristics compared to other financial institutions or companies outside the financial sector, thus varying the application of corporate governance. This is evident in the composition of banking assets, which generally consist of long-term loans, as well as savings and deposits, which are typically short-term (Bastomi et al., 2017).

Indonesia is known to have a wide variety of banks, both under the supervision of Bank Indonesia (BI) and the Financial Services Authority (OJK), ranging from central banks to banks that might be state-owned, national commercial, foreign, or Rural Banks (BPR) to regional development banks (BPD) (Ihsani, 2023). However, despite having a diverse range of banks, Indonesia has yet to become a developed economy. Tragically, according to Sandy (2024), Indonesia is ranked as the country with the highest rate of banking fraud.

According to Fajarihza (2025), over the last five years, from early 2021 to March 2025, 123 Rural Banks went bankrupt or had their license revoked by the Financial Services Authority (OJK). The collapse of hundreds of Rural Banks was not due to business issues, but was suspected to be caused by fraud and weak governance within the Rural Banks themselves (Aprilia, 2025).

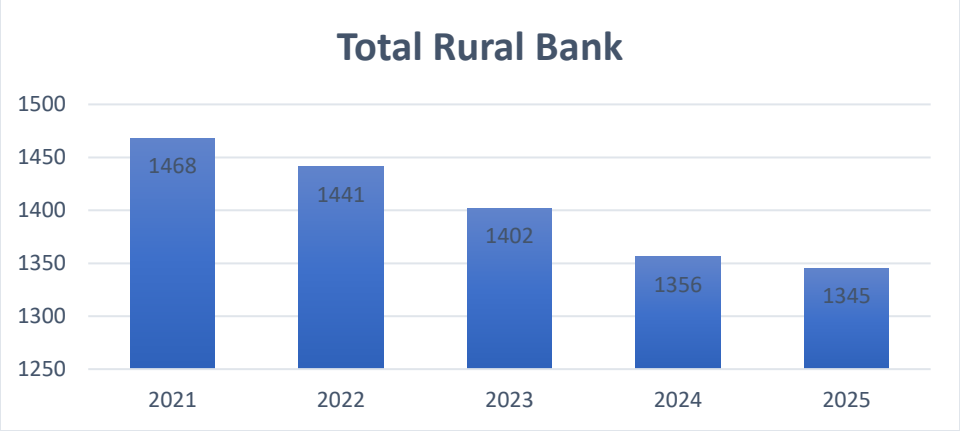

Figure 1. Decrease in the number of Rural Banks in Indonesia in the period 2021-2025.
Source : (Fajarihza, 2025)

Previous research has examined how effective corporate governance can improve financial performance (Alemu & Worku, 2025; E'Leimat et al., 2024; Mohammed et al., 2024; Noor et al., 2024) suggesting that if corporate governance improves banks profitability. Meanwhile, an investigation by Emengini et al., (2024) suggests that there is no influence of corporate governance and bank financial success. This contrasts with the findings of Olowofela et al., (2025), who suggested that Corporate Governance negatively impacts banking financial performance. Building on previous research that has still found inconsistencies in its results, this research revisits the relationship in sound corporate governance and banking performance.

The originality of this research resides in its subject of study, namely, the Rural Banks . Prior research has focused too much on large banks, including state-owned enterprises (BUMN) and national private banks. While this focus is important, it often overlooks Rural Banks, the economic service institution serving lower-middle-class communities, particularly micro, small, and medium enterprises in rural areas and regions lacking access to conventional banking services. Therefore, this research addresses the gap in previous research by focusing on Rural Banks.

2. Literature Review and Hypothesis Development

Directors and Financial Performance

In this case, directors' functions include preparing a vision and mission statement, developing strategies to achieve company goals, establishing a code of ethics foster an ethical culture within the companies, and implementing a sufficient internal control system to prevent unethical behavior (Athar et al., 2023). Research (E'Leimat et al., 2024; Sain & Kashiramka, 2024) argues that the financial performance is negatively impacted by the directors. Meanwhile, research (Abiad et al., 2025; Farooq et al., 2025; Kyere & Ausloos, 2021; Mertzanis et al., 2019) It indicates so the directors improve profitability. This contrasts with study findings (El-Chaarani et al., 2022) which suggest there is no influence both directors and the corporation on financial performance. Given the differences in results from previous studies, the following assumption is formulated:

H_{1a} : The number of directors implies a beneficial impact on ROA.

H_{1b} : The number of directors has a favorable impact on ROE.

Board of Commissioners and Financial Performance

The implementation of administrative standards for organizations and companies, regardless of their size, is achieved through the execution of executive duties and the oversight of the board of commissioners (Permatasari, 2020). Corporate governance structures can take various forms. There are single-board systems and dual-board structures (Putra & Setiawan, 2025). The structure used in Indonesian companies is a dual-board system, a corporate governance structure that explicitly separates board membership into two: Directors, which serve as policymakers, and a board of commissioners, which serves as supervisors (Purbawangsa *et al*., 2020). The board of commissioners, as supervisors, plays an important function in ensuring proper corporate governance and ensuring that the actions of directors and managers are aligned with, and not in conflict with, the company's objectives (Tanjung, 2020). Study by Utomo et al., (2025) claimed that the commissioners' board had a negative impact on performance in finance. This contrasts with Tanjung's (2020) research, The study concluded that the board of commissioners had a beneficial impact on financial performancce. Therefore, the assumption is concluded:

H_{2a}: The number of board commissioners has a positive impact on ROA.

H_{2b}: The number of board commissioners has a positive impact on ROE.

Independent board of commissioners and Financial Performance

According to studies conducted by Gunarsih (2018), there is a causal connection between business performance and ownership, where ownership influences company performance, and company performance, in turn, influences ownership. The expression "independent" in regard to the position of the term independent commissioner relates to the concept that the duties and obligations of independent commissioners are carried out voluntarily with no pressure from the parties involved (Napitupulu et al., 2023; Nugraha et al., 2021). An independent board of commissioners' existence, functionally free from conflicts of interest, whether due to share ownership or family relationships, is expected to positively impact company performance. Studies by (Junus et al., 2022; Kurniasari & Lestari, 2025; Utomo et al., 2025) argue that a board of commissioners has no implication on financial results. This contradicts studies (Abiad et al., 2025; El-Chaarani et al., 2022), which suggest that an independent board of commissioners has a positive impact on financial performance. Other studies (E'Leimat et al., 2024; Mertzanis et al., 2019) suggest that an independent board of commissioners has a positive impact on financial performance. which suggests that an independent board of commissioners has a negative influence on the performance of the finances. Previous research has led to the following hypothesis:

H_{3a}: The number of the independent board of commissioners has a positive effect on ROA.

H_{3b}: The number of the independent board of commissioners has a positive effect on ROE.

Gender Diversity and Financial Performance

Naturally, achieving diversity of gender can be accomplished by increasing the number of women on bank board committees. Specifically, the degree of gender diversity across board members is the proportion of female directors that is used as a measure. When members have diverse genders and cultural backgrounds, board efficiency is more likely to increase compared to companies with less diverse directors (AlHares et al., 2019). Women may be able to manage resources effectively, considering that they often overfund in some areas and underfund in others (Abiad et al., 2025). Research by Sain & Kashiramka,(2024) stated that diversity in gender has a detrimental effect on profitability. In the meantime, studies (Abiad et al., 2025; Alemu & Worku, 2025; El-Chaarani et al., 2022; Farooq et al., 2025; Mertzanis et al., 2019) discovered that diversity of gender has a good effect on finances. From the results of previous research, the fourth hypothesis is concluded:

H_{4a} : Gender Diversity has a positive impact on ROA.

H_{4b} : Gender Diversity has a positive impact on ROE.

Firm Size

Firm size is an indicator of an entity's size, which can be measured by its total assets and net sales (Bedi & Singh, 2024). If sales and assets are high, the company is also large. Company size generally refers to the size of list assets held by the company. (Iswajuni et al., 2018).

Leverage (DER/Debt to Equity Ratio)

DER represents a comparison related to banking finance (Roziqin & Hidajat, 2023). It is known that the lower the DER ratio, the lower the debt composition in a company. A high DER ratio indicates that the company will likely experience financial difficulties, as the lower a company's equity composition, the more debt dominates its capital. This results in a company facing the risk of paying interest on its debt year after year (Palguna, 2023). The legal basis for the proportion of equity to debt according to taxation is regulated in Regulation Number issued by the Minister of Finance of the Republic of Indonesia Number 169 of 2015 (PMK 169/2015). The maximum DER is set at four to one (4:1) (Giarto, 2013).

Since this study involves two dependent variables as measures of financial performance, it employs two research frameworks. Figure 2 shows the research direction using ROA for the dependent variable. Meanwhile, Figure 3 shows the research direction with ROE as the dependent variable.

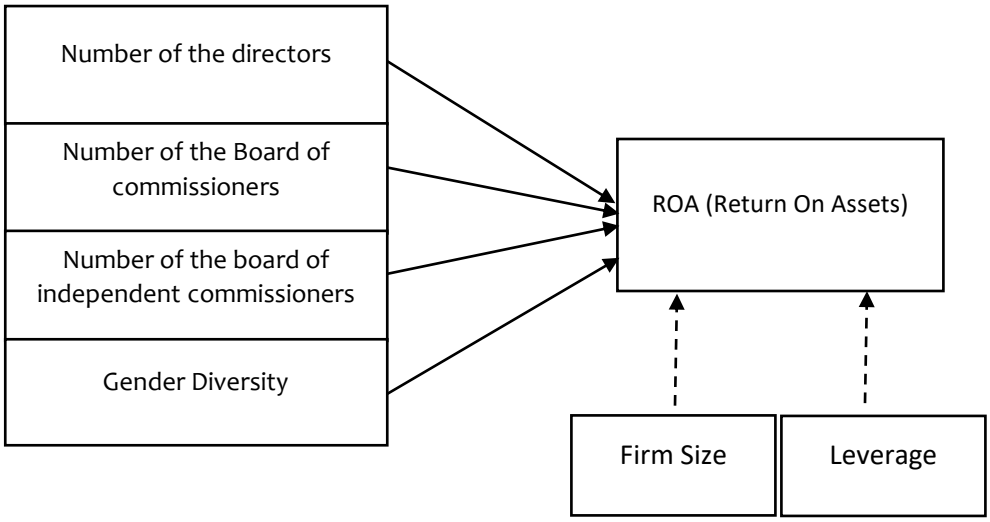

Figure 2. Research Framework 1

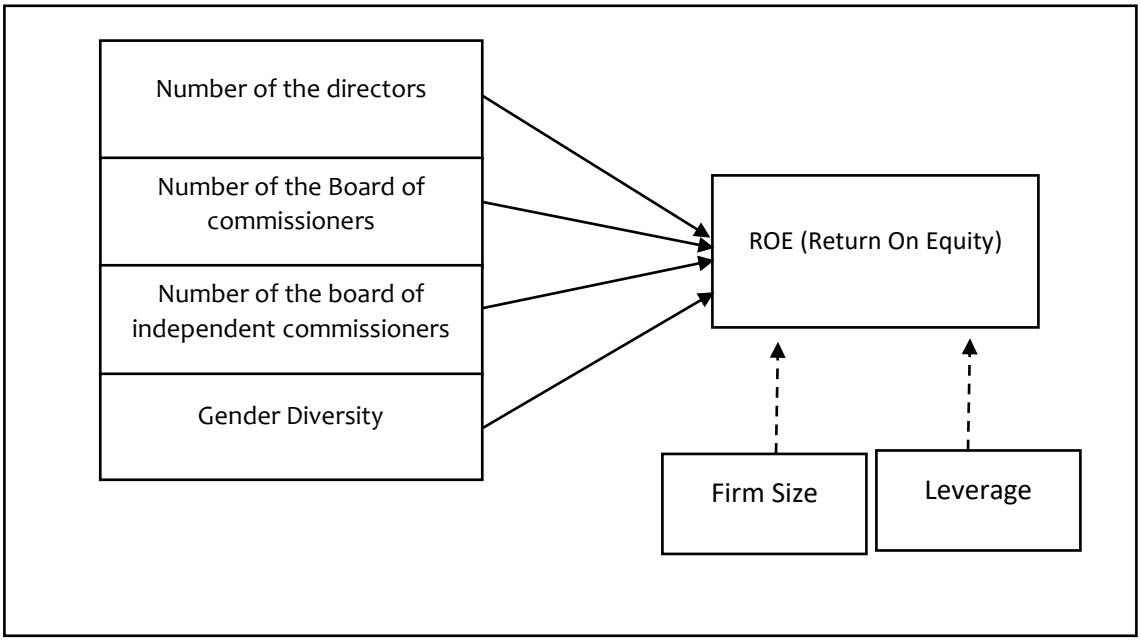

Figure 3. Research Framework 2

3. Methodology

Quantitative examination was conducted in this study, which utilizes numerical data as evidence. The data for this study comes from the published reports on finances on the Financial Services Authority (OJK) website for the 2021-2023 period. Analytical data collection method was carried out with EViews 13 software. The empirical collection strategy used in this study employed panel data regression, utilizing the selected FEM (Fixed Effects Model) model for ROA as the dependent variable and the selected REM (Random Effects Model) for ROE as the dependent variable. Regression in this study can be formulated as follows:

$$ROA_{it} = \alpha + \beta_1 DR_{it} + \beta_2 BC_{it} + \beta_3 IB_{it} + \beta_4 GD_{it} + \beta_5 SIZE_{it} + \beta_6 DER_{it} + \varepsilon_{it}$$
$$ROE_{it} = \alpha + \beta_1 DR_{it} + \beta_2 BC_{it} + \beta_3 IB_{it} + \beta_4 GD_{it} + \beta_5 SIZE_{it} + \beta_6 DER_{it} + \varepsilon_{it}$$

Description :

ROA	= Return On Assets
ROE	= Return On Equity
α	= konstanta
DR	= Directors
BC	= Board of commissioners
IB	= Independent board of commissioners
GD	= Gender Diversity
SIZE	= Firm Size
Leverage (DER)	= Debt To Equity Ratio
ε	= Error

The sample in this study comprises data from Rural Banks in West Java Province, registered with the Financial Services Authority (OJK), for the period 2021-2023. The period is limited to 2023 because at the end of 2024 (December), many Rural Banks have not yet published their financial reports on the OJK website. This study selected West Java Province as the sample because West Java holds the highest position as the most populous region in Indonesia (Mohay, 2025). It is hoped that this will serve as a basis for the accuracy of the data processed in this research. Table 1 displays the sampling criteria for this study. Unsuitable samples were automatically eliminated as they were deemed unlikely to yield relevant results if included in the research test.

Tabel 1
Data on Rural Banks in West Java Province for the period of 2021 to 2023

Criteria	Number of Sample
Rural Banks in West Java Province are registered with the OJK.	465
Rural Banks that do not publish their financial reports to the OJK for the period 2021-2023	-255
Rural Banks that do not have Directors	-7
Rural Banks that do not have a Board of Commissioners	-12
Rural Banks with negative equity	-4
Total Sample (187 x 3)	561

Source : OJK

Figure 4 illustrates the distribution of samples across districts and cities in West Java Province.

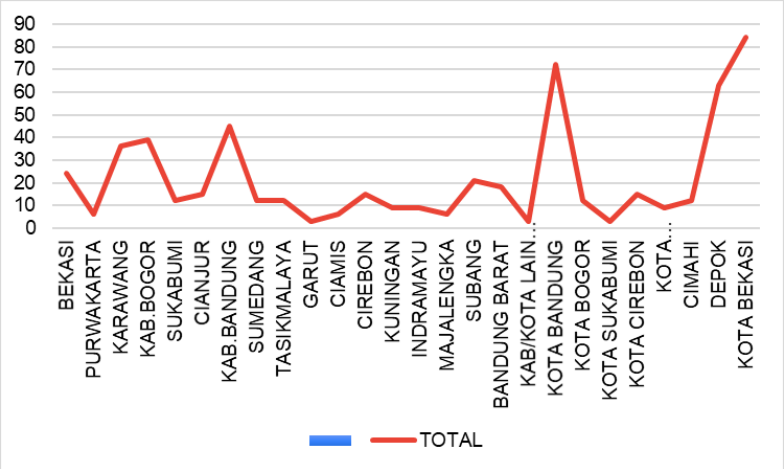

Figure 4. Distribution of samples in West Java Province for the 2021-2023 period

The independent variables utilized in this research include corporate governance factors such as the number of directors, the number of the board of commissioners, the percentage of independent board commissioners, and the proportion of female directors. Meanwhile, the dependent variable for The study examines financial success as evaluated by the rate of returns, namely ROA (Return on Assets) and ROE (Return on Equity). This study also includes company size and leverage as control variables.

Tabel 2
Definition of Research Variables

Variable	Code	Definition	Measurement	Source
Return On Assets	ROA	This ratio analyzes a company's ability to benefit from its investments.	$\frac{Net\ income}{\Sigma Assets} x100\%$	(Kyere & Ausloos, 2021)
Return On Equity	ROE	The net income is split by the equity held by shareholders.	$\frac{Net\ income}{\Sigma Equity} x100\%$	(Mohammed et al., 2024)
Directors	DR	The board of directors determines the develop short-term policies and strategies for maximizing firm resources.	$\Sigma Member\ Board\ of\ directors$	(Mertzanis et al., 2019)
Board of comissioners	BC	An officer and a good adviser to the company if the company is in a poor state to regain better performance.	$\Sigma Member\ Board\ of\ Comissioners$	(Permatasari, 2020)
Independent comissioners	IB	The company organ in charge of supervising and offering advise to the directors. (has no conflict of interest with the company, either financially or through family relations with the company).	$\frac{Number\ of\ independent\ comissioners}{\Sigma board\ of comissioners}$	(Nugraha et al., 2021)
Gender Diversity	GD	The proportion of female directors members compared to the	$\frac{Number\ of\ female\ directors}{\Sigma board\ of directors}$	(AlHares et al., 2019)

		total number of directors members in the company.		
Firm Size	SIZE	The natural logarithm of total assets.	$Ln\ total\ assets$	(Bedi & Singh, 2024)
Leverage	DER	Comparison of the company's total debt with its capital sources	$\frac{\Sigma Debt}{\Sigma Equity} X\ 100\%$	(Roziqin & Hidajat, 2023)

Results and Discussion

Table 3 shows a review of the variables tested in this research. The ROA variable data is 561, with an average significance of 0.0083, median significance of 0.0155. The maximum value is 0.2148, the minimum significance is -0.4506. A negative ROA indicates that several Rural Banks experienced losses. The standard deviation of 0.049 exceeds the average, indicating quite variable ROA data.

The ROE variable data is 561 with an average value of 1.5458, median significance of 0.0807. The maximum significance is 0.5256, and the minimum significance is -9.1261. The negative ROE here indicates that several Rural Banks are experiencing losses. The ROE standard deviation of 0.6272 is lower than normal, indicating that the ROA data is not very diverse.

The DR variable data consists of 561 values, with a typical score of 1.9554, a median significance of 2.0. The maximum significance of 5.0 indicates that the number of directors at Rural Banks in West Java remains very adequate. Meanwhile, the minimum value of 1, with a standard deviation of 0.6237, indicating that the DR data is not very variable.

The BC variable data consists of 561 values, an average amount of 1.9286 and a median value of 2.0. The maximum significance of 4.0 shows that the board of commissioners' size is still highly considered in Rural Banks in West Java. Meanwhile, the minimum value of 1, with a standard deviation of 0.4984, indicating that the BC data is not very diverse.

The IB variable data has a mean significance of 0.6417, a median significance of 0.5, with a total of 561 observations. The maximum significance of 1.0, this means the board of commissioners is still highly considered in Rural Banks in West Java. This is in compliance with Regulations of OJK Number 33/POJK.04/2014, which states that if there are two IB members, then the IB composition is 30% of the total IB. The standard deviation of 0.37, indicates that IB data is not very diverse.

The GD variable data consists of 561 values, with an average significance of 0.3082, a median significance of 0.25. The maximum significance is 2.0, while the minimum significance is 0, with a standard deviation of 0.35, which is smaller than the average, indicating that the GD data does not vary significantly.

Tabel 3.
Descriptive Statistical Test

Variable	Obs	Mean	Median	Max	Min	Std Dev
Dependen Variable						
ROA	561	0.0083	0.0155	0.2148	-0.4506	0.0490
ROE	561	1.5458	0.0807	0.5256	-9.1261	0.6272
Independent Variable						
DR	561	1.9554	2.0000	5.0000	1.0000	0.6237
BC	561	1.9286	2.0000	4.0000	1.0000	0.4984
IB	561	0.6417	0.5000	1.0000	0.0000	0.3700
GD	561	0.3082	0.2500	2.0000	0.0000	0.3513
Control Variable						
DER	561	4.9024	4.7064	26.241	0.0061	3.0979
SIZE	561	24.692	24.647	28.569	21.692	1.1118

Source: Processed with eviews

Normality Test

In testing using panel data, the normality test is not a requirement for the BLUE (Best Linear Unbiased Estimator) model. Some researchers argue that this test is not mandatory (Basuki & Prawoto, 2019)

Model selection test

Table 4 display the outcomes of the probability values from the Chow Test, with the dependent variable ROA at 0.0000<0.05. This shows that the chosen model is the Fixed-effect Model. Furthermore, the Hausman test with ROA as the dependent variable was 0.0000<0.05. This means that the chosen model is an absolute Fixed-Effect Model. The Chow test with ROE as the dependent variable yielded a prob significance of 0.0000<0.05; thus, The Fixed-Effects Model was used for analysis. The Hausman test with ROE as the dependent variable yielded a prob significance of 0.0859, which is more than 0.05. This means The Random Effect Model (REM) was chosen for analysis, so it must be continued to the LM Test to identify the optimum model, use the Random Effect Model (REM) or the Common Effect Model (CEM). The results of the LM test show a Breusch pagan value of 0.0000, so the best model selected is REM.

Tabel 4.
Model selection test

ROA					**ROE**			
Type Of test	**Summary**			**Best Model**	**Summary**			**Best Model**
Chow test	Statistic	d.f	Prob	FEM	Statistic	d.f	Prob	FEM
	3.519994	(186,368)	0.0000		7.314048	(186,368)	0.0000	
Hausman-test	Chi-Sq. Statistic	Chi-Sq. d.f	Prob	FEM	Chi-Sq. Statistic	Chi-Sq. d.f	Prob	REM
	160.037472	6	0.0000		11.080732	6	0.0859	
LM-test					Test Hypothesis			
					Cross-section	Time	Both	
					119.9826	0.014176	119.9968	REM
					(0.0000)	(0.9052)	(0.0000)	

Source: Processed with eviews

Table 5 indicates that there are no multicollinearity issues between the independent and control variables in this study, which typically requires a correlation between exposure variables of 0.85 or higher (Basuki & Prawoto, 2019). Therefore, there are no multicollinearity issues in the present research.

Tabel 5
Multicollinearity Test

	DR	**BC**	**IB**	**GD**	**DER**	**SIZE**
DR	1.000					
BC	0.535	1.000				
IB	0.048	0.006	1.000			
GD	-0.074	-0.088	-0.102	1.000		
DER	0.067	0.082	-0.018	-0.067	1.000	
SIZE	0.563	0.455	0.207	-0.139	0.419	1.000

Source: Processed with eviews

Table 6 indicates the findings of the hypothesis test on the dependent variables ROA and ROE. From the findings of the hypothesis test of the independent variable on ROA, it can be seen that the Directors, the variable's coefficient is -0.012 and a probability of 0.027 <0.05, which proves that Directors variable has a detrimental effect on ROA. The ROE variable, with a coefficient of -0.121 and a probability of 0.004<0.05, shows that financial performance, as determined by ROE, is negatively impacted by the number of the directors.

This study proves Directors have a detrimental effect on ROA and ROE, this proves that the position of the directors as company executives who are considered responsible for making company steps and decisions does not necessarily increase company productivity because sometimes the steps and strategic plans the directors' decision are still not on target, so they have little implications on improving the organization's achievements.

The findings of this investigation on the number of directors and the financial performance of Rural Banks are less in keeping with the general agency theory in the study of Mbithi et al., (2023), which claims that if the larger proportion of the directors, it will add various skills and further improve financial results. This finding corresponds with studies conducted by (E'Leimat et al.,

2024; Sain & Kashiramka, 2024), and is negatively correlated with studies conducted by Abiad et al., (2025). This indicates that the total amount of directors has a beneficial impact on the firm's finances.

Outcomes of the board of commissioners' size on ROA, with a coefficient of 0.000 and a probability of 0.858>0.05, indicate there's no correlation with board of commissioners size and ROA. This differs from the impact of the board of commissioners' size on ROE. With ROE as the dependent, it create an index of of -0.109 and a probability of 0.004<0.05; The quantity of commissioners' board members is negatively correlated with ROE.

This suggests that a larger percentage of board members does not always improve firm achievement. The Board of Commissioners, whose primary task is to oversee company policies and operations and act in the business's best interests , actually commits fraud or deception for personal gain. This could be a separate governance issue, which adds to the collapse several Rural Banks in Indonesia in the near future. The outcome here matches up with research by Utomo et al., (2025), but contrasts with the results of Tanjung (2020), Research suggests that larger boards improve financial outcomes.

The third result shows a coefficient of -0.003 and a chance of of 0.744 (greater than 0.05) for the ROA dependent variable. This indicates the quantity of independent board commissioners has not any impact on the ROA dependent variable.

This aligns with research (Junus et al., 2022; Kurniasari & Lestari, 2025). Furthermore, for the ROE dependent variable, the coefficient significance is -0.154, and the probability is 0.022 > 0.05, research suggests that a larger independent board of commissioners negatively impacts ROE.

This aligns with research (E'Leimat et al., 2024; Mertzanis et al., 2019), and contradicts research (Abiad et al., 2025; El-Chaarani et al., 2022), research indicates that having independent boards of commissioners improves financial performance. This suggests that boards of commissioners in Rural Banks may not be effectively maximizing their duties and authority. Their independence remains questionable, as it is unclear whether they can effectively carry out their duties of monitoring the company or whether this is merely a formality to comply with regulatory requirements.

The fourth result, the Gender Diversity Variable on ROA, yields a coefficient of 0.025 and a significance level of 0.024, showing that gender diversity has a positive impact on performance in finance, as measured by ROA. The greater the number of female board directors, the more improved profitability of rural banks. This finding aligns with research (Abiad et al., 2025; Alemu & Worku, 2025; El-Chaarani et al., 2022; Farooq et al., 2025; Mertzanis et al., 2019). Meanwhile, the coefficient value obtained for Gender Diversity on the dependent ROE is 0.036. With a probability of 0.585>0.05, it indicates there is no correlation between diversity of gender and profitability as measured by ROE. The findings of this investigation indicate that the presence of a female directors has a positive impact on ROA, thereby improving firm performance.

This is because it is believed that greater gender diversity within a company can lead to increased innovation and more accurate corporate decision-making. The existence of female directors is considered capable of making appropriate decisions with low risk, thus improving company performance. According to a review of existing literature, female directors tend to have a more discerning perspective on decision-making than their male counterparts. This has been shown to significantly impact a company's expected returns. The existence of female directors on the directors is believed to motivate banks to become better managers by weighing each stakeholder's needs, including regulators, vendors, also customers (Abiad et al., 2025).

The fifth result indicates that the control variables DER and SIZE have the same impact on financial performance, as measured by both ROA and ROE. The DER variable displays a negative influence on financial performance. A higher DER percentage in Rural Banks is likely to result in lower performance in finance. This illustrates that if a company's capital is dominated by debt, it will hinder profit growth. Higher debt also leads to higher interest rates to be repaid to creditors. In contrast, a low DER suggests that the firm's capital is dominated by investors who have invested in the company. Although investors expect dividends from the company, it is optional for the company to pay them. Whether or not to distribute dividends is a company's prerogative. However, for both long-term and short-term debt, the interest and principal will always be a liability for the company.

The SIZE variable, as well as both dependent variables, ROA and ROE, showed equally positive results. A larger company's value, in turn, improves its performance in finance. This demonstrates the strong effects of company size on performance in finance of Rural Banks. A larger company increases its ability to face various challenges that hinder performance and seize opportunities to improve performance, as larger companies tend to have higher asset holdings. With high asset ownership, it is believed that the company will increasingly allocate its assets for both its operational interests and external interests, such as investment decisions aimed at achieving a high rate of return (Iswajuni et al., 2018). The Adjusted R-squared results for the dependent ROA showed a value of 0.544 (54%) and for the dependent ROE of 0.506 (50%). This indicates that the independent variable and control variables in this study collectively explain approximately 50% of profitability, as measured by ROA and ROE. The remainder was attributed to other variables are outside the scope of this research.

Tabel 6.
Results of the hypothesis test

Variable	ROA		ROE	
	Coefficient	**Prob**	**Coefficient**	**Prob**
C	-0.615	0.001	-8.359	0.000
DR	-0.012**	0.027	-0.121***	0.004
BC	0.000	0.858	-0.109***	0.004
IB	-0.003	0.744	-0.154**	0.022
GD	0.025**	0.024	0.036	0.585
DER	-0.005***	0.000	-0.196***	0.000
SIZE	0.027***	0.000	0.399***	0.000
Adjusted R-squared	0.544 (54%)		0.506 (50%)	
F-statistic	4.483667		96.70837	
Prob	0.000		0.000	

Note : Standard erorrs are parentheses. ***Significant at 1% ; **Significant at 5%
Source : Processed with eviews

Conclusion

This research provides several contributions to corporate governance. First, it comprehensively identifies the connection in corporate governance and banking, which can influence bank performance, as measured by returns, namely ROA and ROE. Second, this study demonstrates that a high proportion of female directors is essential for improving bank performance. Therefore, it might be regarded as highly recommended to increase the quantity of female directors in financial institutions is highly recommended. Finally, this study implies that increasing the proportion of female directors and commissioners may further degrade bank performance. Therefore, companies with excessive proportions of these three boards may need to review their corporate governance structures to improve performance, particularly in the banking sector.

The weakness of this research is that it concentrates solely on samples from one province. Due to the limited data available on the OJK page, this study uses Board proportion as a measure of corporate governance. Recommendations for further study might involve enlarging the sample distribution in Indonesia.

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