

Effect of Ownership Structure and Corporate Governance to Risk Management and Implications Ontario Banking Performance

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Abstract: *The objectives of this research are: 1) to describe exogenous, endogenous and mediation variables, 2) to examine the effect of exogenous variables, endogenous variables and mediation variables. Secondary data resource used is the financial statements of Islamic banks listed on the Indonesia Stock Exchange 2010-2015. The population of research is a number of 11 Sharia Commercial Banks in Indonesia, sample selection by purposive sampling method obtained 8 Bank. The analysis technique used descriptive statistics and Partial Least Square (PLS) analysis. The result of PLS analysis shows that the percentage of public ownership contributes 100% to the structure of public ownership, and has an effect on to company performance especially on Return on Equity. Credit Risk is able to contribute to Risk Management by 90.8%, and affect the Company's performance, especially on Return on Equity. Corporate Governance on Measurement Management Efficiency is able to contribute 57.8% to Company Performance, especially on Return on Equity. The contribution of this research finding to the Indonesian economy is the achievement of sharia banking performance illustrates the strong emphasis on efforts to revive the real sectors in the collection and channeling of customer funds. The fundraising pattern with mudharabah and wadi'ah schemes shows that savings returns, customer deposits are derived from the development of customer funds in the real sector. The pattern of fund distribution in the murabahah, mudharabah, and musyarakah schemes is closely related to the real sectors.*

Key words: *Ownership Structure, Corporate Governance, Sharia Banking Performance*

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I. Introduction

The growth of sharia banking average per year is more than 35 percent higher than conventional banks whose average growth is only 15 percent. This is due to the enthusiasm of the public to save funds in sharia banks is very big only from the market share is still low 4.9 percent in 2013 compared to conventional banks who mastered 95 percent. For that syariah banking tries to increase market share to be 50:50 with conventional banking (Nurhayati, 2014).

Implementation of GCG in sharia banking industry must be based on five basic principles, as stated in Bank Indonesia Regulation Number 8/4 / PBI / 2006 on Implementation of Good Corporate Governance for Commercial Banks, (1) transparency (transparency), ie openness in expressing information material and relevant and openness in the decision-making process; (2) accountability, ie clarity of functions and implementation of bank organ liability so that its management runs effectively; (3) accountability (responsibility), namely the suitability of bank management with the prevailing laws and regulations and the principles of sound bank management; (4) professionals who are competent, able to act objectively and free from influence / pressure from any party (independent) and have high commitment to develop sharia bank; (5) fairness which is justice and equality in fulfilling the rights of stakeholders based on the agreement and the prevailing laws and regulations. In applying these five basic principles, banks shall be guided by various provisions and requirements related to the implementation of GCG. In addition, in the implementation of GCG, sharia banking industry must also fulfill sharia principles (sharia compliance). Sharia banking governance discrepancies will potentially pose various risks, especially reputation risk for the sharia banking industry.

In addition to corporate governance and ownership structure that should be considered in assessing the performance of sharia banking is the implementation of risk management which includes active supervision of bank management, policies, procedures and risk limits, identification process, measurement, information system, and risk control, and internal control system (Veithzal Rivai, 2007: 792-793). Implementation of risk management will provide benefits, both to banks and bank supervisory authorities. For the banking application of risk management can increase shareholder value, provide an overview to bank managers about possible future bank losses, improve systematic decision-making methods and processes based on information

availability, used as a basis for more accurate measurement of bank performance, risks inherent in relatively complex instruments or business activities of the bank and create a robust risk management infrastructure in order to improve bank competitiveness. For the bank supervisory authority, the implementation of risk management will facilitate the assessment of possible losses faced by banks that may affect bank capital and as one of the bases for valuation in setting strategy and focus of bank supervision.

This study examines the effect of ownership structure and its governance on risk management and its partial and comprehensive implications on the performance of Indonesian sharia banking. Given the importance of internal operational controls for the sharia banking industry in Indonesia and in the context of developing the financial management literature of sharia banking, this study is important and interesting so it is worthy of research.

The study has the purpose of describing the variables of ownership structure, corporate governance, risk management, corporate performance; examine the effect of ownership structure on risk management; examine the effect of corporate governance on risk management; examining the effect of ownership structure on company performance; test the effect of risk management on company performance; examine the influence of corporate governance on corporate performance; examine ownership structure on company performance through risk management; and examine corporate governance on corporate performance through risk management.

II. Literature Review

Agency Theory

Agency theory is a relationship based on contracts that occur between members within the company, i.e. between the principal (owner) and agent (agent) as the main actor (Jensen & Mackling, 1986). The owner is the party that gives the agent the mandate to be on behalf of the owner, while the agent is the party mandated by the owner to run the company.

Company performance

Company performance according to Prasetyo (2005) is the result of many individual decisions made continuously by management. Financial performance is one factor that shows the effectiveness and efficiency of an organization in order to achieve its objectives. So financial performance is the ability of financial management work in achieving its performance. Profit is an indicator that can be used to measure the company's operational performance. Information about earnings measures the success or failure of a business in achieving its defined operating objectives (Parawiyati, 2005).

Ownership Structure

Jensen, M.C. and Meckling, W.H. (1976: 358), explains that the term ownership structure shows the fact that the important variables in the capital structure are determined not only by the relative amounts of debt and equity but also the percentage of equity held by the manager. Dewi (2008: 48), the ownership structure is believed to have the ability to influence the course of the company which they will be able to affect the company's performance.

Corporate Governance Banking

Corporate Governance can be defined as a process and structure used by company organs (Shareholders / Capital Owners, Board of Commissioners / Board of Trustees and Board of Directors) to improve business success and corporate accountability in order to realize shareholder value in the long term by taking into account the interests of other stakeholders, based on legislation and ethical values. Good Corporate Governance (GCG) according to the World Bank, is a collection of laws, regulations, and rules that must be met that can encourage the performance of the sources of the company work efficiently, resulting in a long-term economic value of sustainable for shareholders and the surrounding community whole. More details Corporate Governance is a collection of laws, regulations, and rules that must be met that can encourage the performance of corporate resources to work efficiently, resulting in long-term sustainable economic value for shareholders and the surrounding community as a whole (Sjahputra and Tunggal, 2002: 4).

Banking Risk Management

Risk according to Bank Indonesia Regulation Number 13/23 / PBI / 2011 concerning Implementation of Risk Management for Sharia Commercial Banks and Sharia Business Units, is the potential loss due to the occurrence of certain events. The Bank's business activities are always faced with risks that are closely related to its function as a financial intermediary institution. The rapid development of the internal and external environment of sharia banking has resulted in the increasingly complex risk of sharia banking business activities. Banks are required to be able to adapt to the environment through the implementation of risk

management in accordance with Sharia Principles. The principles of risk management applied to sharia banking in Indonesia are directed in line with the standard rules issued by the Islamic Financial Services Board (IFSB) (Bank Indonesia Regulation Number 13/23 / PBI / 2011 Concerning Implementation of Risk Management for Sharia Commercial Banks and Business Units Sharia).

Research Hypothesis

Influence of Ownership Structure on Risk Management

The Bank's business activities are always faced with risks that are closely related to its function as a financial intermediary institution. The rapid development of the internal and external environment of sharia banking has resulted in the increasingly complex risk of sharia banking business activities. Banks are required to be able to adapt to the environment through the implementation of risk management in accordance with Sharia Principles. The risk faced by sharia banking is also affected by the bank's diverse structure of banks. The ownership structure affects the risk of bank management (Tsorhe et al, 2010). Mbarek&Hmaied (2012) examined banks listing in Tunisia and Morocco 2003-2009 also showed that ownership structures had an effect on risk management applied, while Rahman et al (2013) examined risk management in Islamic banks in Mena State not affected by this ownership structure due to the fact that most of the list of foreign banks are registered in countries with less developed financial markets than parent companies and, therefore, there is no additional value for disclosure from these cross-border listed companies to encourage additional disclosure. Based on the description above, the hypothesis in this study formulated as follows:

H₁ :The ownership structure has a significant effect on risk management.

The Influence of Corporate Governance on Risk Management

Banks are intermediaries to explain the relationship between corporate governance and risk management. Bank managers not only seek to increase investment but also how to reduce the risks that accompany the investment. GCG implementation not only strives to obtain better-expected returns but also strives to better manage risk. The market does not have the power to control the operation of the bank, so there is a need for government intervention to overcome the mistakes that occur in the market. The government as a regulator with its regulation is expected to be able to control managerial behavior in making relevant decisions to reduce management risk. The experience of the global financial crisis has prompted the need to improve the effectiveness of risk management and GCG implementation so as to enable the Bank to identify problems early, to follow-up on prompt and rapid improvements, and to be more resilient in the face of crisis. Tandililin et al (2007) examined banks in Indonesia for the period 1999-2004 with the result that risk will decrease when corporate governance is implemented. This is in line with Vassileios (2011) and Fitrijanti&Alamanda (2013), that with the implementation of corporate governance in the banking sector, the risks can be managed well. Based on the explanation, the hypothesis in this research is formulated as follows:

H₂: Corporate governance has a significant effect on risk management.

Influence of Ownership Structure on Company Performance

Ownership structure by some researchers is believed to be able to influence the course of the company which ultimately affects the company's performance in achieving the company's goal of maximizing corporate value. This is due to the presence of controls. (Indrayani, 2009). Meanwhile, in linking the ownership structure with the bank's performance, there is one thing that can not be separated from the achievement of bank organizational goals and its performance, ie management or bank management. The achievement of bank goals and performance cannot be separated from the performance of management itself. In this connection, the relationship between the management of a bank and the owner of the bank will be poured in a contract (performance contract), in line with Agency Theory (Hadad et al., 2003). The ownership structure referred to in this study is the percentage of public ownership. The results of research conducted by Micco et al (2006) in industrialized and developing countries showed no strong influence between ownership structure and bank performance. Lin & Sum (2011) who examines banks in Taiwan illustrates that the magnitude of external ownership of privatization results can improve overall bank performance. This is in contrast to Siahaan (2013) research which resulted in a decrease in performance due to changes in the ownership structure of the company. Based on the description above, the hypothesis in this study formulated as follows:

H₃:The leadership structure has a significant effect on company performance

The Influence of Risk Management on Company Performance

Company performance and risk management depend on the results of the implementation of corporate governance. When a bank can manage its risks well, it will improve performance. Good risk management indicates that banks can operate with relative risk and low-interest conflicts. Profits with risk management will make the company's performance better. The good corporate performance will enhance the reputation and

image of the company in the eyes of the public or the market. This makes banks able to lower their risk and increase their productive assets, thereby increasing bank profitability, as stated by Poudel (2012) studying commercial banks in Nepal, that risk management is needed to improve the company's performance especially in terms of profitability. Tandelilin et al (2007) examined banks in Indonesia for the period 1999-2004 with the result that risks decreased along with increased bank performance. Risk management in Islamic banks emphasizes traditional methods of identifying risks and managing risks compared to conventional banks (Hug, 2009). The performance of banks in Nigeria studied by Kolapo et al (2011); Adeusi et al (2011); Abiola&Olausi (2014) indicates a significant relationship between bank performance and risk management, similar to that of Bank Islam in Indonesia conducted by Fitrijanti&Alamanda (2013). Based on the previous description, the hypothesis in this study is formulated as follows:

H₄: Risk management has a significant effect on company performance

The Influence of Corporate Governance on Corporate Performance

The main role of bank managers is to increase shareholder investment by expanding the shareholders' income. Shareholder wealth is derived from profit sharing obtained by a bank which is bank profitability performance. Corporate governance is a mechanism capable of reducing the conflict of interest between the principal (manager) and the agent (shareholder), so that management can manage the bank to gain a profit which will be shared for shareholders. Banks will be able to give a better contribution to shareholders which is an indication of GCG implementation because shareholder's investment gives a better return.

Banks in order to improve performance, protect the interests of stakeholders, and improve compliance with prevailing laws and regulations as well as ethical values generally accepted in the banking industry, Banks are required to carry out their business activities in accordance with GCG principles. Tandelilin et al (2007) examined banks in Indonesia for the period 1999-2004 with the result that bank performance will increase when corporate governance is implemented. This is in line with the results of research Christopher (2009) and Bino&Tomar (2009), that corporate governance has a significant effect on bank performance. Meanwhile, Aebi et al (2011) found a negative influence of corporate governance on bank performance during the crisis, while Fitrijanti&Alamanda (2013) found positive but insignificant influence. Based on the description above, the hypothesis in this study formulated as follows:

H₅: Corporate governance has a significant effect on company performance

The influence of ownership structure on company performance through risk management

The general ownership structure can be divided into two, namely: a) dispersed ownership; and b) concentrated holdings. Firms with more ownership give greater rewards to the management than firms with more concentrated ownership (Gilberg and Idson, 1995). Concentrated ownership arises two groups of shareholders, namely controlling interest and minority interest (shareholders), the bank's ownership is not concentrated, meaning that the party that is the shareholder of a portion of its ownership is sold to the public, it is intended that the bank's performance can be controlled by many parties. In the agency theory of Jensen and Mackling (1976), it is explained that ownership concentration can reduce or eliminate agency problems and costs at the company.

The risk faced by sharia banking is also affected by the bank's diverse structure of banks. The ownership structure affects the risk of bank management (Tsorhe et al, 2010). Mbarek&Hmaied (2012) examined banks listing in Tunisia and Morocco 2003-2009 also showed that ownership structures had an effect on risk management applied, while Rahman et al (2013) examined risk management in Islamic banks in Mena State not affected by this ownership structure due to the fact that most of the list of foreign banks are registered in countries with less developed financial markets than parent companies and, therefore, there is no additional value for disclosure from these cross-border listed companies to encourage additional disclosure. Based on some of these studies show that risk management in banks in developing countries has an effect on the ownership structure. The hope of the test results of the influence of ownership structure on company performance through risk management has a significant effect.

H₆: The leadership structure has a significant effect on company performance through risk management

The influence of corporate governance affects the company's performance through risk management

Company performance and risk management depend on the results of the implementation of corporate governance. When a bank can manage its risks well, it will improve performance. Good risk management indicates that banks can operate with relative risk and low-interest conflicts. Profits with risk management will make the company's performance better. The good corporate performance will enhance the reputation and image of the company in the eyes of the public or the market. This makes banks able to lower their risk and increase their productive assets, thereby increasing bank profitability, as stated by Poudel (2012) studying commercial banks in Nepal, that risk management is needed to improve the company's performance especially

in terms of profitability. Setiawaty (2016) examines the effect of good corporate governance mechanism on banking performance with risk management as an intervening variable period (2012-2014). the results of the analysis of the direct and indirect influence of good corporate governance on banking performance through risk management. Based on the testing of good corporate governance on corporate performance through risk management have a significant effect.

H₇: Corporate governance has a significant effect on company performance through risk management

III. Research Methods

Population and Sample Research

The population in this study is all Sharia Banks in Indonesia amounted to 11 banks. The sample in this study is the Sharia Commercial Bank in Indonesia is selected based on purposive sampling or purposive sampling method, with the following criteria: report its activities for 6 (six) years, starting from 2009 - 2015; listing its shares on the Indonesia Stock Exchange, and never delisting. Based on the predetermined criteria, from the population of 11 sharia Commercial Banks listed on the Indonesia Stock Exchange for 6 years, 8 (eight) Syariah Banks in Indonesia were selected as samples in this study, the number of samples (n) during the period 2010 to 2015 as many as 48 observations (8 Sharia Commercial Bank x 6 years).

Data Analysis Technique

Data analysis in this study was conducted using the following techniques:

1. Descriptive Statistics

Descriptive statistics are used to provide empirical descriptions or descriptions through the frequency distribution of percent of respondents' average answers from the data collected in this study. The type of descriptive statistics used in this study is statistical averages, which describes the average value of a variable studied in a group of respondents (Ferdinand, 2006: 290).

2. Partial Least Square Analysis

Partial Least Square (PLS) is a component-based or variance-based structural model. According to Ghazali (2006: 4), PLS is an alternative approach that shifts from an SV-based approach to covariance-based variants, Covariance-based SEM generally tests the causality/theory, PLS can also be used to explain the presence or absence of relationships between variables.

Analyzing data with PLS there are two things done. First, assessing the outer model or measurement model is an assessment of the reliability and validity of research variables. There are three criteria to assess the outer model, namely convergent validity, discriminant validity and composite reliability. Second, assess the inner model or structural model. Inner model or structural model testing is done to see the relationship between construct, significance value and R-square of the research model.

IV. Results and Discussion

Partial Least Square (PLS) Analysis

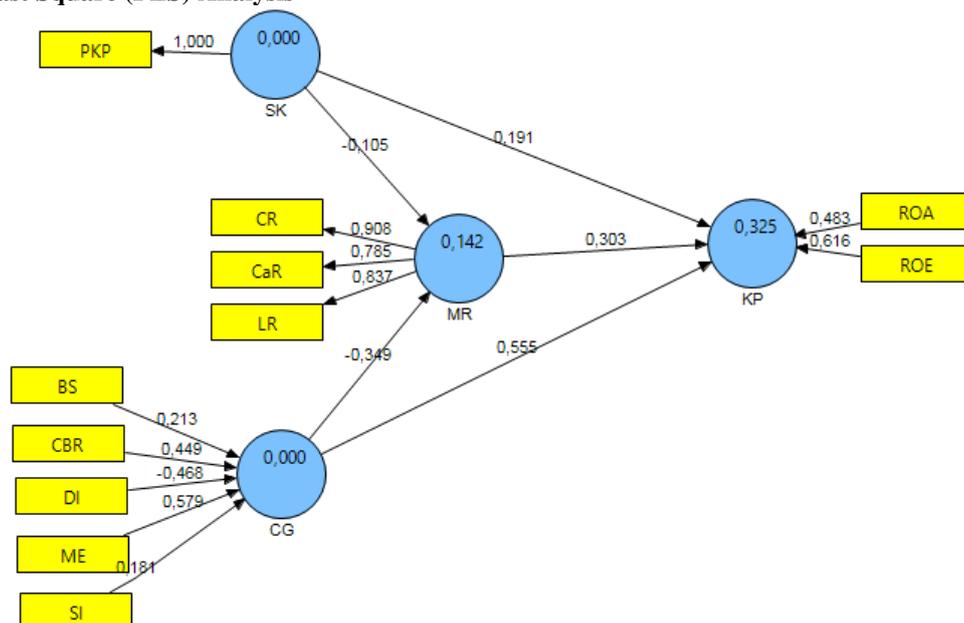


Figure 1. Line Chart Figure

Conversion of Line Charts into Structural Models

The conversion of the path diagram in the measurement model is intended to determine the effect directly or indirectly. The model effects directly or indirectly as presented in table 1 below:

Table1 Conversion of Line Charts into Structural Models

Variables Exogenous	Variables Mediation	Variables Endogenous	Value Direct	Coefficient Indirect	Total	Significant
SK		MR	-0,105	-	-0,105	1,400
CG		MR	-0,349*	-	-0,349	4,421
SK	MR	KP	0,191*	-0,032	0,159	
CG	MR	KP	0,555*	-0,106	0,449	
MR		KP	0,303*	-	0,303	3,329

*Significant at $\alpha = 5\%$

Based on table 1 can be seen that the measurement model that is formed is as follows:

Equation 1 : $MR = -0,105SK - 0,349 CG$

Based on the equation 1 can be informed that

1. Direct effect coefficient of Ownership Structure to Risk Management is -0.105 with t statistic equal to 1,4 smaller than 1,96 ($\alpha = 5\%$). means Ownership Structure has no effect on Risk Management.
2. The coefficient of a direct effect of Corporate Governance on Risk Management amounted to -0.349 with t statistics of 4.4, which means that Corporate Governance has a negative and significant impact on Risk Management (MR). This means that the better Corporate Governance is likely to decrease Risk Management.

Equation2 : $KP = 0,191SK + 0,555CG + 0,303MR$

Based on equation 2 it can be informed that

1. The coefficient of direct effect Ownership Structure to Company Performance of 0.191 with t statistics of 4.7 greater than 1.96 ($\alpha = 5\%$) means that Ownership Structure has a positive and significant impact on the Company Performance. This means the better The Ownership Structure tends to improve Company Performance.
2. The coefficient of Corporate Governance (CG) direct effect on Corporate Performance (KP) of 0,555 with t statistic equal to 12,6 bigger than 1,96 ($\alpha = 5\%$) mean that Corporate Governance (CG) have a positive and significant influence to Company Performance. This means that the higher Corporate Governance is likely to improve the Company's Performance.
3. The coefficient of a direct effect of Risk Management on Company Performance of 0.303 with t statistics of 3.3 is greater than 1.96 ($\alpha = 5\%$) means that Risk Management has a positive and significant impact on Company Performance. This means that the higher Risk Management is likely to improve the Company's Performance.
4. Indirect effect coefficient of Ownership Structure to Company Performance through Risk Management of -0.032 states that Ownership Structure has a negative and insignificant effect on Company Performance through Risk Management. This means that the higher Risk Management caused by the better Structure of Ownership tends to decrease Company Performance. But the decline is not significant.
5. The coefficient of an indirect effect of Corporate Governance on Corporate Performance through Risk Management of -0.106 states that Corporate Governance has a negative and significant effect on Company Performance through Risk Management. Management efficiency (corporate governance) effect on return on equity (company performance). Credit risk affects the company's performance, while corporate governance (management efficiency) has no effect on risk management. So risk management does not mediate corporate governance on company performance.

Hypothesis Testing

Tests of significance are used to test whether their exogenous variables influence on endogenous variables. The test criteria state that if the value of t-statistic \geq t-table (1,96) then expressed the existence of significant influence exogenous variable to endogenous variable. The results of significance testing can be known through table 2 below.

Table2Hypothesis Testing Direct Effect

Exogenous	Endogenous	Original Sample (O)	Standard Error (STERR)	t-statistic (O/STERR)
Struktur Kepemilikan	Risk management	-0,105	0,075	1,400
Corporate Governance	Risk management	-0,349	0,079	4,421
Ownership Structure	Company performance	0,191	0,040	4,735
Risk management	Company performance	0,303	0,091	3,329
Corporate Governance	Company performance	0,555	0,044	12,609

1. Effect of Ownership Structure on Risk Management. The test result shown in table 2 can be seen that the t-statistic relationship between Ownership Structure to Risk Management is 1,400. The test results show that the t-statistic value <1.96. This means that there is no significant effect on Ownership Structure on Risk Management. The test results of the influence of ownership structure on risk management are not tested.
2. The Influence of Corporate Governance on Risk Management. In the test results listed in table 2 it can be seen that the t-statistical relationship between Corporate Governance to Risk Management amounted to 4.421. The test results show that the t-statistic value > 1.96. This means that there is a significant effect of Corporate Governance on Risk Management. The test results of corporate governance influence on risk management are tested.
3. Effect of Ownership Structure on Company Performance. Test results listed in table 2 can be seen that the value of t-statistical relationship between Ownership Structure to Company Performance amounted to 4.735. The test results show that the t-statistic value > 1.96. This means that there is a significant influence of Ownership Structure on Company Performance. The test results of the influence of ownership structure on company performance are tested
4. Effect of Risk Management on Company Performance. In the test results listed in Table 2 above can be seen that the value of the t-statistics relationship between Risk Management to Company Performance amounts to 3.329. The test results show that the t-statistic value > 1.96. This means that there is a significant effect of Risk Management on Corporate Performance. Result of hypothesis testing of influence of risk management to company performance fulfilled. Interpretation of the ratio of bad debts to the size of the loans given to customers, based on the results of this study on descriptive analysis shows that low credit risk value will encourage banks to be careful in forming reserve losses. The existence of changes in the value of loss reserve receivables can affect the activities of banks in the collection of accounts receivable, so it also affects the operating costs of banks. An increasing debt repayment adds to an increase in bank revenue based on profit sharing. Therefore, changes in bank performance can be influenced by increased revenue from revenue sharing and changes in operating costs, especially the costs of collection of accounts receivable.
5. Effect of Corporate Governance on Corporate Performance. In the test results listed in table 2 it can be seen that the t-statistical relationship between Corporate Governance to Corporate Performance is 12.609. The test results show that the t-statistic value > 1.96. This means that there is significant influence of Corporate Governance on Corporate Performance. The results of examination of corporate governance influence on company performance tested.
6. Effect of Ownership Structure on Company Performance through Risk Management obtained by t-statistic value of -1.290. The test results show that the t-statistic value <1.96. This means that there is no significant influence of the Ownership Structure on Corporate Performance through Risk Management. Therefore, Risk Management is not able to mediate the influence of Ownership Structure on Company Performance (KP). Thus hypothesis 6 is untested.
7. Effect of Corporate Governance on Corporate Performance through Risk Management obtained t-statistics of -4.861. The test results show that the t-statistic value <1.96. This means that there is no significant effect of Corporate Governance on Corporate Performance through Risk Management. Therefore, Risk Management is not able to mediate the influence of Corporate Governance on Corporate Performance. Thus hypothesis 7 is untested.

Indirect Effect Hypothesis Testing

The indirect effect hypothesis testing is conducted on the influence of ownership structure on company performance through risk management and corporate governance on company performance through risk management with the aim to test whether there is an indirect influence of an exogenous variable on the endogenous variable through the intervening variable. The test criteria state that if t-statistics \geq t-table (1,96) it is stated there exists indirectly significant influence exogenous variable to endogenous variable through intervening variable.

Table 3 Results of Indirect Effect Hypothesis Testing

Exogenous	Mediating	Endogenous	Indirect	SE	t statistics
SK	MR	KP	-0,032	0,025	-1,290
CG	MR	KP	-0,193	0,040	-4,861

V. Discussion

Public ownership structure has no effect on risk management, this condition indicates that the increase of public ownership structure tends to decrease risk management. Therefore, the structure of public ownership has no effect on risk management. The greater ownership of shares by management will reduce agency costs, this supports the statement of Jensen and Meckling (1976). The proportion of stock ownership controlled by managers may affect company policy. Managerial ownership will align the interests of management and shareholders (outsider ownership), so will benefit directly from the decisions taken and bear the loss as a consequence of wrong decision making. The statement indicates that the greater the proportion of management ownership, the management tends to be more active for the benefit of shareholders who in fact are themselves. This is in line with the results of Raman et al. (2013) that risk management in Islamic banks in Mena is not affected by the ownership structure. In accordance with the fact that most foreign banks in countries with less developed financial markets than parent companies have no added value to reported disclosures.

Corporate Governance has a negative and significant impact on Risk Management, with a dominant contribution to the Central Bank regulation and Management Efficiency indicators. The better Corporate Governance can decrease Risk Management. Interpretation of the results of this test indicates that high management efficiency does not affect the risk management (credit risk). High operational costs on management efficiency are used to fund personnel expenses (board of directors, commissioners, audit committee and executive officers) and administrative and general expenses (salary and wages of outsourced employees). One of the phenomena mentioned the board of commissioners of sharia banks is prohibited to be involved in decision-making bank operations. The Board of Commissioners has no authority in the preparation of the financial statements. Furthermore, the board of commissioners as a determinant of the direction of banking strategy has a high potential in generating sustainable economic value for investors. Risk information in the company's financial statements has been presented, so this is one of the reasons the board of commissioners has no effect. Audit Committee has an effect on risk disclosure in sharia banking because this committee is formed to help maximize the company's supervisory function. Supervision is done by creating and reporting bank operational activities, as well as banking risk information. In addition, the Good Governance Guideline of Bank Syariah (GGBS) (2011) mentions the task of the audit committee is to ensure that the financial statements presented are reasonable in accordance with accounting principles, and compliance with the principles of sharia in order to avoid the risk of compliance of sharia banking. The results of this study are in line with the findings of Tandelilin et al (2007) which examined banks in Indonesia for the period 1999-2004 with the result that risk will decrease when corporate governance is implemented. These results are also in line with Vassileios (2011) and Fitrijanti&Alamanda (2013), that with the implementation of corporate governance in the banking sector, the risks can be well managed.

The structure of Public Ownership has a positive and significant impact on Company Performance. The structure of public ownership is a large number of shares owned by the public at large beyond those owned by the institution (certain companies) and management (employees at the bank). The interpretation of the results of this test is the existence of share ownership by a more professional institution than ordinary shareholders. For sharia banks, monitoring fees are charged lower and more effective, so institutional ownership has a positive relationship with performance. Company performance (Bank) is predominantly indicated by ROE, meaning the greater the ROE of a bank the better the bank's performance. ROE is explained by a comparison of profit after tax with total capital. The total capital includes share capital plus retained earnings. The possibility of a business relationship between institutional shareholders and banks creates a conformity of purpose so that operational activities and efficiency can be improved and improve the performance of the company. This is in line with research by Lin & Sum (2011) which examines banks in Taiwan to illustrate that the magnitude of external ownership over privatization results, can improve overall bank performance. The results that are not in line with Micco et.al (2006) in industrialized and developing countries show no strong influence between ownership structure and bank performance.

Risk Management has a positive and significant influence on Company Performance, with dominant contribution based on Credit Risk Indicator. This means that Credit Risk is primarily used to explain the risk management of a bank. Sharia banks that are able to manage risk or minimize risk will improve bank performance. Islamic banks serve as intermediary institutions that collect funds from the community and channel the funds back to the community who need it in the form of financing. Financing is the largest source of bank income, but it is the biggest business operational risk. Troubled financing will become a bad category and become a problem for sharia banks. Ultimately this condition will harm investors, therefore risk management is

required to identify, measure, monitor and control risks. Interpretation of the ratio of bad debts to the size of the loans given to customers, based on the results of this study on descriptive analysis shows that low credit risk value will encourage banks to be careful in forming reserve losses. The existence of changes in the value of loss reserve receivables can affect the activities of banks in the collection of accounts receivable, so it also affects the operating costs of banks. An increasing debt repayment adds to an increase in bank revenue based on profit sharing. Therefore, changes in bank performance can be influenced by increased revenue from revenue sharing and changes in operating costs, especially the costs of collection of accounts receivable. Sharia banking business activities in accordance with the principles of sharia to maintain liquidity and maintain public confidence in investing funds in sharia banks. This Measurement Management Efficiency reinforces the opinion of Sharia Bank Business Director, BCA Syariah, and Mandiri Syariah in the solar newspaper 20/6/2017 that Management Efficiency is very vulnerable to shareholders so that the bank must make efficiency. This study is in line with the performance of banks in Nigeria studied by Kolapo et al (2011); Adeusi et al (2011); Abiola&Olausi (2014) indicates a significant relationship between bank performance and risk management, similar to that of Bank Islam in Indonesia conducted by Fitrijanti&Alamanda (2013).

Corporate Governance has a positive and significant impact on Corporate Performance, based on the results of Descriptive Corporate Governance analysis reinforced by Central Bank regulation, Depositors Influence, Shareholders, and Management Efficiency indicators. Corporate Governance gets contribution based on Management Efficiency indicator, that is measure efficiency level of bank operation activity to generate income from credit channeling. Interpretation of the results of this test indicates that with the control of operational costs (expense depreciation of assets and other business expenses) is good to improve the performance of the company (return on equity). These operational costs are relevant to good governance efforts by bank management. The implementation of corporate governance can direct and control the company to achieve a balance between strength and authority in accountability to shareholders. Efforts to increase Return on Equity require the implementation of good corporate governance. The Company's performance reflects the profitability of banks to gain profit, both operational and non-operational. The potential for optimal financial performance can motivate investors to have high confidence in exposing their social responsibilities. A high level of company profitability will increase the competitiveness of firms by looking at profitability ratios through Return on Equity (ROE) and Return on Assets (ROA). The results of this study are in line with the findings of Tandelilin et al (2007) examining banks in Indonesia during 1999-2004 period, the performance of banks will increase when corporate governance is implemented, while Christopher (2009) and Bino&Tomar (2009) corporate governance have a significant effect on bank performance.

The hypothesis of the indirect effect of ownership structure on company performance through risk management has no significant effect. The result of the hypothesis testing is based on the descriptive analysis of Risk Management that can not mediate the influence of Public Ownership Structure on Company Performance. This is because the value of Capital Risk and Credit Risk low, this is a characteristic of sharia banks are very careful in managing credit. The increasing Liquidity Risk represents the Sharia (Islamic) Bank is still able to overcome the risk if the customer withdraw funds or the bank is still able to pay obligations to customers. This shows that the risk management of sharia banks is good so Risk Management does not mediate the Structure of Public Ownership and Company Performance. In line with Bank Indonesia regulation No. 5/8 / PBI / 2003 on the implementation of risk management for commercial banks, which arranges for each bank to apply risk management as an effort to increase its effectiveness with the Prudential Banking Principles in terms of lending to customers.

Influence of Corporate Governance on company performance through Risk Management. The Risk Management role does not make Corporate Governance significant to the Company's Performance. This indicates that sharia banks have responsibility in fulfilling obligations to third parties. Theoretically good corporate governance practices can increase the value of the company such as improving financial performance, reducing the risk of loss due to the actions of managers who tend to benefit themselves and generally can increase investor confidence Newel and Wilson (2003).

The findings of this study indicate that the percentage of public ownership contributes predominantly to the structure of public ownership, and affects the Company's performance, especially on Return on Equity. Credit Risk is able to contribute to Risk Management. The potential for non-performing loans in Islamic banks is small, considering the prudent principle is a major concern for sharia banks in distributing credit. The Corporate Governance on the measurement of Management Efficiency is able to contribute to the Company's performance, especially on Return on Equity. The contribution of the findings of this study to the Indonesian economy is the achievement of sharia banking performance illustrates the strong emphasis on efforts to revive the real sectors in the collection and distribution of funds. The fundraising pattern with the mudharabah and wadi'ah schemes shows that the savings or customer deposits come from the development of customer funds in the real sector. The pattern of distribution of funds in the Murabaha scheme, mudharabah, and musyarakah is directly related to the real sectors. Therefore the role of sharia banking to drive the real sector is enormous and

this signifies the movement in employment and reduces unemployment (Miftah, 2011). Limitations of this study are first, this study has not included indicators on the variable Public Ownership Structure. The indicators are managerial ownership and institutional ownership which is explored through a primary data source. Secondly, the calculation of Camel factor has not been done with a qualitative approach.

VI. Conclusions and Recommendations

Ownership Structure is contributed 100% by indicator Percentage of Public Ownership, while Corporate governance is contributed the largest by ME as well as by indicators of Board Strength, Central Bank Regulation, Deposit Influence, Shareholders' Influence. This shows that sharia banks must perform efficiency on operational costs because operational costs are high compared to operating income earned. Risk Management Variable as a Mediation variable with Capital Risk, Credit Risk, and Liquidity Risk indicators of three indicators that contribute the most to risk management is Credit Risk can be said that sharia banks should be careful in lending to customers to minimize losses on receivables. Variable performance as indicator Return On Equity and Return On Asset, indicator which gives the biggest contribution to performance variable is Return On Equity hence can be explained that Syariah bank able to get profit after tax-financed from own capital consisting of share capital, retained earnings and profit period.

Ownership Structure has a positive and significant impact on the performance of the company this means the greater contribution of public ownership percentage then it can improve the performance of the company. Corporate Governance contributes positively to Corporate Performance this means that the smaller contribution of management efficiency hence can improve company performance. Ownership Structure has no effect on Risk Management means the greater contribution of public ownership percentage has no effect on risk management. Corporate Governance has a negative and significant impact on risk management. This means that the greater contribution of management efficiency is likely to decrease risk management. Risk Management positively and significantly influences to Company Performance can be explained that the smaller contribution of credit risk hence can improve company performance. Ownership Structure to Company Performance through Risk Management, it can be said that the ownership structure has a negative and insignificant effect on performance through risk management. This means that the greater the contribution of credit risk caused by the greater contribution of the percentage of public ownership is likely to decrease the performance of the company. But the decline is not significant. Corporate Governance on corporate performance through risk management, it can be said that Corporate Governance has a negative and significant impact on company performance through risk management. This means that the greater the contribution of credit risk caused by the greater contribution of management efficiency can reduce the performance of the company. But the decline is not significant.

Sharia Commercial Banks should optimize lending in encouraging productive enterprises (MSME potential), so banks have a multiplayer impact on bank performance and turn on the real sector. Potential SMEs include micro, small and medium enterprises in the services, trade and industry sectors. The involvement of sharia banks in providing capital for MSMEs will potentially move the business, thus empowering the community to be productive and expected to improve the welfare. The next researcher who studies the performance of sharia banking should add an indicator on the variable of Public Ownership Structure. The indicators are managerial ownership and institutional ownership which is explored through a primary data source. Managerial ownership and institutional ownership have a role to monitor the management of sharia banks. This can provide empirical evidence of application of sharia banking management theory in explaining the effect of public ownership structure, corporate governance, on risk management and its implications on the performance of sharia banking.

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