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# Implementation of Islamic Work Values in Realizing Sharia Good Corporate Governance and Its Implications in Stakeholders Oriented Values (SOV) and Financial Performance of Islamic Banking in Indonesia

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## Abstract

This research examines the effect of Islamic work values on sharia good corporate governance (GCG), and its implications for stakeholders oriented values (SOV) and Islamic banking financial performance in Indonesia. The method of analysis uses Structural Equation Modeling (SEM) with a partial least square (PLS) test. The sample of this study is Islamic banking with an analysis unit of 8 Islamic Commercial Banks in Indonesia. The sampling technique uses a sampling method randomly. The results of the study show that Islamic work values positively influence SOV. Likewise, Islamic work values have a positive effect on sharia GCG. While Islamic work values have no positive effect on sharia GCG and have no implications for SOV. Likewise, Islamic work values do not have a positive effect on financial performance. While Islamic work values have a positive and significant effect on sharia GCG and have implications for financial performance. Islamic work values, combined with sharia GCG, are still oriented to shareholders. For Islamic banking, the GCG model adopted in Indonesia refers to the Continental European model, which is still oriented to shareholders. High moral commitment is needed to implement Islamic work values and Islamic GCG so that it can have implications for the interests of stakeholders. For regulators, GCG reforms need to consider specific business, legal, and social societies so that the objectives of sharia GCG can be achieved optimally.

**Keywords:** Islamic Work Value (IWV), Sharia Good Corporate Governance (SGCG), Stakeholders Oriented Values (SOV), and Financial Performance (FP)

## 1. Introduction

Good Corporate Governance (GCG) the 1970s in the United States, since the disclosure of corruption scandals involving large companies, such as: Enron, Worldcom, Tyco, London & Commonwealth, Poly Peck, Maxwell, and others. GCG in Asia began to develop in the late 1990s. While in Indonesia it began in mid-1997, culminating in the economic crisis. The trigger factor is the same, namely the occurrence of fraud cases involving several companies, such as: PT. Telkom Tbk, PT. Indo Mobil Suk International, PT. Kimia Farma Tbk, PT. Lippo Bank

Tbk, PT. BNI Tbk, Bapindo, PT. Indo Farma (Harahap, 2011: 55). These conditions indicate that the implementation of GCG in Indonesia has not been effective.

The survey conducted by the International Finance Corporation (IFC) (2012) shows that the Indonesian GCG Index is 3.0. This index is higher than in the Philippines (2.6) and Vietnam (2.9). But it is lower compared to China (3.5), Thailand (3.5), Korea (5.4), and Japan (8.0). The results of the assessment of corporate governance in Indonesia showed unsatisfactory results and efforts to improve corporate governance had not been carried out comprehensively (OJK, 2014). Although GCG enforcement efforts continue to be carried out through the formation of GCG structures (independent commissioners, audit committees, remuneration committees, risk committees, corporate secretary) and best practice guidelines and code of conduct for board of directors and commissioners, some practitioners and academics feel the impact of GCG implementation as expected (Syakhroza, 2003). Various obstacles to the implementation of GCG in Indonesia, especially related to business ethics (Lukviarman, 2004: 139).

Research Gilani (2015), states that ethics has created the image of Islamic banking. The image that is based on banking ethical values that are usury-free prioritizes moral values, social responsibility, and honesty in business. The decline in the image of Islamic banking is precisely due to the problem of violations of work ethics or the value of work of employees, especially fraud committed by employees (internal fraud) whose data is very volatile and does not decrease further. Internal fraud data occurred in Foreign Exchange BUSN, which amounted to 234 cases, Non-Foreign Exchange BUSN as many as 53 cases (Syariah Bank GCG 2010-2014). It is alleged that the practice of internal fraud in Islamic banking is caused by weak corporate governance. Internal fraud phenomenon as a form of ethical violation carried out by employees.

Islamic banking that implements Islamic GCG has not been able to grow and contribute significantly in Indonesia, which is predominantly Muslim (Sari et al. 2013). Indonesia is one of the countries with the largest Muslim population in the world with a Muslim population of around 207,176.162 million or 87.21% (Ministry of Religion, 2013), to date, the market share of Islamic banking has not reached 5% or 4.61% in 2015 (OJK, 2016). These conditions indicate that Islamic banking is only an alternative, not an obligation for Indonesian Muslims. Especially when Islamic banks are only to meet market trends, not merely as a necessity.

The quality of implementing GCG in sharia commercial banks in Indonesia is at a predicate in accordance with applicable regulations in PBI No. 11/33 / PBI of 2009 which are detailed in SEBI No. 12/13 / DPbS in 2010. However, there are still some shortcomings in the structure of GCG, especially the structure of the sharia supervisory board and the commission structure that is not yet in accordance with appendix 4 No. SEBI. 12/13 / DPbS in 2010 (Syam and Najda, 2012: 204). Operationally, Islamic banking GCG in Indonesia refers to two principles. The first principle is ShiFat and the behavior of the Prophet and Rasul in business activities, namely shidiq, fathonan, amanah, and tablig. The second principle is the principle used in the business world in general, namely transparency, accountability, responsibility, independence and fairness, and equality. The two operational principles are needed to achieve sustainability while still taking into account the stakeholders (KNKG GGBS, 2011).

This study examines the effect of Islamic work values on sharia GCG and its implications for SOV and financial performance. Stakeholders are seen in a broader sense. This research is oriented towards maximizing the value of stakeholders in the form of shareholders value, and stakeholders oriented values. This research is in line with the concept of maqashid sharia to achieve rahmatan lil' alamin, which is nothing but to achieve falah (prosperity in the world and the hereafter). In contrast to studies conducted by Abbasi et al. (2012), which links Islamic work ethics with shareholders value. Stakeholders are seen as parties that deal directly with companies such as shareholders, customers, and employees. The company will provide value to stakeholders in the form of shareholders value. There are different perspectives, Abbasi et al. (2012) are more oriented towards value maximization for direct stakeholders in the form of shareholders values.

## 2. Literature Study and Hypothesis Development

### ***2.1 Effect of Islamic Work Values on SOV***

Ethical encouragement comes from the awareness of individual business people to carry out business practices that prioritize the sustainability of the company, the interests of stakeholders, and avoid ways of creating temporary profits (KNKG, 2006). Yunus et al. 2012, states that the value of Islamic work is part of Islamic work ethics, which shows a moderate and significant influence on organizational commitment. Companies with high commitment will provide value to all stakeholders fairly. This is in line with the research Salem and Agil (2012), where individual Islamic ethics are positively related to organizational commitment. Abbasi (2012) examines the impact of Islamic work ethics based on the Koran and Hadith to strengthen managerial integrity in increasing shareholder value (SV). Thus this argument can be used to formulate the following hypothesis:

H1: There is an influence of Islamic work values on SOV.

### ***2.2 Effects of Islamic Work Values on Sharia GCG Implementation***

The implementation of ethics in business and good corporate governance is one of the sustainable competitive advantages (Nawatmi, 2010: 53). Sternberg (1994) introduces the theological approach to understanding the relationship between business ethics (ethic business) and corporate governance. In the opinion of Lukviarman (2004), without the basis of good morality and ethics and the high nature of opportunistic causes of failure in the implementation of good corporate governance. Because any sophisticated system device that is built will not be able to provide optimal results if it is not accompanied by the willingness of individuals or organizations to obey or obey the rules of the game that has been set. The hypothesis can be formulated as follows:

H2: There is an influence of Islamic work values on sharia GCG.

### ***2.3 Effect of Islamic Work Values on the Implementation of Sharia GCG and Its Implications in SOV***

The work value model is important for employees and managers to strengthen one's beliefs in the organization and institutional values to help realize governance in a healthy organizational work environment and have an impact on positive work behavior to improve organizational performance (Khanifar et al. 2011 : 247). Effective implementation of GCG is needed to protect the rights of all stakeholders, uphold justice, honesty, and protect human needs. Islamic economists form GCG based on the stakeholder paradigm and contribute substantially to strengthening the theoretical foundation of the GCG model by reconstructing existing sharia principles regarding contract ownership rights (Cahya 2013: 25). A strong commitment is needed for the management to carry out Islamic work values. The implementation of Islamic work values shows a moderate and significant relationship to organizational commitment (Yunus et al. 2012). With a strong commitment, GCG implementation can work well. Research Abbasi et al. (2010) and Abbasi et al. (2012) show that the value of Islamic work brings the organization to value-based management by ensuring shareholders' SOV includes profitable business, employee welfare, and customer satisfaction. The principles of GCG are very important to be implemented in Islamic banking. A GCG model, The Franco German Model, focuses on efforts to maximize the value of stakeholders. This model provides equal treatment and protection to all stakeholders. Thus none of the stakeholders were sacrificed from Islamic banking activities (Indrawati, 2008: 253). Thus this argument can be used to formulate the following hypothesis:

H3: There is an influence of Islamic work values on the implementation of sharia GCG and its implications for SOV.

### ***2.4 Effect of Islamic Work Values on Financial Performance.***

Leadership determines success in achieving Islamic banking performance. Corporate ethical values are the most important factor for ethical leadership and the success of employee performance. Individual employee performance will be achieved if company management applies ethical values (Sabir et al. 2012). According to Sutono and Budiman (2009), leadership and work ethos simultaneously have a significant influence on employee performance. Spiritual motivation, such as faith motivation, worship motivation, and muamalat motivation, can provide implications for increasing employee religious performance (Muafi, 2003). According to Wibisono (2010), Faith in the Apostle by implementing its main characteristics (shidiq, fathana, amanah, and tabligh) has a positive influence on religious performance and has implications for increasing religious performance. Understanding of religious values will be implemented in the work ethic of an individual who will then influence the results of his work. Therefore, to improve performance certainly does not only look at the material aspects but also must begin to consider moral and spiritual aspects as an effort to build employees who are characterized by Islam (Amaliah et al., 2013). Thus this argument can be used to formulate the following hypothesis:

H4: There is an influence of Islamic work values on financial performance.

### 2.5 Effect of Islamic Work Value on Sharia GCG and Its Implications on Financial Performance.

Islamic work ethics brings organizations towards value-based management by ensuring the value that will be obtained for shareholders, employees, customers, and society in general so that it can, in turn, improve company performance (Galbreath, 2006). Islamic work values as a basic foundation in the implementation of sharia GCG. According to Lukviarman (2004), without the foundation of good morality and ethics as well as the high opportunistic nature that causes failure in the implementation of good corporate governance. Thus Islamic work ethics are very important in supporting sharia GCG to optimize value for shareholders while taking into account other stakeholders. GCG is expected to be able to increase the competitiveness of companies nationally and internationally, so that market trust can drive investment flows, national economic growth, and sustainable corporate performance. Research Ghaffar (2014), shows that GCG has a positive effect on profitability as a measure of financial performance in Islamic banks. Research Mousavi (2012), shows that board size is positively related to performance rather than board composition. Aggarwal (2013), shows that GCG has a positive and significant effect on the company's financial performance. In other words, good corporate governance practices can improve company performance, reduce the risk of board actions to benefit themselves. Thus this argument can be used to formulate the following hypothesis:

H5: There is an influence of Islamic work values on sharia GCG and its implications for financial performance. Relationships or influences between variables that are reflected in the conceptual framework are as follows:

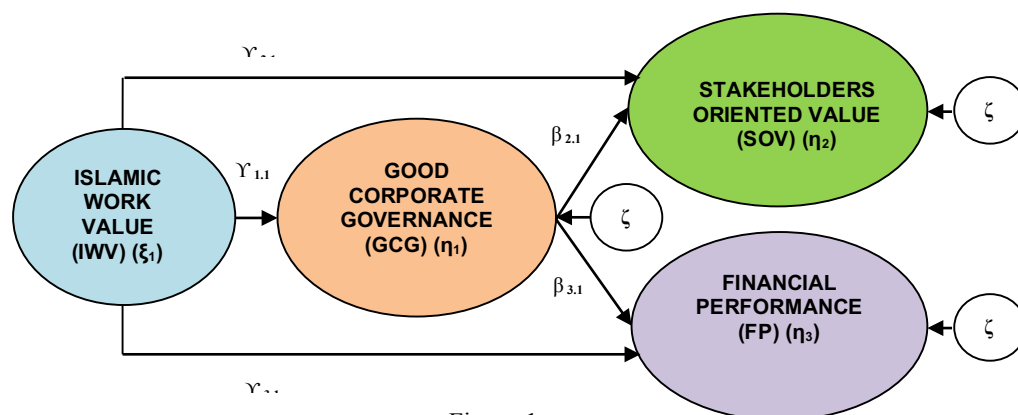


Figure 1.

### 3. Research Methodology

This study used a survey method by distributing questionnaires to collect data. The population of this study is the banking industry with research samples of 12 Islamic Commercial Banks in Indonesia. From the number of banks obtained data as many as 132 respondents with different positions and levels. To accommodate a small number of samples, this study uses Structural Equation Modeling (SEM) with Partial Least Square (PLS) Software. The variables of this study are Islamic Work Value, good corporate governance (GCG), stakeholder oriented value, and financial performance. Measuring Islamic work values and stakeholder oriented values using the Likert scale 1-5. Islamic work values refer to the nature and behavior of the Prophet and Apostle, namely: shidiq, fathonah, amanah, and tabligh. The SOV was developed from a self-assessment of the asean corporate governance scorecard implementation. The measurement of Islamic GCG uses secondary data with reference to PBI Number: 11/33/PBI/2009 and SE BI No. 12/13/DPbS/2010. This provision is in line with POJK No: 8/POJK.03/2014 and OJK SE No: 10/SEOJK.03/2014. Financial performance is proxied by NOM, ROA, ROE, and BOPO referring to PBI No. 9/1/PBI/2007, SEBI 9/24 / DPbS / 2007, POJK No: 8 / POJK.03 / 2014 and OJK SE No: 10/SEOJK.03/2014. This study is a combination of cross-sectional data and time series data, also known as panel data.

## 4. Results and Discussion

### 4.1 Respondent Demographics

Questionnaires were sent to all 12 Islamic banks in Indonesia. Respondents in this study were the Board of Commissioners, Board of Directors, Audit Committee, Risk Monitoring Committee, Remuneration, and Nomination Committee, Sharia Supervisory Board, Bank Executive Officers (Head of Division, Corporate Secretary, Head of Treasury, Finance Division, Corporate / Business Planning) and Compliance Division. The results of the sample selection based on the criteria obtained by 8 Islamic banks that contributed to the study with a total sample of 51 people, namely: PT. Bank Muamalat Indonesia as many as 11, PT. BNI syariah bank as many as 7, PT. Bank Victoria Syariah 11, PT. Bank Maybank Syariah Indonesia as many as 3, PT. BRI Syariah Bank as many as 5, PT. Mega Syariah Bank as much as 4, PT. Bank Syariah Bukopin as many as 5, and PT. BCA Syariah Bank as much as 5. Based on the majority of sex, there are 38 or 75% of men. Based on age, the age of 45-54 was dominated by 25 or 49%. Based on the majority experience of <25 as many as 24 or 47% and as many as 34 or 66% of respondents have educational backgrounds in economics, management, public administration or business administration.

### 4.2 Analysis of Descriptive Statistics

Table 4.1 Description of Islamic Ethics

Variables Indicator	N	Min	Max	Mean	Std. Deviation
<i>Shiddiq</i>	8	4.00	5.00	4.8750	0.35355
<i>Fathanah</i>	8	4.00	5.00	4.1250	0.35355
<i>Amanah</i>	8	4.00	5.00	4.8750	0.35355
<i>Tabligh</i>	8	4.00	5.00	4.8750	0.35355

Source: processed data

Indicators of Islamic Ethics (Siddiq, Fathanah, Amanah, and Tabligh) are on a scale of 4, which means that Islamic banks have implemented Islamic ethics but not fully. The implementation of sharia GCG in sharia banking has averaged 2.4510 (scale 2), reflecting that bank management has implemented sharia GCG well.

Table 4.1 Description of Stakeholders Oriented Values (SOV)

Variables Indicator	N	Min	Max	Mean	Std. Deviation
Basic rights of shareholders	8	4.00	5.00	4.8750	0.35355
Equitable treatment of shareholders	8	4.00	5.00	4.1250	0.35355
Protection of stakeholders' rights	8	4.00	5.00	4.8750	0.35355

Source: SPSS Test Results

The SOV indicator on average is on a scale of 4. This reflects the management of Islamic banks oriented to the interests of stakeholders, but not fully.

Table 4.3 Financial Performance for 2011-2015

Variables	Year	Min	Max	Mean	Std. Deviation
NIM/NOM	2011	2.12	15.33	6.3225	3.81070
	2012	0.89	13.94	5.6316	3.86519
	2013	1.04	10.66	5.2057	2.86236
	2014	0.48	8.33	3.4947	2.27776
	2015	-32.92	1.81	-2.4449	8.01528
ROA	2011	0.20	6.93	2.4924	2.45909
	2012	0.55	3.81	1.5649	0.82569
	2013	0.50	2.87	1.0347	0.70081
	2014	-1.87	3.61	0.1516	1.35366
	2015	-20.13	1.43	-1.1841	4.96213

Variables	Year	Min	Max	Mean	Std. Deviation
ROE	2011	1.19	20.79	11.9875	7.76477
	2012	2.82	57.98	16.5318	15.13197
	2013	3.70	26.23	9.3920	5.96493
	2014	-17.61	10.83	-0.6878	9.48237
	2015	-32.04	11.39	-1.3967	11.71783
BOPO	2011	55.18	99.25	87.4320	9.18261
	2012	53.77	91.59	84.5057	8.54533
	2013	67.79	93.86	88.0661	6.50565
	2014	69.60	143.31	103.8192	22.02519
	2015	89.63	192.60	105.5971	24.36811

Source: SPSS Test Results

Financial performance that is proxied by NPM, ROA, ROE, and BOPO shows poor performance and tends to decline in 2011-2015.

### 4.3 Evaluation of the Measurement Model

#### 4.3.1 The outcome of the Outer Model / Measurement Model

In convergent validity testing, the loading value of each reflective indicator has met the convergent validity requirements, which are above 0.7 and significant. In discriminant validity testing, the loading value for each indicator of Islamic work value is 0.558, and stakeholder oriented values (SOV) are 0.574. All indicators (Islamic work values and SOV) have AVE values that meet the requirements greater than 0.50. While for composite reliability testing shows a good value because it is above 0.7, namely: 0.900 for Islamic Work Value (IWV) and 0.930 for stakeholder oriented values (SOV) variables. The Cronbach alpha value of each variable shows a value above 0.7, namely: 0.847 for the construct of Islamic Work Value (IWV) and 0.916 for stakeholder oriented values (SOV) variables.

#### 4.3.2 Evaluation of Formative Variable Models

From the output of the weight indicator, it can be seen that the indicators forming GCGS variables are  $<0.001$  and FP (NOM  $<0.001$ , ROA = 0.003, ROE  $<0.001$  and BOPO = 0.048) with a significance value of  $p < 0.05$ , which means the GCGS and FP indicators are valid. For multicollinearity / Collinearity testing, the GCGS variable variance inflation factor (VIF) value is 0 (zero) and FP (NOM is 6,505, ROA is 4.08, ROE is 3,408 and BOPO is 2,732). The resulting variance inflation factor (VIF) is  $<10$ , which means there is no problem with collinearity between indicators. Likewise, the results of the weight-loading sign (WLS) test are equal to 1, which means that it has met the recommended requirements.

#### 4.3.3 Inner Model Results or Structural Models

The test results of the structural model show Adjusted R-Squared SOV variables of 0.582, meaning that SOV variations can be explained by variations in IWV, sharia GCG, and FP by 58.2% and the remaining 41.8% influenced by other variables outside the research model. The Adjusted R-Squared value is included in the strong category. Adjusted R-Squared sharia GCG variables of 0.092 showed that variations in sharia GCG could be explained by variations in IWV, SOV, and FP by 9.2% and the rest by 90.8% influenced by other variables outside the research model. The Adjusted R-Squared value is categorized as weak. Value of Adjusted R-Squared construct of the financial performance of 0.350 shows that the variation of CoW can be explained by variations in IWV, sharia GCG and SOV of 35.0% and the remaining 65.0% is influenced by other variables outside the research model. The Adjusted R-Squared value is categorized as moderate.

Besides seeing the Adjusted R-Square value, the PLS SEM model was also evaluated by looking at Q-Square (usually called the Stoner-Geisser Coefficient). Q-Square is used to measure how well the observation value is generated by the model and also its parameter estimation (Ghozali, 2014: 41). The model with predictive validity must have a Q-Square value greater than zero (Sholihin and Ratmono, 2013: 72-73, Ghozali, and Latan, 2014:

106, Ghozali, 2014: 42). The results of the estimation of the research model show good predictive validity, which is 0.598 (SOV), 0.110 (GCGS), and 0.379 (FP) because it is greater than zero.

The estimation results show that the effect size of IWV's influence on sharia GCG is 0.110, the effect of IWV on SOV is 0.573, the effect of IWV on FP is 0.008, the effect of sharia GCG on SOV is 0.025 and the effect of sharia GCG on FP is 0.383.

Table 4.4. *Effect Sizes for Path Coefficients*

	IWV	GCGS	SOV	FP
IWV				
GCGS	0.110			
SOV	0.573	0.025		
FP	0.008	0.383		

Source: processed data

The weak effect size is IWV for FP at 0.008 and GCGS for SOV at 0.025. Because the effect size value is not far from 0.02 or equal to 0.02 shows that the influence of the predictor latent variable is very weak from the practical view (practical points of view). The effect size that is classified as medium (not too far from 0.15) is the influence of IWV on sharia GCG of 0.110. While the influence of IWV on SOV amounted to 0.573 and GCGS to FP 0.383, classified as having a large effect size because it was above 0.35. This means that IWV has an important role in the practical perspective of improving SOV. As well as sharia GCG, it certainly plays an important role in the practical perspective in increasing FP.

Furthermore, the fit model testing is carried out, with the help of WarpPLS 4.0 Program, the fit index can be obtained as follows:

Tabel 4.7. *Model fit and quality indices*

Model fit and quality indices
-----
Average path coefficient (APC)=0.394, P<0.001
Average R-squared (ARS)=0.361, P<0.001
Average adjusted R-squared (AARS)=0.341, P<0.001
Average block VIF (AVIF)=1.124, acceptable if <= 5, ideally <= 3.3
Average full collinearity VIF (AFVIF)=2.138, acceptable if <= 5, ideally <= 3.3
Tenenhaus GoF (GoF)=0.501, small >= 0.1, medium >= 0.25, large >= 0.36
Sympson's paradox ratio (SPR)=0.800, acceptable if >= 0.7, ideally = 1
R-squared contribution ratio (RSCR)=0.993, acceptable if >= 0.9, ideally = 1
Statistical suppression ratio (SSR)=0.800, acceptable if >= 0.7
Nonlinear bivariate causality direction ratio (NLBCDR)=0.800, acceptable if >= 0.7

Source: processed data

Fit index output shows that the model has a good fit. Output shows that the goodness of fit model criteria have been fulfilled with APC value = 0.394, ARS = 0.361, AARS = 0.341 with a significance value of  $p < 0.001$  ( $< 0.05$ ). Likewise, the average block VIF (AVIF) value = 1,124 and Average full collinearity VIF (AFVIF) = 2,138, which is less than 3.3 (meeting ideal standards). This means that there is no multicollinearity between indicators and between latent variables. The GoF produced is 0.501 > 0.36, which means that the model's fit is very good. For Sympson's paradox ratio (SPR) = 0.800, R-squared contribution ratio (RSCR) = 0.993, statistical suppression ratio (SSR) = 0.800 and nonlinear bivariate causality direction ratio (NLBCDR) = 0.800. Each has a value of  $\geq 0.7$ , which means there is no problem of causality in the model. This research was conducted iterations three times using the resampling (bootstrapping) method of 300 samples.

#### 4.4 Testing of Hypotheses

1. Islamic work values have a positive and significant effect on SOV. It is proven by  $\beta$  of 0.74 and the significance value of  $p$  value  $< 0.01$ . Because the value of  $p$  value is much smaller than the critical value of 0.05 (5%), it is



proven statistically that Islamic work values have a positive and significant effect on SOV. By implementing Islamic work values, individuals will grow awareness to carry out their duties as caliphs in the face of the earth as spreading goodness fairly and responsibly to all stakeholders. The practice of Islamic values applied in work provides the basis for achieving social justice. Likewise, for companies that have implemented a comprehensive and institutionalized Islamic work value will guarantee the creation of justice for all stakeholders. Companies not only focus on creating value for shareholders, creditors, employees, and the government, but pay attention to those who do not contribute directly such as: the poor, neglected children, and Ibnu Sabail (Wulandari, 2010: 79).

2. Islamic work values have a positive and significant effect on Sharia GCG. It is proven by the estimated coefficient ( $\beta$ ) of 0.33 and the significance value of p value  $<0.01$ . Because the value of p value is much smaller than the critical value of 0.05 (5%), it is proven statistically that Islamic work values have a positive and significant effect on Islamic GCG. The value of Islamic work that is applied in work becomes the basic foundation in the implementation of good Islamic corporate governance. To build the basic foundation, it should refer to the two principles, namely the principle of Shifat (shidiq, fathonah, amanah, and tabligh) and the principle of Tarik (transparency, accountability, responsibility, independence and fairness, and justice). Both principles reinforce each other to ensure sustainability in Islamic banking. According to Tikawati (2012), in principle, Islamic values are in line with the principles of GCG. Likewise, Nawatmi (2010: 53), states that the implementation of ethics in business and good corporate governance is one of the sustainable competitive advantages. Sternberg (1994), states that business ethics has a relationship with corporate governance. The urgency is that Islamic work values must be fully implemented so that the implementation of good sharia corporate governance can be maximally realized.

3. Testing of hypothesis 3 is done through two stages or paths of analysis, as follows:

(1) IWW has a positive and significant effect on sharia GCG. It is proven by the estimated coefficient value ( $\beta$ ) of 0.33 and the significance value of p value  $<0.01$ .

(2) Islamic GCG pathway has a positive but not significant effect on SOV. It is proven by the estimated coefficient value ( $\beta$ ) of 0.08 and the significance value of p value 0.16. Because the value of p value is far greater than the critical value of 0.05 (5%), the GCGS path to the SOV does not meet the established criteria.

In conclusion, that Islamic work values have no effect on Islamic GCG and have no implications for SOV. To test the mediating effect of sharia GCG, using SEM-PLS with the VAF (Variance Accounted For) method. VAF values obtained were 0.0344 (3.44%), less than 20% and said there were almost no mediating effects (Hair et al., 2013). Thus sharia GCG has almost no mediating effect. This means that Islamic GCG cannot be a mediator of the effect of Islamic work values on SOV.

The results of the study indicate that Islamic work values have not been fully implemented. Likewise, with the treatment of shareholders' rights, where the rights of minority shareholders are less protected. Informed in the study, Lukviarman (2016: 124), where conflicts of interest in Indonesia generally occur between majority and minority shareholders. Because the Islamic work value has not been fully implemented, the effect is very weak on SOV. Although the GCG score is good, it is not automatically responsible for stakeholders in the form of recognition, treatment, and protection of their rights can be done. If the conditions are so, then a long commitment and time are needed so that the Islamic value system can be applied in sharia banking operational activities.

4. Islamic work values have no effect on financial performance, as evidenced by the value of  $\beta$  of -0.17, and the significance value of p value is equal to 0.08. Because the value of p value is far greater than the critical value of 0.05 (5%), it is not proven statistically that Islamic work values affect financial performance. The implementation of Islamic work values in Islamic banking is still inadequate, so management has not been able to achieve good financial performance. Aggravated by poor macroeconomic conditions led to financial performance proxied by NOM, ROA, ROE, and BOPO, which decreased. The slowdown in business volume growth also occurred during the last three years until the end of 2014, which was 12% (Indonesian Islamic Banking Roadmap, 2015-2019). Other factors are the impact of the global economy (falling oil prices, high-interest rates) and national economic factors (weakening of the rupiah, inflation, declining credit growth).

The business sectors that are most in demand by BUS and UUS are: property, finance, and credit (Islamic Finance Outlook, 2015). While the property sector is currently experiencing serious problems because the increase in prices of building materials reaches 30% and labor wages reach 20%. Coupled with the cessation of government subsidies in 2015 related to site ownership, causing people's purchasing power to decline. In the financial sector, the relocation of subsidies greatly affects the banking sector, especially Islamic banking, in Indonesia. The effect of increasing fuel oil (BBM) contributes to the increase in NPF of Islamic banking. Where the banking NPF range reaches 8% -11%.

According to OJK (2016), there are seven strategic issues that help slow the growth of Islamic banking. These strategic issues, such as: inadequate capital, low efficiency, expensive funding costs that have an impact on the limitations of the financing segment. Other issues are non-varied products and services, inadequate quality and quantity of SDIs, and technology that does not support product and service development. Coupled with a low level of public awareness, including regulation and supervision that has not been optimal.

5. Testing of hypothesis 5 is carried out through two stages or paths of analysis, as follows:

(1) IWV has a positive and significant effect on sharia GCG. It is proven by the estimated coefficient value ( $\beta$ ) of 0.33 and the significance value of p value  $<0.01$ .

(2) Islamic GCG pathway has a positive and significant effect on FP. It is proven by the estimated coefficient value ( $\beta$ ) of 0.65 and the significance value of p value  $<0.01$ . Because the value of p value is far greater than the critical value of 0.05 (5%), the GCGS path to the FP meets the established criteria.

In conclusion, that Islamic work values have a positive and significant effect on Islamic GCG and have implications for FP. To test the mediating effect of sharia GCG, using SEM-PLS with the VAF (Variance Accounted For) method. VAF values of 4.8202 (482.02%) were obtained, more than 20% and were said to have full mediation effects (Hair et al., 2013). This means that financial performance (FP) can be achieved if Islamic banking in Indonesia can carry out Islamic work values as a whole in its operational activities through the implementation of sharia GCG. The better Islamic work values are implemented in Islamic banking through the implementation of Islamic GCG, the greater the company's ability to achieve financial performance.

The inadequate implementation of Islamic work values in Islamic banking has made the basic foundation of Islamic GCG not solid so that the orientation of Islamic banking prioritizes the interests of shareholders through achieving financial performance. Because the juridical purpose of Islamic banking is oriented to increasing value for shareholders (Tikawati, 2012) through the achievement of financial performance.

The same opinion is explained by Zali and Ismail (2014: 1219), currently, the orientation of Islamic banking is the fulfillment of the interests of shareholders. Although Jensen and Mecling (1976) specifically do not examine Islamic banking, but his research confirms that the application of GCG is still oriented to maximization of shareholders wealth (maximizing shareholders' wealth). Especially for countries that adhere to the American model like in Indonesia. Where the model tends to be in the effort of maximization of shareholders values, thus triggering conflicts of interest and sacrificing the rights of other stakeholders. According to Freeman (1984) and Blair (1995), the implementation of GCG is still not oriented towards maximizing the interests of stakeholders. Even research Abbasi et al. (2012) link Islamic work ethics with efforts to achieve value maximization that is oriented to the creation of shareholders' wealth which is characterized by increased financial performance in Islamic banking.

## 5. CONCLUSION

The test results show that Islamic work values have a positive effect on SOV. Likewise, Islamic work values have a positive effect on sharia GCG. While Islamic work values have no positive effect on sharia GCG and have no implications for SOV. Likewise, Islamic work values do not have a positive effect on financial performance. While Islamic work values have a positive and significant effect on sharia GCG and have implications for financial performance. There are two models in corporate governance, namely: Anglo-American corporate governance

models and Franco-German corporate governance models. The tendency for Islamic banks to be similar to Anglo-American models. Where the orientation is more on fulfilling the interests of shareholders through achieving financial performance. If analyzed through the Franco-German model, the implementation of GCG has not implications for fulfilling the interests of all stakeholders. The number of samples in this study is very limited, where respondents are bank management, not respondents from outside the company who can represent stakeholders as users of banking products and services.

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