

Implementation of Good Corporate Governance in Creating Bank Performance Sustainability Using Partial Least Square Method

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Abstract

Performance is an achievement picture of activity implementation in realizing the company's goals. An important goal in the establishment of a company is to improve the welfare of its owners or shareholders by maximizing shareholder wealth through increasing the company's value. Business performance is needed and important for the company. This certainly will be a distinct advantage for a company if it has good business performance. PT. Bank Pembangunan Daerah Jawa Barat dan Banten, Tbk. with the call name bank BJB is one of the BUMD that is engaged in the banking industry sector with category of BUKU 3. The research analysis unit is conducted at branch offices throughout all the bank BJB network of service and operations. In the last five years, the trend of bank BJB performance still tends to fluctuate, especially in the period 2013-2014 and 2016-2017 which has decreased. This can be seen in the balanced scorecard parameters of each branch office performance index for the 2014-2018 period. One reason for the decline in bank BJB performance is the poor implementation of Good Corporate Governance (GCG). The phenomenon of bank BJB performance fluctuated in line with the GCG ranking statistics issued by the LPPI where bank BJB's GCG rating was above the average rating of the national banking industry's GCG standard. The current GCG implementation is mostly carried out at the corporate level and lacks of optimal GCG implementation at the business, operational and functional levels, in this case, is the branch office. The modeling of the research framework is designed using the Partial Least Square model which is a method for estimating the path model that uses latent extract with multiple indicators. Based on the phenomenon that occurs in bank BJB, the research framework that will be explored is testing the hypotheses related to the description of the external environment, internal environment, and corporate value towards the GCG implementation in creating bank performance sustainability.

Keywords

Environment, Internal Environment, Implementation of Good Corporate Governance, Bank Performance Sustainability, Partial Least Square

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Introduction

Performance is an achievement picture of the activity implementation in realizing the company's goals. An important goal in the establishment of a company is to improve the welfare of its owners or shareholders, or by maximizing shareholder wealth by increasing the company value (Stam, Arzlanian, and Elfring, 2013). Increasing company value can be achieved if the company can operate by achieving targeted profits. Through the profits obtained, the company will be able to provide dividends to shareholders, increase company growth and maintain its survival (Sebahattin, Ba, and Ta, 2014). Business performance is needed and important for the company. This certainly will be a distinct advantage for a company if it has good business performance (Huhtala, 2014).

Research on the concept of business performance has been carried out in several industries ranging from the biotechnology industry, hotel industry, technology industry, and banking industry (Bashir, 2011). Banking is one sector that contributes to national development and aims to improve the lives of many people. In carrying out its business activities, the bank is required to always be in a healthy state. A healthy bank will foster public trust. The growth of Regional Development Banks in a decade is fast and dominates the assets of regional and provincial governments. According to Infobank (2018), the overall assets of Regional Development Banks in Indonesia reach Rp. 586.6 trillion as of March 2017.

According to the Chairman of the OJK Board of Commissioners, Muliaman D. Hadad, Regional Development Banks have so far not been empowered so the decline in market share continues to occur. The market share of regional development banks compared to the industry, both in terms of total assets, loans and deposits are still relatively low (<10%) and relatively stagnant over the past 3 (three) years. According to Agus Mulyana (Director of Compliance and Risk Management of PT. Bank Pembangunan Daerah Jawa Barat and Banten, Tbk.), there are three main problems underlying the BPD transformation program, namely weakness of good corporate governance, low competitiveness, and limited capital (Stability, 2018).

PT. Bank Pembangunan Daerah Jawa Barat dan Banten, Tbk. with call name bank BJB is one of the Regional Owned Enterprises engaged in the banking sector with majority shares as of December 2017 for total series A shares by 75% and total series B shares or publicly owned shares by 25% (Annual Report, 2018). bank BJB is categorized as a bank with a group of BUKU 3 following POJK number 6/POJK.03/2016 dated January 26, 2016, concerning Business Activities and Office Networks Based on Bank Core Capital, with minimum core capital requirements of five trillion rupiahs. bank BJB is a commercial bank that carries the mission as a driver of regional economic growth. bank BJB is one of the national banks and is ranked as the 12th largest bank of 115 banks in Indonesia and the number one Regional Development Bank in Indonesia (Infobank, 2018).

The measure achieved in assessing bank BJB performance varies between the regional development bank and other commercial banks depending on the principal activities of the bank. The trend of bank BJB performance still tends to fluctuate, especially in the period 2013-2014 and 2016-2017 which has decreased. In this research, the indicators used to see the performance phenomenon of bank BJB as bank-wide using balanced scorecard parameter which consists of four perspectives, namely financial, customer, internal business process, and learning and growth. The following are balanced score card data that show the performance index of branch offices of bank BJB for the period 2014-2018 as shown in Table 1 below.

Table 1. Branch Office Performance Index Of bank **BJB**
Period Of 2014 – 2018

No	Branch Office	2014	2015	2016	2017	2018	No	Branch Office	2014	2015	2016	2017	2018
1	Branch Office 01	96,00%	139,30%	102,00%	130,30%	113,30%	34	Branch Office 34	95,70%	103,70%	106,30%	106,00%	102,00%
2	Branch Office 02	79,90%	120,70%	90,20%	129,30%	115,90%	35	Branch Office 35	128,30%	104,80%	127,10%	105,60%	116,00%
3	Branch Office 03	122,90%	134,80%	137,40%	127,00%	99,40%	36	Branch Office 36	120,40%	123,10%	132,20%	105,40%	77,60%
4	Branch Office 04			104,00%	119,00%	106,50%	37	Branch Office 37	93,20%	110,40%	103,30%	105,30%	104,30%
5	Branch Office 05				119,00%	106,50%	38	Branch Office 38	115,60%	101,60%	103,80%	103,60%	109,70%
6	Branch Office 06	86,10%	107,70%	107,40%	118,80%	100,30%	39	Branch Office 39	104,20%	108,70%	114,50%	103,50%	104,70%
7	Branch Office 07	102,10%	133,60%	135,90%	116,80%	106,10%	40	Branch Office 40	91,90%	100,50%	102,90%	103,50%	106,20%
8	Branch Office 08	85,00%	120,10%	108,00%	114,60%	103,80%	41	Branch Office 41	101,00%	100,50%	111,70%	103,40%	106,90%
9	Branch Office 09	100,00%	112,40%	109,40%	112,80%	109,40%	42	Branch Office 42	110,20%	118,00%	99,00%	102,60%	103,90%
10	Branch Office 10	109,50%	111,40%	134,60%	112,70%	100,40%	43	Branch Office 43	83,10%	125,70%	116,40%	102,40%	105,00%
11	Branch Office 11	93,00%	134,50%	140,50%	112,20%	101,20%	45	Branch Office 44	101,60%	104,10%	102,80%	102,30%	96,20%
12	Branch Office 12	87,90%	117,60%	106,80%	112,00%	106,50%	46	Branch Office 45	92,60%	102,40%	102,80%	102,30%	101,30%
13	Branch Office 13	99,30%	90,70%	102,50%	112,00%	98,90%	44	Branch Office 46	96,30%	141,30%	128,10%	102,30%	108,40%
14	Branch Office 14	109,70%	123,90%	107,80%	111,70%	109,50%	48	Branch Office 47	100,90%	109,50%	97,60%	102,20%	105,30%
15	Branch Office 15	101,50%	119,60%	105,30%	111,60%	113,70%	47	Branch Office 48	102,20%	117,30%	106,90%	102,20%	103,30%
16	Branch Office 16	83,90%	105,60%	99,40%	111,20%	112,80%	49	Branch Office 49	105,90%	109,50%	111,30%	101,70%	99,50%
17	Branch Office 17	78,80%	115,30%	110,70%	111,10%	111,10%	50	Branch Office 50	84,00%	110,50%	106,80%	101,10%	101,30%
18	Branch Office 18	93,90%	109,60%	114,20%	110,20%	108,50%	51	Branch Office 51	101,20%	118,70%	100,00%	100,60%	100,70%
19	Branch Office 19	97,90%	102,40%	108,40%	110,10%	101,00%	52	Branch Office 52	91,90%	102,30%	100,60%	99,90%	103,30%
20	Branch Office 20	95,60%	99,20%	102,10%	109,50%	109,70%	53	Branch Office 53	90,10%	115,40%	102,90%	99,50%	99,40%
21	Branch Office 21	96,70%	110,40%	105,90%	109,40%	102,40%	54	Branch Office 54	88,10%	102,50%	100,70%	99,20%	98,90%
22	Branch Office 22	100,90%	125,20%	112,80%	108,90%	113,10%	55	Branch Office 55	96,10%	95,40%	104,90%	98,40%	106,00%
23	Branch Office 23	105,60%	108,10%	109,40%	108,60%	107,40%	56	Branch Office 56	102,70%	105,90%	96,50%	98,40%	103,00%
24	Branch Office 24	111,20%	126,90%	111,40%	108,50%	104,70%	57	Branch Office 57	83,60%	115,70%	104,80%	97,40%	104,10%
25	Branch Office 25	121,50%	143,40%	109,50%	108,30%	104,20%	58	Branch Office 58	123,00%	140,50%	109,30%	96,40%	112,20%
26	Branch Office 26	103,00%	116,60%	106,00%	108,20%	102,30%	59	Branch Office 59	86,70%	119,70%	97,40%	96,20%	104,40%
27	Branch Office 27	95,80%	107,30%	100,60%	108,10%	103,30%	60	Branch Office 60	88,80%	114,00%	97,90%	96,00%	110,60%
28	Branch Office 28	99,90%	103,20%	104,10%	107,80%	102,80%	61	Branch Office 61	79,20%	130,60%	137,30%	95,70%	117,30%
29	Branch Office 29	97,90%	115,30%	99,10%	107,80%	93,60%	62	Branch Office 62	125,60%	107,90%	117,70%	94,10%	105,50%
30	Branch Office 30	97,30%	95,60%	103,70%	107,70%	95,00%	63	Branch Office 63	73,30%	102,90%	130,20%	92,20%	107,30%
31	Branch Office 31	98,20%	106,30%	110,10%	107,10%	97,10%	64	Branch Office 64				88,00%	95,90%
32	Branch Office 32	105,30%	107,90%	104,60%	106,70%	102,90%	65	Branch Office 65	77,10%	81,90%	112,50%	83,10%	115,20%
33	Branch Office 33	95,90%	102,40%	106,30%	106,50%	95,70%							

Source: Internal data of bank **BJB**, 2019

Based on Table 1, looking at these data, it can be seen that the performance of each branch office fluctuates from year to year. This shows that the Balance Score Card targets that have been set in the Bank Business Plan are not realized at some branch offices in bank BJB. The phenomenon related to fluctuating branch office performance problems can be seen in Table 2 as follows.

Table 2. Recapitulation Of bank **BJB** Branch Office Performance Index Period Of 2014 - 2018

No	Performance Achievement	2014	2015	2016	2017	2018
1	Achieve	26	57	55	51	53
2	Not Achieved	36	5	8	14	12
	Total	62	62	63	65	65

No	Performance Sustainable	2014 – 2015	2015 - 2016	2016 - 2017	2017 - 2018
1	Improvement	55	28	28	29
2	Decrease	7	35	35	36
	Total	62	63	63	65

Source: Internal data of bank **BJB**, 2019

Based on Table 2, it can be seen that performance at the branch office in bank BJB in 2014, more than 50% was not achieved, while in the period 2016 - 2018, it was seen that eight to fourteen branch offices in bank BJB could not realize the BSC target that became a commitment.

In terms of the sustainability of bank performance, in the 2015-2018 period, more than 50% of branch offices in bank BJB experienced a decline in performance.

Important indicators that influence performance inconsistency are caused by several factors, one of which is Good Corporate Governance (GCG). GCG can direct and control the company to achieve a balance between the strength and authority of the company. Failure to implement GCG will affect the Bank's Health Level. Which is a qualitative assessment of various aspects that affect the condition or bank performance after considering an element of judgment based on the materiality and significance of the assessment factors and the influence of other factors such as the condition of the banking industry and the national economy factor.

In improving the performance in implementing good corporate governance through GCG principles, bank BJB signed a memorandum of understanding (MOU) with Badan Pengawas Keuangan dan Pembangunan (BPKP) Jawa Barat and Komisi Pemberantasan Korupsi (KPK) including assistance in conducting audits, evaluations/assessment, giving a professional opinion, technical guidance assistance/assistance in the development and application of managerial devices, as well as the construction of internal control structures. However, even though bank BJB has implemented GCG and collaborated with BPKP and KPK, it does not mean that bank BJB has been perfect in implementing GCG implementation strategies.

This is evidenced that in the 2017 period, 74 important cases were faced by bank BJB with 26 civil cases completed and having permanent legal force, while 48 other civil cases in the settlement process as shown in Table 3 as follows. (Annual Report bank BJB, 2018)

Table 3. Important Case List Faced By bank **BJB**

No	Case Profile	Total	Impact	
1	Legal Action Against Lawsuit	27		
2	Default Suit	7		
3	Bankruptcy Request	1	There is no significant impact on the company	
4	State Administrative Lawsuit	1		
5	Collateral Auction Execution Rights Resistance	8		
6	Claims for Seizure Guarantee	1		
7	Lawsuit of Heirs / Wives Related to Guarantor of Credit Facilities	1		
8	Postponement of Obligation to Pay Debt	2		
Jumlah		48		

Source: Annual Report bank BJB, 2018

The phenomenon of bank BJB performance fluctuated in line with the GCG ranking statistics issued by the LPPI where the GCG rating of bank BJB was above the average national banking industry standard GCG ranking as shown in figure 1 as follows.



Figure 1. Comparison of bank BJB Average GCG Ratings Against Each Bank With Category of BUKU 3 and Industry Standards (LPPI, 2018)

Based on Figure 1 above, the bank BJB GCG Self Assessment average is still above the BUKU 3 GCG value standard and the national banking industry standard (not good).

So far, research on the GCG implementation has been carried out at the corporate strategy level and has not touched the level of GCG implementation strategies carried out in business, functional and operational units. The concept of GCG which has been described by many studies mostly only addresses the strategic side. The focus of strategic management research has shifted from strategic planning to strategy implementation. Discussions about strategy implementation have become increasingly popular in the past decade in line with the widespread awareness that strategy implementation is far more important than strategy formulation (Pella, et al, 2013).

The focus of this research is emphasized on the implementation of GCG through a survey in the branch office analysis unit (in this case as a business unit) in creating sustainability of bank BJB performance so this research will have new values, differences, and more. The expected results of the research are more on a bottom-up strategy, namely operational strategy and business strategy in evaluating the implementation of bank business activities following policies, SOP, guidelines, product manuals, and technical guidelines that apply to conditions and situations that occur in the field with prudence and compliance towards the implementation of applicable internal provisions.

Methodology

A. Research Methods & Design

In this research, the variables that will be the focus of the research are External Environment, Internal Environment, Company Value, GCG Implementation, and Bank Performance Sustainability. The subject or analysis unit of research which is the primary data source is individual members of the population, namely all Branch Office Leaders in bank BJB. The reason for choosing the Branch Leader as the subject of research is because it is related to the strategy of GCG implementation, it should be initiated by the Branch Leader (Organizing For Action). The time of extracting primary data is only done once in each unit of the same data source. Because research is only done once, the time dimension in this study is a cross-section.

Based on the purpose, this type of research is descriptive and verification research, namely research that aims to get an idea of the characteristics of research variables and measure the relationship between research variables through the process of testing hypotheses (Suryanto, 2005). The research method approach used to test hypotheses is a causal research model, namely a research design model, where the emphasis is on a causal relationship, or a conclusive research model designed to gather evidence of causal relationships.

Survey research is research that takes samples from one population and uses a questionnaire as a basic data collection tool. The purpose of survey research here is to describe and explain (explanatory or confirmatory), namely to explain the causal relationship and hypothesis testing. Description studies are research that is used to describe phenomena related to the subject population or to estimate the proportion of populations that have certain characteristics. Descriptive research is the basis for all scientific research, namely to record or classify a series of elements involved as forming an existing problem area. Stages of grouping data to a certain extent are based on completeness and placement in place, making it easier to recognize the main characteristics of variable dimensions.

Furthermore, the investigation of causal relationships between variables in this research will be used Path Analysis, then for data profiles descriptive for each variable dimension used descriptive statistics analysis tools using Statistical Product and Service Solution (SPSS) 25 for Windows and Smart PLS 3.

B. Research Variables & Measurement

In this research, there are five construct variables in the research model designed, namely External Environment, Internal Environment, and Company Value which are exogenous in the model, Implementation of Good Corporate Governance as an intermediate variable, and the Bank Performance Sustainability variable as endogenous variables.

Operationalization of variables and measurements of each research variable as shown in Table 4 uses a Likert scale in measuring dimensions or indicator variables. The Likert scale type is most often used by behavioral researchers and is very suitable for measuring respondents' attitude response to variable objects under study. In addition, the Likert scale type has a type of interval measuring scale (Sugiyono, 2013). Verification analysis is used to test hypotheses using statistical tests and emphasizes the disclosure of the behavior of research variables. The data analysis technique used to determine the correlative relationship in this study is Partial Least Square (PLS).

Table 4. Variables Operationalization

VARIABLE	SUB VARIABLES	INDICATORS	SCALE	NO	
1	2	3	4	5	
Bank Performance Sustainability	Profit	Net Profit	Ordinal	1	
		Return of Equity (ROE)	Rasio	2	
	Operating Expenditure	BOPO	Ratio	3	
		Total Asset	Ordinal	4	
		Return of Asset (ROA)	Ratio	5	
GCG Implementation	GCG Principles	Accountability	Interval	6	
		Responsibility	Interval	7	
		Independency	Interval	8	
		Business Review	Interval	9	
	Director's Meeting	Regional Coordination Meeting	Interval	10	
		Annual RBB Meeting	Interval	11	
	Internal Meeting	Monthly Breakdown Meeting	Interval	12	
		Moming Briefing	Interval	13	
		Branch Office Award	Interval	14	
	Corporate Values	Appreciation	Employee Award	Interval	15
			Customer Complaints	Interval	16
		Corporate Culture	Service Excellence	Interval	17
			Integrity	Interval	18
Respect			Interval	19	
Innovation			Interval	20	
Supervisor		Otoritas Jasa Keuangan	Interval	21	
Lingkungan Eksternal		Strategic Alliance	Insurance, Legal, Notary, Appraisal and other Legal Institutions	Interval	22
	Developer and other business institutions		Interval	23	
	Human Resource & Information Technology		Interval	24	
	Industry Standards	Differentiation of Products and Services	Interval	25	
		Cost Leadership	Interval	26	

VARIABLE	SUB VARIABLES	INDICATORS	SCALE	NO
1	2	3	4	5
Lingkungan Internal	Operational Management	Balance Score Card	Interval	27
		Operational Losses	Interval	28
	Human Resource	Length of Work	Interval	29
		Education and Training	Interval	30
		Individual Score Card	Interval	31
		Job Description	Interval	32
	Marketing Capability	Marketing Staff	Interval	33
		Frontliners	Interval	34
	Network and Operational Services	Number of Sub Branch Offices, Cash Offices, and Payment Points	Interval	35
		Number of ATM	Interval	36
		Role Play	Interval	37
		Service Quality Assurance	Interval	38
	Risk Management	Risk Culture	Interval	39
		Key Risk Indicators	Interval	40
		Risk Profile	Interval	41
	Compliance	Compliance Culture Internalization	Interval	42
		Gratification	Interval	43
		Anti Money Laundry and Prevention of Terrorism Funding	Interval	44
		Know Your Customer	Interval	45
		Repeated Findings	Interval	46
		Number of Fraud	Interval	47
	Internal Audit	Internal Inspection	Interval	48
		Fraud Awareness	Interval	49

The hypothesis testing of the research is carried out by using quantitative testing techniques, therefore the data from the measurement result of construct variables and the manifest variable (observable variables) must be converted into quantitative form. In its measurement, a set of tools is used in the form of questionnaires. The scaling category starts from 1 which represents the lowest scale rating and up to 5 to represent the highest score ranking.

C. Population & Research Samples

The population is a generalization area consisting of subjects or objects that have a certain character and quality determined by a researcher to be studied which is then concluded (Sugiyono, 2013). In another sense, the population is the whole subject or the totality of the research subject either in the form of people, objects, or something in which information data can be obtained in research.

In the research that was used as the unit of analysis in this study were branch leaders in all branch offices of bank BJB. Characteristics of unit analysis attribute that will be examined in bank BJB are relatively homogeneous and have duties in terms of business expansion such as lending, increased fee-based income, as well as services and operations to customers and other administrative tasks. As of December 2018, the number of bank BJB office networks in Indonesia is 65 Branch Offices.

The population unit as described previously can be categorized as a large population. Therefore, and based on consideration of time limitations and reasons for operational efficiency, the use of samples is the most manageable option than all members of the population studied. The sample used in this study was obtained by saturated sampling. The sample size taken in this study is 65 Branch Offices.

D. Partial Least Square (PLS) Analysis

The PLS method was first developed by Wold (1984) as a general method for estimating the path model using latent extract with multiple indicators. The PLS method is a reliable analysis because it does not assume a certain distribution, it can be used on any type of data scale (nominal, ordinal, interval, and ratio) with a small sample size (less than 100). PLS is also used to confirm the theory and is more suitable for prediction purposes. Based on the conceptual hypothesis proposed and the research paradigm, it can be described as a framework for the relationship between variables in the form of the model as shown in Figure 5 below.

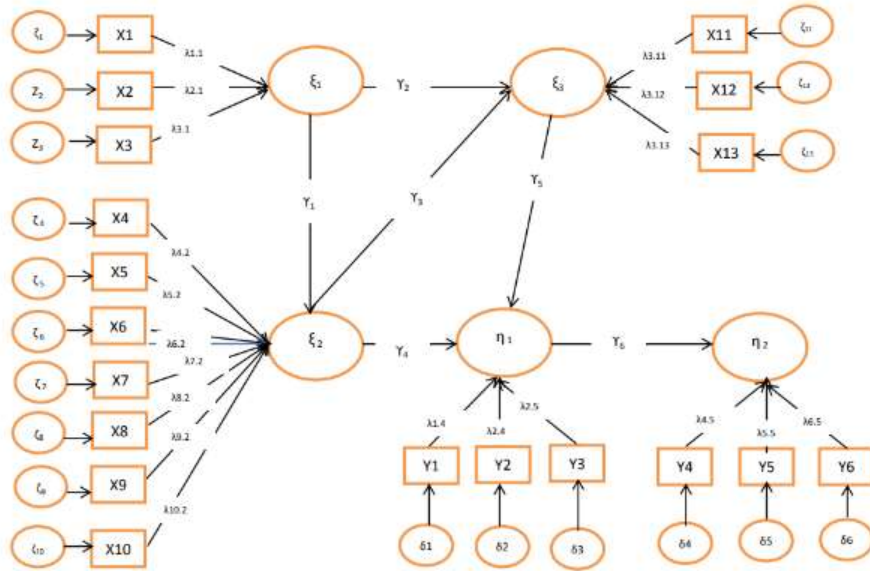


Figure 5. Structural Models of Latent Variable Relationships (Exogenous & Endogenous), Dimensions Variable (Indicators) & Errors Variable

The research model above essentially shows External Environment, Internal Environment, and Corporate Value as exogenous variables, GCG Implementation as an intervening variable, and Bank Performance Sustainability as endogenous variables.

Results and Discussion

A. Measurement Results in Description of Research Variables

The formulation or statement of hypotheses that have been formulated from the structure of the construct or latent variable relationship can be tested after dimensions measurement or indicators of each construct variable are done. Variations in the data value in dimensions or indicators will describe variations in the construct variables. The strong or weak relationship of various indicators with construct variables is shown by the size of the weight factor (loading factor) that is owned by each dimension or indicator of the constructed variable.

Based on the Smart PLS program output, the Lamda parameter estimation is the same as the standardized regression weight or the path coefficient. By knowing the magnitude of the path coefficient value, the calculation of how much the value of the structural influence directly, indirectly or the total effect of the predictor variable on its predictions can be known and determined. The magnitude of the coefficient value of the estimation of lambda X and lambda Y parameters is shown in Table 6 as follows.

Table 6. Estimation Result Value of Lamda Parameter (Loading Factor) In Each Dimension / Exogenic and Endogen Variable Indicator In Research Model

Exogenous Variable	λ Value	Endogenous Variable	λ Value
External Environment		Corporate Values	
a. Supervisor (X_1)	0,943	a. Appreciation (X_{11})	0,962
b. Strategic Alliance (X_2)	0,933	b. Customer Complaints (X_{12})	0,951
c. Industrial Standard (X_3)	0,951	c. Corporate Culture (X_{13})	0,986

Internal Environment		GCG Implementation	
a. Operational Management (X ₄)	0,948	a. GCG Principles (Y₁)	0,976
b. Human Resource (X ₅)	0,967	b. Director's Meeting (Y ₂)	0,964
c. Marketing Capabilities (X ₆)	0,946	c. Internal Meeting (Y ₃)	0,968
d. Operational Service Network (X ₇)	0,965	Bank Performance Sustainability	
e. Risk Management (X ₈)	0,917	a. Profit (Y₄)	0,966
f. Compliance (X₉)	0,973	b. Operating Expenditure (Y ₅)	0,953
g. Internal Audit (X ₁₀)	0,932	c. Asset (Y ₆)	0,955

Source: Analysis Result Print Out from Smart PLS 3.0

The value of the λ parameter estimation, both for exogenous indicators and endogenous variables all show coefficients greater than 0,700 and significant at $\alpha = 0.05$. This means that measured variables are valid and reliable factors for each latent variable or construct.

B. Measurement Model Analysis

The step that must be done in conducting the measurement model is analyzing Confirmatory Factor Analysis (CFA). CFA analysis is an analysis used to measure and test the quality of items and dimensions used to measure research variables. This measurement model is a measurement model of the Second Order.

External Environment Variables are measured using three dimensions namely Supervisor (X₁), Strategic Alliance (X₂), and Industrial Standards (X₃). The calculation results of the measurement model with Partial Least Square (PLS) are presented in Table 7 as follows.

Table 7. Dimensional Measurement Model of External Environment Variable

Dimension	Loading Factor λ	Standard Error	t Statistic	p Values	AVE	Composite Reliability
X ₁ ← EXT_ENV	0,943	0,014	67,974	0,00000	0,888	0,960
X ₂ ← EXT_ENV	0,933	0,015	63,544	0,00000		
X ₃ ← EXT_ENV	0,951	0,011	83,866	0,00000		

Source: Analysis Result Print Out from Smart PLS 3.0

Based on Table 7, it can be seen that all dimensions used to measure External Environment variables have a value of loading factors greater than 0,70, so it can be concluded that the three dimensions produce Composite Reliability of more than 0,70. Thus the three dimensions can be concluded valid and reliable. Based on the results of these calculations, it can be seen that the dimensions of the Industrial Standard (X₃) are the most dominant dimensions of the External Environment variable with a loading factor value of 0.951.

Internal Environment Variables are measured using seven dimensions, namely Operational Management (X₄), Human Resources (X₅), Marketing Capability (X₆), Operational & Service Networks (X₇), Risk Management (X₈), Compliance (X₉), and Internal Audit (X₁₀). The calculation results of the measurement model with Partial Least Square (PLS) are presented in Table 8 as follows.

Table 8. Dimensional Measurement Model of Internal Environment Variable

Dimension	Loading Factor λ	Standard Error	t Statistic	p Values	AVE	Composite Reliability
X ₄ ← INT_ENV	0,948	0,014	65,603	0,00000	0,903	0,985
X ₅ ← INT_ENV	0,967	0,010	101,515	0,00000		
X ₆ ← INT_ENV	0,946	0,013	70,900	0,00000		
X ₇ ← INT_ENV	0,965	0,010	98,441	0,00000		
X ₈ ← INT_ENV	0,917	0,027	34,386	0,00000		

$X_9 \leftarrow \text{INT_ENV}$	0,973	0,008	120,879	0,00000		
$X_{10} \leftarrow \text{INT_ENV}$	0,932	0,012	77,379	0,00000		

Source: Analysis Result Print Out from Smart PLS 3.0

Based on Table 8 it can be seen that all dimensions used to measure Internal Environment variables have a loading factor value greater than 0,70 so it can be concluded that the three dimensions produce Composite Reliability of more than 0,70. Thus the seven dimensions can be concluded valid and reliable. Based on the results of the calculation, it can be seen that the Compliance dimension (X_9) is the most dominant dimension of the Internal Environment Variable with a loading factor value of 0,973.

The Corporate Value variable is measured using three dimensions, namely Awards (X_{11}), Customer Complaints (X_{12}), and Corporate Culture (X_{13}). The results of the calculation of the measurement model with Partial Least Square (PLS) are presented in Table 9 as follows.

Table 9. Dimensional Measurement Model of Corporate Value Variable

Dimension	Loading Factor λ	Standard Error	t Statistic	p Values	AVE	Composite Reliability
$X_{11} \leftarrow \text{COR_VAL}$	0,962	0,007	144,668	0,00000		
$X_{12} \leftarrow \text{COR_VAL}$	0,951	0,010	92,810	0,00000	0,934	0,977
$X_{13} \leftarrow \text{COR_VAL}$	0,986	0,004	272,154	0,00000		

Source: Analysis Result Print Out from Smart PLS 3.0

Based on Table 9, it can be seen that all dimensions used to measure Company Value variables have a value of loading factor greater than 0,70 so it can be concluded that the three dimensions produce Composite Reliability of more than 0,70. Thus the three dimensions can be concluded valid and reliable. Based on the results of these calculations, it can be seen that the Corporate Culture dimensions (X_{13}) are the most dominant dimensions of the Corporate Value Variable with a loading factor value of 0,986.

The variables of GCG Implementation are measured using three dimensions, namely GCG Principles (Y_1), Board of Directors Meetings (Y_2), and Internal Meetings (Y_3). The results of the calculation of the measurement model with Partial Least Square (PLS) are presented in Table 10 as follows.

Table 10. Dimensional Measurement Model of Good Corporate Governance Implementation Variable

Dimension	Loading Factor λ	Standard Error	t Statistic	p Values	AVE	Composite Reliability
$Y_1 \leftarrow \text{GCG_I}$	0,976	0,008	122,583	0,00000		
$Y_2 \leftarrow \text{GCG_I}$	0,964	0,012	82,488	0,00000	0,940	0,979
$Y_3 \leftarrow \text{GCG_I}$	0,968	0,010	99,406	0,00000		

Source: Analysis Result Print Out from Smart PLS 3.0

Based on Table 10, it can be seen that all dimensions used to measure GCG Implementation variables have a loading factor value greater than 0,70 so it can be concluded that the three dimensions produce Composite Reliability of more than 0,70. Thus the three dimensions can be concluded valid and reliable. Based on the results of these calculations, it can be seen that the dimensions of the GCG Principles (Y_1) are the most dominant dimensions of the Strategy of GCG Implementation with a value of 0,976.

The Bank Performance Sustainability variable is measured using three dimensions namely Profit (Y_4), Operating Expenditure (Y_5), and Assets (Y_6). The calculation results of the measurement model with Partial Least Square (PLS) are presented in Table 11 as follows.

Table 11. Dimensional Measurement Model of Bank Performance Sustainable Variable

Dimension	Loading Factor λ	Standard Error	t Statistic	p Values	AVE	Composite Reliability
$Y_4 \leftarrow \text{BPS}$	0,966	0,010	93,461	0,00000		
$Y_5 \leftarrow \text{BPS}$	0,953	0,006	149,818	0,00000	0,918	0,971
$Y_6 \leftarrow \text{BPS}$	0,955	0,016	60,081	0,00000		

Source: Analysis Result Print Out from Smart PLS 3.0

Based on Table 11, it can be seen that all dimensions used to measure the Bank Performance Sustainability variable have a value of loading factor greater than 0,70 so it can be concluded that the three dimensions produce Composite Reliability of more than 0.70. Thus the three dimensions can be concluded valid and reliable. Based on the results of these calculations, it can be seen that the Profit dimension (Y_4) is the most dominant dimension of the Bank Performance Sustainability Strategy Variable with a loading factor value of 0,966.

C. Structural Model Analysis

After the Outer Model testing is declared valid and reliable, the next step is to test the structural model (Inner Model) of the complete model. Table 12 below lists the R-Square values in the construct. The Structural Model in the PLS is evaluated using the Good of Fit Model, which is a way to show the difference between the observed values and the values predicted by the model.

Table 12. Structural Model Testing (Inner Model)

Latent Variable	AVE	Cronbach Alpha	Rho	R-Square
External Environment	0,888	0,937	0,937	
Internal Environment	0,903	0,982	0,982	0,918
Corporate Value	0,934	0,965	0,969	0,925
GCG Implementation	0,940	0,968	0,968	0,955
Bank Performance Sustainable	0,918	0,955	0,957	0,852

Source: Analysis Result Print Out from Smart PLS 3.0

The method that can be used to explore discriminant validity is to look at the square root value of Average Variance Extracted (AVE). The recommended value is 0,60. Table 12 shows the values of the above AVE of more than 0,60 for all constructs in the research model. The reliability test is reinforced by the Cronbach Alpha value and Rho with the recommended value being a minimum of 0,60. The results of the reliability calculation will show a significant value if it has a value above 0,70. Based on Table 12 it is also known that the value of Cronbach Alpha and Rho shows a value of more than 0,70 for all constructs. Thus the value obtained, strengthens the test results that the measurement model of the five variables is consistent and has accuracy in measuring and testing the construct.

The R-Square test (R^2) is used to measure how well the Inner Model is formed. According to Ghazali (2012), the R^2 value of 0,67 is interpreted well, 0,33 means moderate and 0,19 is weak for endogenous latent variables in the inner model. This research has the lowest R-Square value (R^2) of 0,852. This shows that this research has a good inner model. The path coefficient of the

structural model that has been tested and measured can be seen in the inner model equation as shown in Table 13 below.

Table 13. Inner Model Equation

Inner Model	λ	Standard Devices	t-Statistic	p Value	Model Equation
EXT_ENV → INT_ENV	0,958	0,007	131,312	0,000	INT_ENV = 0,958 EXT_ENV + ζ_1
EXT_ENV → COR_VAL	0,264	0,126	2,093	0,042	COR_VAL = 0,264 EXT_ENV +
INT_ENV → COR_VAL	0,706	0,125	5,670	0,000	0,706 INT_ENV + ζ_2
INT_ENV → GCG_I	0,907	0,073	12,424	0,000	GCG_I = 0,907 INT_ENV + 0,310
COR_VAL → GCG_I	0,310	0,079	3,932	0,000	COR_VAL + ζ_3
GCG_I → BPS	0,923	0,021	44,292	0,000	BPS = 0,923 GCG_I + ζ_4

Source: Analysis Result Print Out from Smart PLS 3.0

The following Figure 6 and Table 14 presentation of the testing results of the External Environment (EXT_ENV) effect on the Internal Environment (INT_ENV); the influence of External Environment (EXT_ENV) and Internal Environment (INT_ENV) on Corporate Value (COR_VAL); the influence of Corporate Value (COR_VAL) on the GCG Implementation (GCG_I) and the effect of the GCG Implementation (GCG_I) on the Bank Performance Sustainability (BPS).

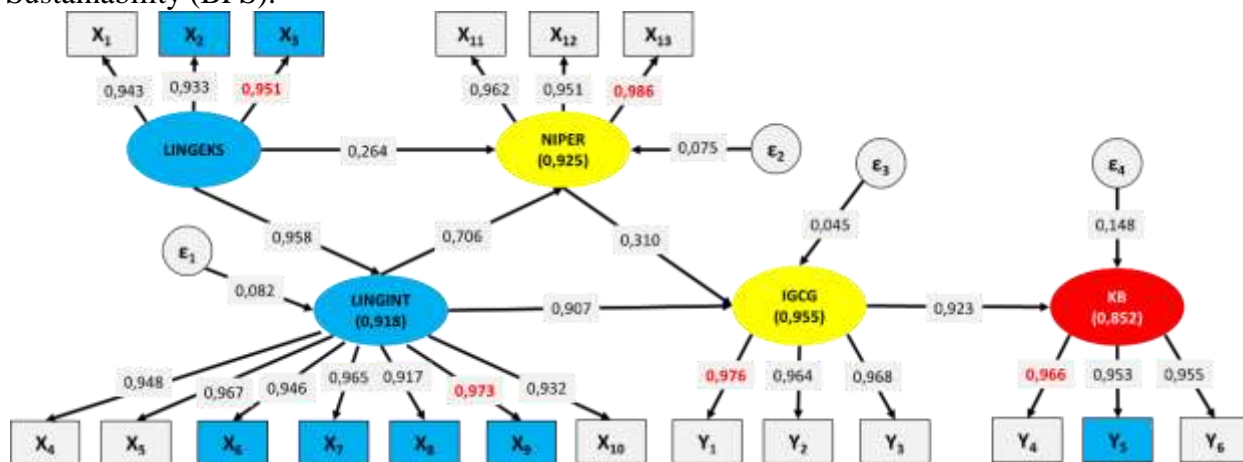


Figure 6. Full Model of Research & Estimates Results of Structural Parameter

Figure 6 illustrates that the t-test value of the complete model is for both the measurement model and the structural model.

Table 14. Equation of Complete Measurement Model

Variable	Dimension	Loading Factor λ	Error Standard	t Statistic	p values	AVE	Composite Reliability
External Environment (EXT_ENV)	Supervisor (X ₁)	0,943	0,014	67,974	0,000	0,888	0,960
	Strategic Alliance (X ₂)	0,933	0,015	63,544	0,000		
	Industrial Standard (X ₃)	0,951	0,011	83,866	0,000		
Internal Environment (INT_ENV)	Operational Management (X ₄)	0,948	0,014	65,603	0,000	0,903	0,985
	Human Resource (X ₅)	0,967	0,010	101,515	0,000		
	Marketing Capability (X ₆)	0,946	0,013	70,900	0,000		
	Operational Service Network (X ₇)	0,965	0,010	98,441	0,000		
	Risk Management (X ₈)	0,917	0,027	34,386	0,000		
	Compliance (X ₉)	0,973	0,008	120,879	0,000		
	Internal Audit (X ₁₀)	0,932	0,012	77,379	0,000		
Corporate Values (COR_VAL)	Appreciation (X ₁₁)	0,962	0,007	144,668	0,000	0,934	0,977
	Customer Complaints (X ₁₂)	0,951	0,010	92,810	0,000		

	Corporate Culture (X₁₃)	0,986	0,004	272,154	0,000		
GCG	GCG Principles (Y₁)	0,976	0,008	122,583	0,000		
Implementation (GCG_I)	Director's Meeting (Y ₂)	0,964	0,012	82,488	0,000	0,940	0,979
	Internal Meeting (Y ₃)	0,968	0,010	93,461	0,000		
Bank Performance Sustainability (BPS)	Profit (Y₄)	0,966	0,010	93,461	0,000		
	Operating Expenditure (Y ₅)	0,953	0,006	149,818	0,000	0,918	0,971
	Asset (Y ₆)	0,955	0,016	58,367	0,000		

Source: Analysis Result Print Out from Smart PLS 3.0

Based on the results of the complete measurement model as presented in Table 14 it is known that the value of loading factor, AVE, and composite reliability shows a high category because all dimensions have a value of loading factor greater than 0,70 or the value of t statistic > 1,99 with the level of p-value smaller than 0,05 so that it can be said to be valid. Likewise, each dimension produces a composite reliability value greater than 0,70 so that it can be concluded as reliable.

Conclusion

Based on a review analysis of the GCG Implementation to create Bank Performance Sustainability at all bank BJB branches described in the previous chapters, it can be concluded as follows:

1. There is a positive influence from the external environment to the internal environment at the PT Bank Pembangunan Daerah Jawa Barat dan Banten, Tbk. In this case, the dimension of the Industrial Standard shows the highest influence in reflecting the external environment at the bank BJB, considering that the banking industry has entered the industrial era 4.0. where information and communication technology plays an important role in increasing company value and competitive advantage. The combination of digital banking, fintech, and biotech is one of the breakthroughs that are being developed in the Indonesian banking industry.
2. There is a positive influence from the external environment and internal environment on the corporate value of PT Bank Pembangunan Daerah Jawa Barat dan Banten, Tbk. In this case, the influence of the internal environment is greater than the external environment on corporate values. The compliance dimension shows the highest influence in reflecting the internal environment on the corporate value of bank BJB. This is supported by POJK number 46/POJK.3/2017 dated July 12, 2017, concerning the Implementation of Commercial Bank Compliance Functions in facing the complexity of bank business activities that have a very large impact on the risk exposures faced by bank BJB so that efforts are needed to mitigate the risk of activities bank business both preventive (ex-ante) and curative (ex-post) efforts through increasing the role and function of compliance and working units of compliance at the bank BJB.
3. There is a positive influence from the internal environment and corporate value on the implementing GCG at PT Bank Pembangunan Daerah Jawa Barat dan Banten, Tbk. In this case, the influence of the internal environment is greater than the corporate value of the GCG implementation. The compliance dimension shows the highest influence in reflecting the internal environment in the GCG implementation at the bank BJB. The implementation of the governance process that has been carried out at the bank BJB branch office is carried out by various parties, starting from the branch's internal control manager and inspection by the Internal Audit Working Unit, Compliance Unit, and Risk Management Working

Unit. bank BJB takes precautionary measures so that policies and/or decisions taken by branch office leaders do not deviate from the provisions that apply both internally and those issued by the Financial Services Authority and laws and regulations. In addition, there are several deliveries carried out indirectly through socialization, letters, memos, e-mail, and other print / digital media to be conveyed to each related work unit, indirectly increasing awareness of risk culture, compliance culture, and fraud awareness so that it can improve the function of quality assurance and corrective action.

4. There is a positive effect of GCG implementation on the bank performance sustainability at PT Bank Pembangunan Daerah Jawa Barat dan Banten, Tbk. In this case, the dimensions of GCG principles show the highest influence in reflecting the GCG implementation to create sustainable performance in the bank BJB. The application of GCG principles that can be applied to operational strategies in branch offices, namely understanding clarity and sharing of functions and responsibilities related to job descriptions from each employee so that work can run effectively and efficiently without any concurrent positions, increasing understanding and compliance with the provisions internal and external applications in bank BJB to be implemented in Branch Offices without any intervention carried out by internal management and/or external parties, including evaluating the honesty level of Branch Offices in conducting Self-Assessment reports on tools provided by the Head Office.

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