




Research Article

## Implementation of Good Corporate Governance Principles in Improving the Performance of Indonesian Islamic Banks

Hasir<sup>1</sup>, Mugiyati<sup>2</sup>

1. UIN Sunan Ampel Surabaya, Indonesia  
E-mail: [ahmadhasyirooi@gmail.com](mailto:ahmadhasyirooi@gmail.com) 
2. UIN Sunan Ampel Surabaya, Indonesia  
E-mail: [mugiyati@uinsa.ac.id](mailto:mugiyati@uinsa.ac.id)



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**Abstract.** This study seeks to examine the implementation of Good Corporate Governance (GCG) principles as a means to enhance the effectiveness of Islamic banking operations. GCG encompasses a framework of regulations, practices, and procedures aimed at guiding and overseeing organizational management. Within Islamic banking, GCG adoption serves not only to ensure regulatory adherence but also underscores the significance of ethical standards and adherence to sharia principles. The study employed a qualitative analysis utilizing a literature review method to investigate prior research conducted at Bank Syariah Indonesia. Data collection encompassed various sources such as books, journals, internet resources, and pertinent documents. Findings indicated that integrating Good

Corporate Governance (GCG) principles like transparency, accountability, responsibility, independence, and fairness has yielded favorable outcomes on the operational and financial efficacy of Islamic banks. The research concluded that Islamic banks adhering steadfastly to GCG principles experience heightened stakeholder trust, diminished operational risks, and enhanced efficiency and effectiveness in conducting banking operations. Moreover, top management's dedication to embedding GCG principles across all facets of bank operations emerges as pivotal in attaining peak performance. The findings underscore the importance of reinforcing the application of GCG principles within Bank Syariah Indonesia to foster enduring performance. It is imperative to ensure that all operational facets align with sharia principles for sustained success. This study contributes significantly to GCG literature within the Islamic banking domain, furnishing actionable insights for industry decision-makers.

**Keywords:** Implementation, Good Corporate Governance, Bank Syariah Indonesia.

## INTRODUCTION

The rapid development in the banking industry today is not only caused by conventional banks that have long been operating and known in the community. Sharia-based banks are now also starting to be recognized and developed among the people of Indonesia. In general, Islamic banks have similarities with other banks because they act as financial intermediary institutions, which means collecting and channeling these funds to customers through financing or credit<sup>1</sup>. To support the national real sector, the national banking industry is responsible for implementing the principles of good corporate governance (GCG).

The implementation of good banking governance (GCG) is part of the accountability benchmark of a bank. It is suspected that one of the factors causing the various financial problems faced by the banking business is the failure to implement good corporate governance. GCG is considered to improve the poor reputation of banks, protect the interests of stakeholders, and improve compliance with regulations and business ethics in general<sup>2</sup>. Islam established the rules of Islamic muamalah to prevent the practice of usury in banking. Islamic banks were established to resolve the conflict between the conventional bank interest system and the principle of the prohibition of usury in Islam. Thus, the Indonesian Muslim community who wants to avoid usury has got an alternative and solution.

In the 1990s, especially after the enactment of Law Number 7 of 1992 which was later revised by Banking Law Number 10 of 1998, a banking system based on sharia principles or profit-sharing emerged. Banks and money are one business unit that has a very important relationship, but in its implementation it must eliminate social

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<sup>1</sup> Taufan Adi Permana Madjid, "Pelaksanaan Prinsip Good Corporate Governance Pada Bank Syariah Melalui Peran Dewan Pengawas Syariah," *Syiar Hukum : Jurnal Ilmu Hukum* 16, no. 1 (2019): 7, <https://doi.org/10.29313/sh.v16i1.5132>.

<sup>2</sup> Ahmad Faqihuddin, "Tatakelola Syariah Pada Bank Syariah," *El-Arbah: Jurnal Ekonomi, Bisnis Dan Perbankan Syariah* 3, no. 01 (2019): 10, <https://doi.org/10.34005/elarbah.v3i01.912>.

inequality, injustice and dishonesty. Unlike conventional banking, where customers are usually regarded as creditors or debtors, Islamic banks treat customers as partner investors and traders<sup>3</sup>. In addition, the Islamic banking industry continues to grow, as evidenced by the increasing types of products and service networks. Therefore, the implementation of Good Corporate Governance (GCG) in this sector is vital. Bank Indonesia Regulation No. 11/33/PBI/2009 regarding the Implementation of Good Corporate Governance for Islamic Commercial Banks and Islamic Business Units (known as PBI GCG Islamic Banking) stipulates that the implementation of GCG in the Islamic banking industry must be based on the five basic principles stipulated in the Islamic Banking Law Article 34. These principles include clarity (transparency), responsibility (accountability), obligation (responsibility), professionalism (professionalism), and fairness (fairness)<sup>4</sup>.

Banks must comply with various rules and regulations related to the implementation of GCG when applying these five basic principles. The Islamic banking industry is also required to comply with sharia principles when implementing GCG. If bank management is not in line with sharia principles, this may result in risks of various kinds, especially related to the reputation of the Islamic banking industry<sup>5</sup>. By implementing the five principles of GCG in Islamic banking, it is expected that performance and customer confidence in banking will increase.

In the context of Islamic banks, the implementation of GCG is very important because Islamic banks must meet strict Islamic financial standards and ensure the safety and comfort of customers and investors<sup>6</sup>. Therefore, this study aims to understand how the implementation of Good Corporate Governance (GCG) principles can improve the performance of Islamic banks in Indonesia. This research will gather information through literature analysis. The results are expected to help develop GCG strategies that are useful for improving the performance of Islamic banks in Indonesia, as well as assisting Islamic banks in improving business continuity and meeting strict Islamic financial standards.

## RESEARCH METHODS

This research method is descriptive qualitative which involves literature analysis. This approach involves literature search and analysis of relevant topics to gather the required information. Literature references can include various types of literature such as journals, books, dictionaries, documents, magazines, and other

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<sup>3</sup> Maimun and Dara Tzahira, "Prinsip Dasar Perbankan Syariah," *Al-Hiwalah: (Sharia Economic Law)* 1, no. 1 (2022): 8.

<sup>4</sup> Putri Indar Dewi, "Penerapan Good Corporate Governance (Gcg) Di Lembaga Perbankan Syariah," *Jurnal Ilmiah Al-Tsarwah* 3, no. 2 (2020): 3, <https://doi.org/10.30863/al-tsarwah.v3i2.1150>.

<sup>5</sup> Madjid, "Pelaksanaan Prinsip Good Corporate Governance Pada Bank Syariah Melalui Peran Dewan Pengawas Syariah," 5.

<sup>6</sup> "Bank Syariah Indonesia," Bank Syariah Indonesia, 2020, [https://ir.bankbsi.co.id/report\\_of\\_the\\_board\\_of\\_commissioners.html](https://ir.bankbsi.co.id/report_of_the_board_of_commissioners.html).

sources without requiring direct data collection through field research<sup>7</sup>. The data sources of this research are BSI's performance report and BSI's GCG Report in 2023 as well as journals related to GCG principles. The purpose of this study is to understand how the implementation of good corporate governance principles can improve the performance of Islamic banks in Indonesia. After collecting relevant journals, descriptive qualitative analysis was used to analyze the data. The results of this literature study are descriptive data in the form of written sentences.

## RESULT AND DISCUSSION

### Definition Good Corporate Governance (GCG)

Good Corporate Governance (GCG) refers to a set of systems that govern and oversee how a company creates value for its stakeholders<sup>8</sup>. GCG covers various aspects, including organizational structure, decision-making systems, performance monitoring, and information disclosure<sup>9</sup>. GCG is not just about complying with regulations or laws, but also about creating a business environment that is transparent, accountable and has integrity. The concept is built on several key principles, including transparency, accountability, fairness, social responsibility, and risk management, which are critical to achieving optimal results<sup>10</sup>.

Sullivan in the journal Nursantri Yanti and Ridayanti GCG states that corporate governance involves various institutions such as laws, regulations, contracts, and standards that allow companies to organize themselves as an integral part of a competitive market economy<sup>11</sup>. Important in this conception is the cooperation between the public and private sectors in making binding regulations, as well as creating conditions in which companies must be able to regulate themselves. From these various definitions, good corporate governance is a system used to assess a company's ability to manage its operations by considering the interests of shareholders and other parties involved<sup>12</sup>.

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<sup>7</sup> Rizaldy Fatha Pringgar and Bambang Sujatmiko, "Penelitian Kepustakaan (Library Research) Modul Pembelajaran Berbasis Augmented Reality Pada Pembelajaran Siswa," *Jurnal IT-EDU* 05, no. 01 (2020): 319.

<sup>8</sup> Ainur, "Pengertian Good Corporate Governance," *Uajy*, 2015, 9, [http://e-journal.uajy.ac.id/25935/3/170323643\\_2.pdf](http://e-journal.uajy.ac.id/25935/3/170323643_2.pdf).

<sup>9</sup> Faculty Members, "Memahami Konsep Yang Ada Dalam Corporate Governance," binus univercity, 2020, <https://accounting.binus.ac.id/2019/05/14/memahami-konsep-yang-ada-dalam-corporate-governance/>.

<sup>10</sup> Krisna Sanarta, "Mengenal Manfaat Good Corporate Governance Bagi Perusahaan," Regulatory Compliance System, 2023, <https://rcs.hukumonline.com/insights/good-corporate-governance>.

<sup>11</sup> Nursantri Yanti and Ridayanti, "Jurnal Ilmu Kompuer, Ekonomi Dan Manajemen," *Jurnal Ilmu Komputer, Ekonomi Dan Manajemen (JIKEM)* 2, no. 1 (2022): 2545.

<sup>12</sup> NR Nasution, "Analisis Penerapan Good Corporate Governance (GCG) Dalam Kaitannya Dengan Keefektifan Laba Perusahaan Pada RS. GL Tobing PTPN II (Persero) Tanjung Morawa Deli Serdang," *Universitas Medan Area*, 2016, 53, <http://repository.uma.ac.id/handle/123456789/1410>.

To ensure that the business is managed in a transparent, accountable and responsible manner, the company uses various principles, rules and procedures known as GCG<sup>13</sup>. GCG aims to improve company performance and protect the rights of shareholders and other interested parties, as well as minimize the risk of abuse of power and corruption. Good GCG implementation can increase investor confidence, reduce the cost of capital, and increase the long-term value of the company. Several countries and international organizations also have GCG guidelines and standards that companies can follow, such as the OECD Principles of Corporate Governance and regulations from the Indonesia Stock Exchange for public companies in Indonesia<sup>14</sup>.

### **Good GCG Governance in Bank Syariah Indonesia**

Bank Syariah Indonesia (BSI) is a financial institution whose operations are based on the principles of sharia or Islamic law, as regulated in the fatwas of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) relating to economic and financial aspects<sup>15</sup>. Islamic banks in Indonesia follow the principles of justice, expediency, balance, and universality. They also avoid practices such as gharar, maysir, usury, zalim, and other haram goods<sup>16</sup>. Bank Syariah Indonesia is a financial institution that operates in accordance with Islamic sharia principles. Its main functions include collecting funds, channeling funds to people in need, and providing Islamic banking services<sup>17</sup>.

Bank Syariah Indonesia does not use the interest system and collects funds from the public through investments and deposits. Zakat and other social funds are the responsibility of Islamic banks as well. According to the Law of the Republic of Indonesia Number 21 of 2008 concerning Islamic banking, Indonesian Islamic Banks consist of Islamic Commercial Banks and Islamic People's Financing Banks<sup>18</sup>. Bank Syariah Indonesia is defined as a bank that operates based on sharia principles. Bank Syariah Indonesia has a crucial role in advancing the community's economy, so improving the performance of the banking system is a must. Bank Syariah Indonesia

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<sup>13</sup> Ainur, "Pengertian Good Corporate Governance," 10.

<sup>14</sup> GRC indonesia, "Good Corporate Governance (GCG): Pengertian, Prinsip, Manfaat, Dan Contohnya," 2024, <https://grc-indonesia.com/good-corporate-governance-gcg-pengertian-prinsip-manfaat-dan-contohnya/>.

<sup>15</sup> Setia Budhi Wilarjo, "Pengertian, Peranan, Dan Perkembangan Bank Syariah Di Indonesia," *Igarss* 2014 2, no. 1 (2014): 3.

<sup>16</sup> Yufi Cantika, "Pengertian Bank Syariah Beserta Fungsi Hingga Ciri-Nya," *gramedia blog*, 2021, <https://www.gramedia.com/literasi/syajaah/>.

<sup>17</sup> Wikipedia, "Bank Syariah Indonesia," Wikipedia, 2024, [https://en.wikipedia.org/wiki/Bank\\_Syariah\\_Indonesia](https://en.wikipedia.org/wiki/Bank_Syariah_Indonesia).

<sup>18</sup> Cimb Niaga, "Memahami Apa Itu Bank Syariah Dan Jenis-Jenisnya," Cimb Niaga, 2019, <https://www.cimbniaga.co.id/id/inspirasi/perencanaan/pengertian-tentang-bank-syariah-dan-istilah-didalamnya>.

must be able to do this to overcome competition with other financial institutions. Improving the banking system can implement the principles of banking governance (GCG) in accordance with sharia principles<sup>19</sup>. In a banking institution, of course, good banking governance is needed because it can reflect the good and bad of a banking institution.

In an effort to improve banking performance, Islamic banking requires corporate governance guidelines to shape Islamic financing practices properly. We know that the conventional financial system relies on interest, Islam prohibits uncertainty (gharar), and gambling. Muslim scholars have proposed the Islamic financing system as an alternative option, and since it was proposed, it has grown rapidly. The Islamic finance industry has rapidly expanded to include Muslim countries such as Malaysia, Indonesia, and the GCC countries, as well as non-Muslim countries such as Sri Lanka and Singapore<sup>20</sup>.

The governance of Islamic banking should be tailored to principles that differ from conventional banking. Islamic banking should focus on maqasid sharia the obligation of sharia to provide welfare for all mankind as the ultimate goal of their activities. They are responsible for defending their belief (iman), life (life), intellect (intellect), progeny (nasl), and property (mal)<sup>21</sup>. Effective, consistent, and sustainable implementation of governance also increases compliance with sharia principles. This compliance will be a significant marker and importance of governance in the context of Islamic banking<sup>22</sup>.

In the Islamic banking industry, the implementation of a GCG system is expected to enhance value for all stakeholders. To achieve this, the following objectives are identified:

- a. Improving the efficiency, effectiveness and sustainability of an entity so as to provide better benefits for shareholders, employees and other related parties. It is also considered as an appropriate approach to address the organizational challenges faced in the future<sup>23</sup>.
- b. Increase public trust in organizations that operate in a transparent, fair, and accountable manner.

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<sup>19</sup> Junet Andi Setiawan and Mugiyati Mugiyati, "Peluang Dan Tantangan Bank Syariah Di Indonesia Dalam Mempertahankan Eksistensi Di Era Digital," *Al-Kharaj : Jurnal Ekonomi, Keuangan & Bisnis Syariah* 6, no. 1 (2023): 5, <https://doi.org/10.47467/alkharaj.v6i1.2396>.

<sup>20</sup> I Al-Mansour, "Corporate Governance in Global Islamic Financial Institutions (Emirates Islamic Bank Is the Case Study)," *International Journal of Education and Research* 3, no. 11 (2015): 12, <https://www.ijern.com/journal/2015/November-2015/11.pdf>.

<sup>21</sup> Muhammad Deni Putra, "MAQASID AL SHARI'AH DALAM KEUANGAN ISLAM (TINJAUAN TEORITIS ATAS PEMIKIRAN DR AHCENE LAHSASNA)," *ILTIZAM Journal of Sharia Economic Research* 1, no. 1 (2017): 8, <https://doi.org/10.30631/iltizam.v1i1.95>.

<sup>22</sup> Madjid, "Pelaksanaan Prinsip Good Corporate Governance Pada Bank Syariah Melalui Peran Dewan Pengawas Syariah," 6.

<sup>23</sup> Dewi, "Penerapan Good Corporate Governance (Gcg) Di Lembaga Perbankan Syariah," 8.

- c. Recognize and safeguard the rights and obligations of stakeholders.
- d. Through a holistic approach based on the principles of participatory democracy, management and legitimacy of the organization.
- e. Addressing potential conflicts of interest between agents and principals.
- f. Lowering the cost of capital by providing positive signals to capital providers.
- g. Lowering the cost of capital, improving financial performance, and improving stakeholders' perception of future prospects.

Therefore, by achieving some of these objectives, it is expected that the implementation of GCG in Islamic banks will strengthen public confidence in Islamic banks, maintain the overall stability of the financial system, and stimulate the growth of the Islamic financial services industry so that it can compete with other international financial institutions<sup>24</sup>.

### **Implementation of Good Corporate Governance (GCG) Principles in Bank Syariah Indonesia**

Bank Syariah Indonesia (BSI), also known as “bank”, “company”, or “perseroan”, continuously strives to improve the implementation of good corporate governance principles, known as Good Corporate Governance (GCG), in line with advances in legislation and industry best practices. BSI believes that the implementation of GCG enables the bank's objectives and those of its stakeholders to work together. To ensure that a conducive business environment is created, which will enable the Bank to achieve its business objectives consistently, GCG implementation must be purposeful and planned in accordance with applicable regulations, on an ongoing basis, and involve all parts of the Bank<sup>25</sup>. Bank Syariah Indonesia's 2023 governance implementation report shows that BSI's GCG principles have been implemented as follows:

1. Penness Principle: A company must be open in the decision-making process, provide materially relevant information, ensure the accuracy of financial statements, and ensure the provision of related information<sup>26</sup>. In this principle BSI is very open about information so that customers can access it easily, quickly and accurately. In this principle of openness BSI also applies;
  - a) Provide information to stakeholders in a timely, adequate, clear, accurate and comparable manner.
  - b) Having a company policy that is compiled in writing and submitted to stakeholders who are entitled to obtain it.

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<sup>24</sup> Dewi, 9.

<sup>25</sup> PT Bank Mega Syariah, “Laporan Pelaksanaan Tata Kelola Perusahaan Yang Baik,” 2021, 2, <https://www.megasyariah.co.id/bms-new/tentang-kami/lap-gcg-2021.pdf>.

<sup>26</sup> Amelia Ardhya Garini and Zulkarnain Lubis, “Effectiveness Of The Implementation Of The Principles Of Good Corporate Governance At BSI KCP Jakarta,” *Jurnal Ekonomi Bisnis Dan Perbankan Syariah* 7, no. 2 (2023): 3.

- c) Maintaining transparency with due regard to applicable legislation and official secrets<sup>27</sup>.
2. Principle of Accountability: Clarity is needed regarding the function, structure, system, implementation, and accountability of the company to maintain that the company can be managed appropriately, measurably, and in accordance with the interests of the company<sup>28</sup>. BSI implements this principle in the following ways:
  - a) Stakeholders are accountable for business objectives and strategies.
  - b) Clearly defined duties and responsibilities for each body such as the Board of Commissioners, Sharia Supervisory Board, Board of Directors, and all levels below, in line with the Company's vision, mission, values, business objectives and strategy.
  - c) Each individual within the Board of Commissioners, Sharia Supervisory Board, Board of Directors, and all staff members working under them have qualifications appropriate to their responsibilities and have a good understanding of their role in carrying out Corporate Governance.
  - d) The principle of checks and balances is adopted in company management.
  - e) Performance evaluation is based on parameters that are in line with the company's values, objectives and strategies, and involves a system of incentives and sanctions<sup>29</sup>.
3. The Accountability Principle highlights the need for a clearly defined system that governs how the company provides accountability to shareholders and stakeholders. This is done to achieve the goal of good corporate governance by taking into account the interests of the various parties involved, such as governments, communities, business associations, and others<sup>30</sup>. Bank BSI bears the responsibility of practicing prudence and complying with legal regulations, sharia principles, as well as carrying out social responsibility<sup>31</sup>.
4. The principle of Independence emphasizes independent company management, where each organ has autonomy that does not dominate each other and cannot be intervened by other parties, is part of good corporate management practices<sup>32</sup>.
  - a) Be independent.

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<sup>27</sup> PT Bank Mega Syariah, "Laporan Pelaksanaan Tata Kelola Perusahaan Yang Baik," 4.

<sup>28</sup> Garini and Lubis, "Effectiveness Of The Implementation Of The Principles Of Good Corporate Governance At BSI KCP Jakarta," 4.

<sup>29</sup> PT Bank Mega Syariah, "Laporan Pelaksanaan Tata Kelola Perusahaan Yang Baik," 4.

<sup>30</sup> Jojok Dwiridotjahjono, "Penerapan Good Corporate Governance : Manfaat Dan Tantangan Serta Kesempatan Bagi Perusahaan Publik Di Indonesia" 5, no. 2 (2010): 107.

<sup>31</sup> PT Bank Mega Syariah, "Laporan Pelaksanaan Tata Kelola Perusahaan Yang Baik," 4.

<sup>32</sup> Petrizia Khairul and Septiyani Putri Astutik, "Penerapan Prinsip-Prinsip Good Corporate Governance (GCG) Pada PT . Angkasa Pura II (Studi Pada Bandara Kualanamu Medan)," *Jurnal Kewarganegaraan* 6, no. 1 (2022): 1.629.



- b) End unreasonable domination by the authorities, not influenced by personal interests, and free from conflicts of interest.
- c) Making decisions independently and without pressure<sup>33</sup>.
- 5. The Fairness Principle emphasizes fairness and equality in fulfilling the rights of legitimate parties in accordance with applicable regulations and agreements. Furthermore, this principle of fairness refers to efforts and actions that do not differentiate the treatment of all parties who have an interest in the company or related organization<sup>34</sup>.
  - a) Taking into account the interests of all authorized parties based on the principles of fairness and equality.
  - b) Providing opportunities for all interested parties to express their criticisms and opinions for the benefit of the Bank.
  - c) Having the necessary qualifications to support the implementation of responsibilities and duties<sup>35</sup>.

By adhering to the noble behavior of Rasulullah Shalallahu Alaihi Wassalam in business, BSI implements five GCG principles, these principles include honesty (shiddiq), public outreach (tabligh), trust (amanah), and professional management (fathanah)<sup>36</sup>. The implementation of GCG principles has a positive impact on the operational and financial performance of Islamic banks. The implementation of these principles succeeded in increasing stakeholder trust, reducing operational risk, and increasing efficiency and effectiveness in the implementation of banking activities.

### **Islamic banking performance in implementing Good Corporate Governance (GCG).**

Performance is a measure of the quality and quantity produced by a worker when they perform their job in accordance with their responsibilities<sup>37</sup>. Whether at the level of small or large organizations, the entire management must keep in mind the importance of performance. The achievements obtained by the organization or employees are proof of their responsibility to the organization and society in general. Their performance in performing their duties is not isolated; it is always related to employees' job satisfaction, the level of compensation they receive, as well as influenced by their skills, abilities, and individual characteristics<sup>38</sup>. For more details,

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<sup>33</sup> PT Bank Mega Syariah, "Laporan Pelaksanaan Tata Kelola Perusahaan Yang Baik," 5.

<sup>34</sup> Dwiridotjahjono, "Penerapan Good Corporate Governance : Manfaat Dan Tantangan Serta Kesempatan Bagi Perusahaan Publik Di Indonesia," 107.

<sup>35</sup> PT Bank Mega Syariah, "Laporan Pelaksanaan Tata Kelola Perusahaan Yang Baik," 5.

<sup>36</sup> PT Bank Mega Syariah, 6.

<sup>37</sup> Anggi, "Mengenal Pengertian Kinerja Dan Fungsi Penilaiannya Dalam Perusahaan," accurate, 2022, <https://accurate.id/marketing-manajemen/pengertian-kinerja/>.

<sup>38</sup> Rivai, "Pengaruh Kinerja Individu Dan Kelompok Terhadap Kinerja Organisasi," *Manajemen Internasional* 17 (2018): 8.

we will attach a schematic drawing that shows how individual and group performance affects organizational performance:

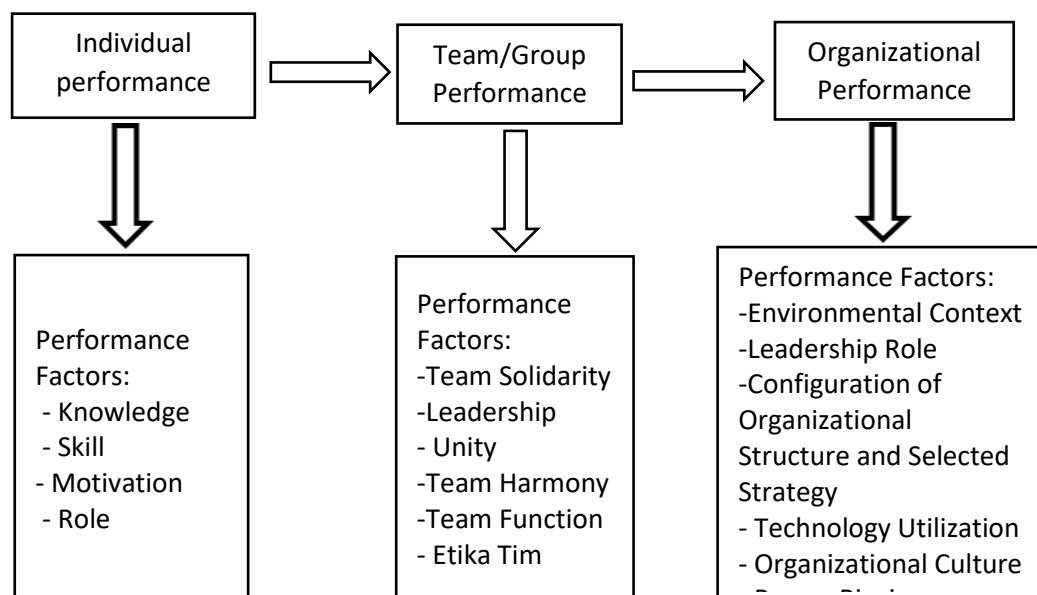


Figure 1: Flowchart of the influence of individual and group performance on organizational performance

Islamic banking performance is measured based on the quality and volume achieved by Islamic banks while performing their functions, such as providing financial services, managing risk, and enhancing the security of the financial system. Islamic banking performance is influenced by a number of diverse factors, including supervision and regulation imposed by the Financial Services Authority (OJK), fiscal policy, as well as the global business and economic environment. (OJK), fiscal policy, and the global business and economic environment<sup>39</sup>. The performance of Bank Shari'ah Indonesia (BSI) has shown positive developments, with several financial performance indicators improving. As a leading Islamic banking institution in Indonesia, BSI is expected to improve its performance to serve as a facilitator of financing and collection of third-party funds (DPK) in the halal economy sector, which is one of the largest market segments in a country with a majority Muslim population<sup>40</sup>.

<sup>39</sup> Darmansyah, "Siaran Pers: Kinerja Perbankan Yang Kuat Dan Stabil Dorong Optimisme Di Tengah Gejolak Global," OJK, 2023, <https://ojk.go.id/id/berita-dan-kegiatan/siaran-pers/Pages/Kinerja-Perbankan-yang-Kuat-dan-Stabil-Dorong-Optimisme-di-Tengah-Gejolak-Global.aspx>.

<sup>40</sup> Poliana da Silva Finamore et al., "No Title أمين," *Journal of Chemical Information and Modeling* 53, no. February (2021): 262, <https://doi.org/10.1080/09638288.2019.1595750><https://doi.org/10.1080/17518423.2017.1368728>

In recent years, BSI's financial performance has shown improvement, with several financial performance indicators increasing. Despite the Bank's high liquidity, BSI's 2020 liquidity ratio is slightly below the 80% lower limit standard. This indicates that the disbursement of financing should be more efficient and improved<sup>41</sup>. BSI's financial performance has also shown improvement in the solvency ratio. The bank's capital structure has complied with OJK regulations, and BSI's solvency ratio is higher than OJK's minimum ratio standard. This illustrates that Bank Syariah Indonesia has conducted effective capital management and has adequate capital to protect against financial risks<sup>42</sup>.

BSI's performance has shown positive developments, with several financial performance indicators improving. Capital, asset quality, profitability, efficiency, and liquidity are indicators of Islamic banking performance<sup>43</sup>. However, there are still some issues to be addressed, such as the need to improve the effectiveness of financing disbursement and better capital management to improve BSI's performance more effectively.

According to BSI's 2023 performance report, BSI's performance is getting more solid with profit growth, as well as other performance indicators<sup>44</sup>. Some of them are:

- 1) BSI booked a net profit in 2023 of Rp5.70 trillion, an increase of 33.88% compared to the previous year which amounted to Rp4.26 trillion. or 110.72% of the Bank's Business Plan.
- 2) Bank Syariah Indonesia obtained total income from fund management as mudharib in 2023 of Rp22.25 trillion, an increase of 13.40% or Rp2.63 trillion from 2022 of Rp19.62 trillion.
- 3) Fee-based income in 2023 grew 13.60%, to Rp4.2 trillion, an increase compared to the previous year of Rp3.7 trillion.
- 4) BSI Cash Coverage Ratio in 2023 reached 194.35%, an increase compared to the previous year of 189.56%.
- 5) BSI's BOPO ratio in 2023 was better at 71.27%, down from 75.88% in the previous year.
- 6) BSI's CIR ratio in 2023 was better, amounting to 49.86%, down compared to the previous year of 51.01%<sup>45</sup>.

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[Ahttp://dx.doi.org/10.1080/17518423.2017.1368728](http://dx.doi.org/10.1080/17518423.2017.1368728)<https://doi.org/10.1016/j.ridd.2020.103766><https://doi.org/10.1080/02640414.2019.1689076><https://doi.org/>

<sup>41</sup> Sri Diana, Sulastiningsih Sulastiningsih, and Purwati Purwati, "Analisis Kinerja Keuangan Perbankan Syariah Indonesia Pada Masa Pandemi Covid-19," *Jurnal Riset Akuntansi Dan Bisnis Indonesia* 1, no. 1 (2021): 112, <https://doi.org/10.32477/jrabi.v1i1.327>.

<sup>42</sup> Diana, Sulastiningsih, and Purwati, 113.

<sup>43</sup> Finamore et al., "No Title261", أمين.

<sup>44</sup> PT. Bank Syariah Indonesia, *EKSPANSI DAN AKSELERASI BISNIS UNTUK PERTUMBUHAN BERKELANJUTAN*, 2023, 7.

<sup>45</sup> Indonesia, 7.

Meanwhile, on the asset side, according to the BSI performance report in 2023, there was an increase, but not only the number of assets increased, but the quality also continued to improve and was supported by stronger capital, as shown by the NPF & CAR ratios. The following researchers present data on the increase in BSI assets in 2023<sup>46</sup>.

- 1) Total assets booked by BSI in 2023 increased by 15.67% or Rp47.90 trillion from the previous year of Rp305.73 trillion to Rp353.62 trillion.
- 2) BSI's equity increased by 15.62% or IDR5.23 trillion, from IDR33.51 trillion in 2022 to IDR38.74 trillion in 2023.
- 3) BSI's resilience is getting stronger, as shown by the Capital Adequacy Ratio (CAR) reaching 21.04% in 2023, an increase from the previous year's 20.29%.
- 4) BSI's asset quality continues to improve, as indicated by gross NPF reaching 2.08% in 2023, down from 2.42% in the previous year.
- 5) BSI's net NPF achievement in 2023 was better at 0.55%, down from 0.57% in the previous year<sup>47</sup>.

The implementation of BSI's corporate governance not only refers to regulatory requirements, but is also guided by the best standards at the national and international levels to support sustainable growth and maintain the trust of stakeholders<sup>48</sup>. As an Islamic bank, the main foundation for the implementation of sharia principles in all BSI activities is the Qur'an and Hadith. BSI is organized as a limited liability company, an Islamic commercial bank, or a public company, and implements sharia principles with good corporate governance<sup>49</sup>. The implementation of good GCG is able to improve BSI's performance as evidenced by the increasing performance and assets owned by BSI in 2023 which has increased from the previous year.

## CONCLUSION

To ensure that companies generate added value for stakeholders, there are a number of systems known as Good Corporate Governance (GCG). GCG principles include transparency, accountability, responsibility, independence and fairness. The implementation of GCG principles in Indonesian Islamic banking is expected to improve the performance of BSI which is still guided by sharia values. This research was conducted qualitatively by utilizing a literature study approach and analyzing data from the performance report and GCG report of Bank Syariah Indonesia (BSI) in 2023. The results showed that applying GCG principles such as transparency, accountability, responsibility, independence, and fairness will have a positive impact on the operational and financial performance of Islamic banks. The implementation of these principles succeeds in increasing stakeholder trust, reducing operational risk,

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<sup>46</sup> Indonesia, 8.

<sup>47</sup> Indonesia, 6.

<sup>48</sup> PT Bank Mega Syariah, "Laporan Pelaksanaan Tata Kelola Perusahaan Yang Baik," 1.

<sup>49</sup> PT Bank Mega Syariah, 2.

and increasing efficiency and effectiveness in the implementation of banking activities.

The principle of openness is implemented by ensuring the disclosure of relevant and accurate information, so that customers can access information easily and quickly. The principle of accountability is implemented by ensuring clear corporate functions, structures and systems as well as proper accountability. Top management's commitment to integrating GCG principles in all aspects of bank operations plays an important role in achieving optimal performance. The findings of this study emphasize that to achieve sustainable performance, Bank Syariah Indonesia needs to continue to strengthen the implementation of GCG principles and ensure that all aspects of its operations are in accordance with sharia principles.

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