



RESEARCH ARTICLE

The Influence of Digital Banking, Company Characteristics and Capital Structure on Banking Financial Resilience with Good Corporate Governance as an Intervening Variable in Conventional Commercial Banks Listed in the LQ45 Index on the Indonesia Stock Exchange

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Abstract

The banking sector is facing complex transformations due to the digital technology revolution, the evolution of consumer preferences, and intense competition from fintech entities that create an increasingly challenging business landscape. The acceleration of banking digitalization presents new challenges in the form of cyber risk exposure, financial market volatility, and the imperative to strengthen corporate governance to ensure operational continuity and long-term sustainability. This study aims to analyze the influence of digital banking, company characteristics, and capital structure on banking financial resilience with Good Corporate Governance (GCG) as an intervening variable in conventional commercial banks listed in the LQ45 Index on the Indonesia Stock Exchange. The research method uses a quantitative approach with an explanatory research design that adopts purposive sampling techniques for five conventional banks (Bank Central Asia, Bank Negara Indonesia, Bank Rakyat Indonesia, Bank Mandiri, and Bank Tabungan Negara) for the 2019- 2023 period. Data analysis used Structural Equation Modeling based on Partial Least Squares (SEM-PLS) with SmartPLS software version 4.1.1.2 to evaluate measurement models and structural models. The results of the study show that digital banking does not have a significant effect on GCG or banking financial resilience, while company characteristics have a significant positive effect on financial resilience and negative on GCG. Capital structure has a significant negative effect on GCG but not significantly on financial resilience. GCG has not been proven to be an effective intervening variable in strengthening the relationship between independent variables and financial resilience. The research concludes that internal factors of the company have a dominant role in determining the financial resilience of banks compared to digital technology innovations, so banking institutions need to integrate digitalization strategies with strengthening internal fundamentals and comprehensive GCG implementation.

Keywords

Digital Banking; Good Corporate Governance; Company Characteristics; Financial Resilience; Capital Structure.

1 | INTRODUCTION

The banking sector plays a fundamental role as the backbone of the national financial system that performs the function of intermediation, mobilization of public funds, and catalyst for economic growth. The contemporary era demands that banking institutions face complex transformational dynamics, where the digital technology revolution, the evolution of consumer preferences, and intense competition from fintech entities create an increasingly challenging business landscape. This disruption phenomenon requires banks to make strategic adaptations through the implementation of digital banking to maintain competitive advantages and operational excellence. However, the acceleration of banking digitalization presents new challenges in the form of cyber risk exposure, financial market volatility, and the imperative to strengthen corporate governance to ensure operational continuity and long-term sustainability.

Financial resilience is a crucial indicator that reflects banks' capabilities in dealing with external and internal economic pressures, especially for conventional commercial banks that are members of the LQ45 index considering their strategic position in the architecture of the Indonesian financial system. The complexity of factors affecting the financial resilience of banks includes the digital dimension of banking, the characteristics of the company, and the capital structure that have significant interconnections in determining the financial health of the institution. The implementation of digital banking has the potential to optimize operational efficiency but simultaneously presents technology investment challenges and substantial cybersecurity threats. Company characteristics, including bank size and profitability, play a determinant role in the capacity to deal with external pressure and market volatility. An optimal capital structure is a cornerstone in ensuring the adequacy of the bank's capital that supports compliance with Basel III regulations and operational stability. Good Corporate Governance (GCG) functions as an intervening variable that strengthens the causal relationship between independent factors and financial resilience through internal control mechanisms and management transparency. Data from the Financial Services Authority shows that Indonesia's banking financial resilience indicators for the 2020-2024 period have consistently improved, where the Capital Adequacy Ratio (CAR) increased from 25.0% to 26.7%, Gross NPL decreased from 3.2% to 2.1%, and the Net Stable Funding Ratio (NSFR) remained above 120%, indicating robust resilience but requiring differential analysis between banks.

Previous empirical studies have shown that digital transformation in the banking industry contributes to risk differentiation and profitability enhancement (Cao et al., 2022), while adoption Mobile Banking proven to improve operational efficiency and strengthen financial resilience (Rahmalia et al., 2024). However, the implementation of Digital Banking that can exacerbate credit risk and undermine financial stability (Ristić & Jemović, 2021). Research (Maulida et al., 2022) confirming the superiority of Islamic banking financial resilience over conventional during the 2019 crisis, indicating the importance of a comprehensive analysis of resilience factors. Digital banking

Transformation faces complexities in strengthening the financial resilience of banks. Liviana et al. (2024) prove that corporate governance and company characteristics affect financial performance significantly, while Yuliani (2021) emphasized that capital structure contributes to financial stability. Matulessy et al. (2024) identified the limited contribution of economic digitalization to regional resilience, indicating the need for an integrative approach in optimizing the potential of digital transformation. The gap in previous research lies in the fragmentation of studies that have not integrated the four variables in an integrated conceptual model, especially in the context of the conventional bank LQ45 with GCG as the intervening variable. Based on the identification of these problems, the research questions asked include: how the influence of Digital Banking, company characteristics, and capital structure to GCG and banking financial resilience directly, as well as how the role of GCG mediation in strengthening these relationships in conventional commercial banks LQ45. This study aims to test and analyze the direct and indirect influence of independent variables on banking financial resilience through GCG as an intervening variable. The contribution of this research is expected to provide theoretical benefits in the form of the development of integrated conceptual models in the banking financial management literature, as well as practical benefits for regulators in policy formulation, bank management in strategy formulation, and subsequent researchers as a reference for further studies. The research hypothesis was developed based on previous theories and empirical findings, where it is suspected that Digital Banking, company characteristics, and capital structure have a significant effect on GCG and banking financial resilience, and GCG acts as a mediator that strengthens the causal relationship between independent variables and financial resilience in conventional commercial banks listed in the LQ45 index on the Indonesia Stock Exchange.

2 | BACKGROUND THEORY

Digital Banking and Banking Services Transformation

Digital banking represents a revolutionary transformation of banking services through the implementation of advanced technology that facilitates the accessibility of financial transactions via the platform Online and applications Mobile Banking (Putri et al., 2023). This conception integrates a comprehensive ecosystem of electronic banking services

optimized to improve Customer Experience through efficiency, process acceleration, and security protection in transactional activities (Atasyadila & Muchlis, 2022). Digital transformation in banking has not only changed the way customers interact with banks, but also fundamentally affected the bank's operational structure and business strategy. Implementation Digital Banking covering various technological innovations such as integrated ATM services, applications MobileBanking, a network of banking partners, Value Money., and interconnectivity between applications through Application Programming Interface (API) (Son, 2024). The presence of this technology allows banks to expand their service range, reduce operational costs, and increase efficiency in serving customers. Key benefits DigitalBankingincluding unlimited accessibility of time and location, transaction time savings, financial monitoring capabilities Real-time, as well as the availability of additional features that support customers' financial activities (Hidayat. et al., 2024). Effectiveness measurement DigitalBankingcan be done through several key indicators, namely the adoption rate DigitalBankingwhich reflects the percentage of active users to the total number of bank customers, the percentage of digital transactions to the total bank transactions, and the total value of transactions made through digital channels (Shehu et al., 2025). These indicators provide a comprehensive picture of the extent to which digital transformation has been integrated into banking operations and accepted by customers.

Company Characteristics as Determinants of Banking Performance

Company characteristics are a set of fundamental attributes that are inherent in business entities and become a determining factor in the company's strategy and operational performance (A. Sartono, 2010). In the context of banking, the characteristics of a company reflect various aspects such as the size of the bank, ownership structure, level of leverage, and the age of the company which significantly affect the bank's ability to manage assets, take risks, and adapt to changes in the external environment (Brigham & Houston, 2019). An in-depth understanding of the characteristics of a company is crucial because these factors not only differentiate one bank from another, but also determine the capacity of the bank to face business challenges and maintain financial stability (Weston & Copeland, 2010). Company size (firm size) which is measured through the natural logarithm of total assets reflecting the bank's operational scale and capacity to face risks and access to funding. Leverage measured through Debt to Equity Ratio (DER) shows the extent to which banks use external funds rather than equity in financing their operations. The ownership structure reflects the distribution of shareholding between institutional and public that influences strategic decision-making and corporate governance practices. The benefits of understanding company characteristics include the ability to analyze internal factors, make appropriate strategic decisions, increase competitiveness, support for investors in investment risk assessment, and optimize the company's overall performance (Kasmir, 2016). The characteristics of a strong and well-managed company allow banks to be more adaptive to market changes and have an advantage in managing financial risks (Martono & Harjito, 2018).

Capital Structure and Financial Resilience of Banking

Capital structure is a strategic combination of debt and equity that banks use to fund long-term operations and investments, which directly affects the financial stability and resilience of banking institutions (Weston & Copeland, 2010). This concept reflects an optimal balance between the use of debt and own capital in financing that aims to maximize the value of the company while minimizing capital costs and financial risks (Brigham & Houston, 2019). An effective capital structure allows banks to increase competitiveness through optimization of capital costs, increased financial flexibility, and reduced risk of bankruptcy (Horne & Wachowicz, 2018). The measurement of capital structure is carried out through several key indicators such as Debt to Equity Ratio (DER), Debt to Asset Ratio (DAR), and Long-termDebttoEquityRatio which provides a comprehensive overview of the bank's funding composition (Kasmir, 2016). Banking financial resilience (FinancialResilience) is defined as the capacity of a bank to maintain operational stability amid economic pressures, market uncertainty, and various financial risks without experiencing significant disruption (Rose & Hudgins, 2013). This concept includes the ability of banks to maintain solvency, liquidity, and profitability through the implementation of effective risk management (Mishkin, 2020). Indicators of banking financial resilience include CapitalAdequacyRatio (CAR) which measures the adequacy of capital, Non-Performing Loan (NPL) Ratio to assess the quality of the assets, Liquidity Coverage Ratio (LCR) to measure short-term liquidity capability, Return on Assets (ROA) then Return on Equity (ROE) as an indicator of profitability, and Net Stable Funding Ratio (NSFR) to evaluate long-term funding stability (Basel Committee on Banking Supervision, 2021). Solid financial resilience provides strategic benefits in the form of minimizing the risk of bankruptcy, strengthening stakeholder confidence, and the ability of banks to continue to contribute to economic growth even in crisis conditions (Freixas & Rochet, 2008).

Good Corporate Governance as a Governance Mechanism

GoodCorporateGovernance (GCG) represents a systematic framework, philosophy, and mechanism designed to direct and control corporations in creating sustainable added value for stakeholders through the application of the principles of transparency, accountability, responsibility, independence, and equity (Sutrisno, 2021). In the context of banking, GCG acts as a mechanism for regulating relationships between shareholders, management, the board of commissioners, and

other stakeholders to improve efficiency and sustainable performance (Effendi, 2016). Effective GCG implementation aims to improve the efficiency and effectiveness of bank management, ensure information disclosure and decision-making transparency, protect shareholder rights, and optimize the use of resources to support sustainable business growth (Sutrisno, 2021). Key benefits of GCG implementation include increasing investor confidence through commitment to transparent governance, reducing business risks arising from irresponsible management practices, increasing company value through operational efficiency, and strengthening competitiveness through the application of governance standards that are equivalent to international best practices (Effendi, 2016). GCG implementation measurement is carried out through five main indicators, namely transparency (transparency) measured through the ratio of information disclosure to total required items, accountability evaluated through the frequency of audit committee meetings, accountability (Responsibility) which is measured from the allocation of funds Corporate Social Responsibility (CSR) towards net profit, independence (Independence) calculated from the proportion of independent commissioners in the structure of the board, and fairness (fairness) which reflects the distribution of shareholding (Effendi, 2016). Comprehensive GCG implementation enables banks to build strong governance foundations, increase public trust, and ensure long-term operational sustainability through transparent and accountable decision-making (Tjiptono & Diana, 2020).

3 | METHOD

This study adopts a quantitative approach with an explanatory research method that aims to analyze the causal relationship between variables. The research design is descriptive-explanatory to test the influence of digital banking, company characteristics, and capital structure on banking financial resilience with Good Corporate Governance (GCG) as an intervening variable. This approach was chosen because it is able to provide an in-depth understanding of the mechanism of cause-and-effect relationships between variables in the context of the Indonesian banking industry for the 2019-2023 period.

The research population includes all conventional commercial banks listed in the LQ45 Index of the Indonesia Stock Exchange. Sample selection using the purposive sampling method with the following criteria: (1) conventional banks are consistently registered in the LQ45 Index for the 2019-2023 period; (2) publish annual reports on an ongoing basis; (3) provide complete research data; and (4) have implemented digital banking services. Based on these criteria, five banks were selected as research samples, namely Bank Central Asia Tbk, Bank Negara Indonesia (Persero) Tbk, Bank Rakyat Indonesia (Persero) Tbk, Bank Tabungan Negara (Persero) Tbk, and Bank Mandiri (Persero) Tbk.

Independent variables include digital banking as measured through adoption rates, digital transaction percentages, and digital transaction value; company characteristics proxied by firm size, ownership structure, and company age; and capital structure measured using Debt to Equity Ratio (DER), Debt to Asset Ratio (DAR), and Long-term Debt to Equity Ratio. The dependent variables of banking financial resilience are measured through the Capital Adequacy Ratio (CAR), Non-Performing Loan (NPL), and Net Stable Funding Ratio (NSFR). GCG intervening variables are measured based on the dimensions of accountability, fairness, and independence.

The research uses secondary data sourced from the annual reports of sample banks for the 2019-2023 period. Data is obtained through the official website of the Indonesia Stock Exchange and the website of each bank to ensure the accuracy and credibility of the information analyzed. Data collection is carried out through a documentation method by extracting relevant information from the company's annual report. The data collected includes digital banking indicators, company characteristics, capital structure, financial resilience, and corporate governance in accordance with the operationalization of the variables that have been determined.

Data analysis used Structural Equation Modeling based on Partial Least Squares (SEM-PLS) with SmartPLS software version 4.1.1.2. Model evaluation was carried out through two stages: evaluation of the measurement model (outer model) to assess the validity and reliability of the indicator with the criteria of loading factor ≥ 0.70 , composite reliability ≥ 0.70 , and Average Variance Extracted (AVE) ≥ 0.50 ; and evaluation of the structural model (inner model) to test the relationship between the constructs with the criteria of R-square value and significance Path coefficient through the bootstrapping procedure at a confidence level of 95% (p-value < 0.05).

4 | RESULTS AND DISCUSSION

4.1 Results

4.1.1 Description of Research Object

This investigation analyzes five dominant conventional banking entities in Indonesia that are registered in the LQ45 index of the Indonesia Stock Exchange, including Bank Central Asia (BCA), Bank Negara Indonesia (BNI), Bank Rakyat

Indonesia (BRI), Bank Mandiri, and Bank Tabungan Negara (BTN). The selection of the five institutions is based on strategic criteria including significant contributions to the domestic banking industry through asset dimensions, profitability, and market penetration, progressive adoption of digital banking technology, implementation of Good Corporate Governance (GCG), optimal management of capital structure, and accessibility of comprehensive secondary data for the quinquennial period (2019-2023) that facilitates longitudinal analysis. The characteristics of each bank show the strategic uniqueness of the Indonesian banking industry. Bank Central Asia, as a leading private banking entity by market capitalization, has demonstrated a focus on operational efficiency and consumer service through digital product innovations such as myBCA and BCA mobile. Profitability and cost efficiency reflected in the BOPO ratio are the main advantages, supported by the progressive implementation of digital banking in the industry. Bank Negara Indonesia, as the first state-owned banking institution established in 1946, has an advantage in corporate and international portfolios. Despite facing challenges in terms of non-performing loan (NPL) ratios, BNI has consistently carried out digital transformation and strengthened its capital structure to increase global competitiveness.

Bank Rakyat Indonesia is known as the institution with the widest distribution network, having significant strength in the micro sector and MSMEs. As a bank that has been operating since 1895, BRI has shown its commitment to financial inclusion through the BRI Link and BRImo platforms. The digitization of the microfinancing process and the small business ecosystem makes BRI a key player in national financial literacy. Bank Mandiri, which was formed through the merger of several ex-state-owned banks in 1998, is currently the institution with the largest assets in Indonesia. The bank is leading the adoption of corporate and retail digital banking through the Livin' and Kopra platforms, and excels in consolidating capital structure and operational efficiency. The State Savings Bank, which was founded in 1897 and transformed into a commercial bank with a primary focus on housing financing through mortgages, faces challenges in operational efficiency and risk structure. However, in the last period, it has begun to strengthen digital services and optimize GCG performance.

Table 1. Bank Central Asia Financial Ratio Profile for the 2019-2023 Period

Year	ROA	DER	DAR	Long-Term Debt	NSFR	CAR	NPL
2019	3,11%	427,70%	81,10%	0,29%	0,29%	24,64%	1,34%
2020	2,52%	482,30%	82,80%	0,59%	0,59%	25,82%	1,80%
2021	2,56%	502,70%	83,00%	4,31%	4,31%	23,62%	1,89%
2022	3,10%	494,40%	83,20%	3,85%	3,85%	26,84%	1,70%
2023	3,45%	480,60%	82,80%	0,21%	0,21%	29,43%	1,90%

Table 2 Profile of Bank Negara Indonesia's Financial Ratios for the 2019-2023 Period

Year	ROA	DER	DAR	Long-Term Debt	NSFR	CAR	NPL
2019	1,82%	550,80%	81,40%	48,26%	92,80%	24,39%	2,37%
2020	0,37%	661,10%	83,70%	41,82%	86,40%	20,55%	4,30%
2021	1,13%	662,60%	86,90%	40,48%	85,40%	19,67%	3,70%
2022	1,78%	634,60%	86,40%	41,20%	88,30%	20,35%	2,80%
2023	1,92%	602,30%	85,80%	34,11%	90,10%	20,62%	2,10%

Table 3. Bank Rakyat Indonesia Financial Ratio Profile for the 2019-2023 Period

Year	ROA	DER	DAR	Long-Term Debt	NSFR	CAR	NPL
2019	2,43%	566,70%	83,50%	33,31%	118,70%	22,55%	2,23%
2020	1,23%	639,50%	84,60%	35,24%	114,00%	21,15%	2,99%
2021	1,83%	509,50%	82,60%	33,04%	122,00%	22,54%	3,08%
2022	2,76%	462,00%	82,20%	31,73%	129,70%	22,37%	2,97%
2023	3,08%	449,60%	81,80%	31,11%	127,20%	22,17%	2,75%

Table 4. Bank Mandiri's Financial Ratio Profile for the 2019-2023 Period

Year	ROA	DER	DAR	Long-Term Debt	NSFR	CAR	NPL
2019	2,09%	129.954	90,10%	17,70%	127,20%	28,58%	2,60%
2020	1,08%	147.650	90,70%	16,73%	128,00%	27,52%	3,02%
2021	1,62%	158.881	90,80%	17,06%	131,80%	26,99%	2,67%
2022	2,07%	179.299	91,00%	15,73%	135,80%	26,88%	2,00%
2023	2,53%	202.703	90,70%	14,31%	135,50%	27,03%	1,72%

The characteristics of this research use secondary data based on annual financial statements, sustainability reports, GCG reports, and official publications of the Financial Services Authority and the Indonesia Stock Exchange. The observation period covers the years 2019-2023 with data sources obtained from official bank reports, the Indonesia Stock

Exchange, and publications of the Financial Services Authority.

4.1.2 Model Analysis And Hypothesis Testing

The initiation phase of structural model analysis using Partial Least Squares Structural Equation Modeling (PLS-SEM) begins with the examination of the measurement model (outer model). This evaluation aims to measure the capacity of indicators in representing latent constructs through testing convergent validity, discriminant validity, and construct reliability including outerloading values, Average Variance Extracted (AVE), and Composite Reliability.

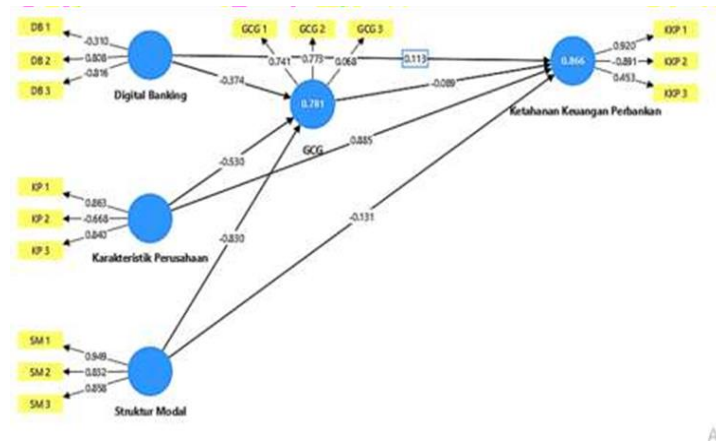


Figure 1. Evaluation of the Outer Model Before Elimination of Indicators

The initial evaluation process identified several indicators with an outer loading value below the threshold of 0.7 and showed a negative relationship direction that was inconsistent with the assumptions of the reflective model. The use of indicators with these characteristics has the potential to reduce the validity of the construct and the internal reliability of the model. Therefore, the indicators were eliminated to meet the criteria for convergent validity with outerloading ≥ 0.7 , composite reliability ≥ 0.7 , Average Variance Extracted (AVE) ≥ 0.5 , and consistency of reflective model direction.

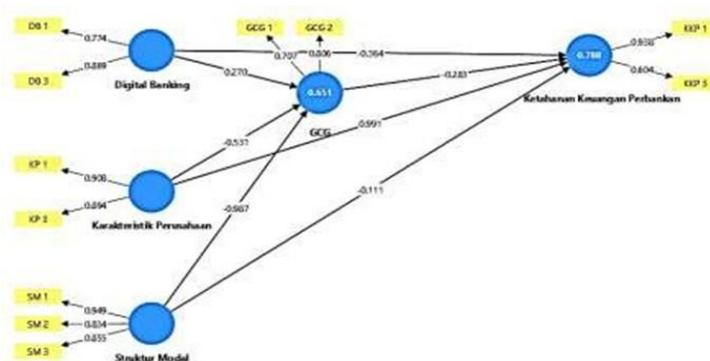


Figure 2. Evaluation of the Outer Model After Indicator Elimination

After the elimination of invalid indicators, the model showed substantial improvements in Cronbach's Alpha, Composite Reliability, AVE, and discriminant validity (HTMT) values. This procedure follows the methodology of Hair et al. in the evaluation of the measurement model using the PLS-SEM approach. Evaluation of loading factors indicates that the majority of indicators have an outer loading value exceeding 0.70 and meet the requirements for convergent validity. One indicator (KKP3) reached a loading value of 0.604, but was maintained because the AVE construct of Banking Financial Resilience still met the criteria (>0.50) with theoretical considerations and substantive contributions. The Composite Reliability test shows that all constructs have values that exceed the threshold of 0.7: Digital Banking (0.807), GCG (0.729), Company Characteristics (0.896), Banking Financial Resilience (0.759), and Capital Structure (0.912). These results indicate that the indicator is able to consistently measure the construct in question and provide stable results in the testing of the PLS-SEM model. The Average Variance Extracted (AVE) evaluation shows that the five constructs have a value that meets the convergent validity criteria with a minimum value of 0.50: Digital Banking (0.677), GCG (0.575), Company Characteristics (0.812), Banking Financial Resilience (0.622), and Capital Structure (0.776) are able to adequately explain the constructs they represent. Discriminatory validity testing using the Heterotrait-Monotrait Ratio (HTMT) identified

several values exceeding the threshold of 0.90, especially between Digital Banking and GCG (0.989), as well as Company Characteristics and Banking Financial Resilience (1.203). Although statistically indicative of the potential for overlapping constructs, these findings are theoretically acceptable because of the logical conceptual linkages between the constructs.

After the measurement model demonstrates optimal validity and reliability, the next phase is an examination of the structural model (innermodel) to evaluate the causal relationships between latent constructs, including direct and indirect influences. R-Square's evaluation indicates that the GCG construct has a value of 0.651 (robust), explaining 65.1% variation through the variables of Digital Banking, Company Characteristics, and Capital Structure. The Banking Financial Resilience construct has an R-Square value of 0.788 (very robust), indicating 78.8% variability explained by all constructs in the model.

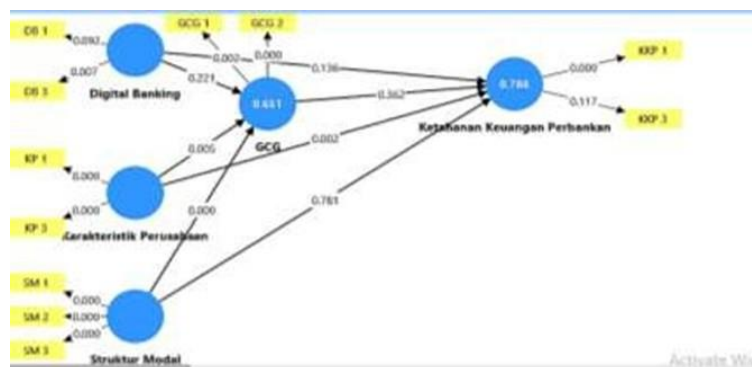


Figure 3. Structural Model Bootstrapping Results

Hypothesis examination was carried out through a bootstrapping procedure with PLS-SEM to produce an estimated path coefficient, t-statistical value, and p-value of each relation between constructs. The results of the examination indicated that out of the ten hypotheses proposed, only three were statistically significant. Company characteristics show a significant negative influence on GCG (original sample = -0.531; t-statistic = 2,780; p-value = 0.005), indicating that the company's internal characteristics such as size or high leverage tend to have a negative impact on the implementation of GCG. Company Characteristics show a significant positive influence on Banking Financial Resilience (original sample = 0.991; t-statistic = 3,083; p-value = 0.002), demonstrating that the company's internal characteristics are able to make a substantial contribution to increasing the financial resilience of banks. Capital Structure shows a significant negative influence on GCG (original sample = -0.987; t-statistic = 4,531; p-value = 0.000), indicating that the use of an unbalanced capital structure can hinder the implementation of optimal corporate governance principles.

Meanwhile, the other seven hypotheses did not show statistical significance, including the influence of Digital Banking on GCG and Banking Financial Resilience, the influence of GCG on Banking Financial Resilience, the influence of Capital Structure on Banking Financial Resilience, and the overall testing of the effect of GCG mediation on the relationship between variables. These findings indicate that in the context of Indonesian banking which is the object of the study, company characteristics have a dominant role in influencing financial resilience, either directly or through their influence on GCG. In contrast, the implementation of digital banking has not shown a significant contribution to financial resilience and the quality of corporate governance, indicating the need for a more in-depth evaluation of Indonesia's banking digitalization strategy to optimize its impact on institutional financial stability and resilience.

Table 5. Hypothesis Test

Hypothesis.	The Influence of Relationships Between Variables	Original Sample (O)	Sample Mean (M)	STDEV	Statistics	PValues	Ket
H1	Digital Banking → GCG	270	256	220	1.224	221	Insignificant
H2	Digital Banking → Financial Resilience	-364	-256	244	1.490	136	Insignificant
H3	GCG → Financial Resilience of Banking	-283	-345	311	912	362	Insignificant
H4	Company Characteristics GCG	-531	-476	191	2.780	5	Significant
H5	Characteristics of Companies → Banking Financial Resilience	991	875	321	3.083	2	Significant
H6	GCG → Capital Structure	-987	-966	218	4.531	0	Significant
H7	Capital Structure → Financial Resilience of Banking	-111	-171	398	278	781	Insignificant

H8	Digital Banking → GCG → Financial Resilience Banking	-76	-80	127	601	548	Insignificant
H9	Characteristics of GCG → Companies → Banking Financial Resilience	151	176	159	945	345	Insignificant
H10	Capital Structure → GCG * Financial Resilience of Banking	280	353	327	854	393	Insignificant

4.2 Discussion

Analysis of Research Results

The interpretation of the empirical findings of this study was carried out based on structural model testing using the SEM-PLS approach which examines the relationship between variables through path coefficients and the level of statistical significance. An in-depth analysis of each hypothesis shows the complex dynamics between digital transformation, internal characteristics of companies, capital structures, and corporate governance in influencing the financial resilience of banks. The findings provide a new perspective on the effectiveness of banking digitalization in Indonesia, where the adoption of digital technology has not been fully integrated with a comprehensive internal governance system. The empirical context of the Indonesian banking sector shows that internal factors of the company have a more dominant role than technological innovations in determining financial stability. The results of this study reveal the gap between theoretical expectations and the reality of digital transformation implementation in the conventional banking industry. Variations in the level of technological readiness and internal management culture between banking institutions are key factors that affect the effectiveness of digitalization. Empirical findings show that although digital banking is growing rapidly, its impact on strengthening governance and financial resilience is still limited. Statistical analysis confirms that the relationships between variables are not always linear and require a holistic approach in their implementation.

The results of the first hypothesis test indicate that digital banking transformation does not have a significant influence on Good Corporate Governance practices in conventional commercial banks studied. These findings contrast with the theoretical framework that states that digitalization should improve transparency, accountability, and efficiency of internal oversight as key pillars of good corporate governance. Previous research by (Xia et al., 2020) shows that digital technology is able to improve the accuracy of financial reporting and strengthen the governance system, while (Cao et al., 2022) emphasizing the role of digital transformation in strengthening GCG principles. (Wu, 2024) in its study states that digital banking supports risk management and effective GCG implementation, in line with the findings (Liviana et al., 2024) which emphasizes the importance of digitalization in ensuring the fairness and independence of companies. However, conditions in Indonesia show that the adoption of digital banking is still focused on improving customer transactional services rather than full integration with internal governance policies. Variations in the readiness of technological infrastructure and internal management culture between banks are the main obstacles in optimizing the role of digital banking as a GCG enabler. This gap indicates the need for a more comprehensive and integrated digital transformation strategy with the strengthening of risk management policies and an adaptive governance culture.

The second hypothesis test regarding the influence of digital banking on the financial resilience of banks also showed insignificant results, contrary to theoretical expectations that digitalization can strengthen cost efficiency, expand service reach, and open up opportunities for income diversification. Modern financial management theory positions digital banking as a strategic innovation that supports risk management and financial stability of banking institutions. Research (Rahmalia et al., 2024) confirms that digital banking contributes to improving operational cost efficiency, while (Ristić & Jemović, 2021) found that digitalization helps reduce credit and liquidity risks. Forson et al. (2022) in their research showed that the adoption of digital banking helps companies face global economic challenges more resiliently, supported by findings (Matulesy et al., 2024) which states that digital transformation supports income diversification and financial resilience. However, the reality in Indonesia shows that digital banking is still not fully integrated with risk management policies and long-term strategic planning. The focus on implementation, which is still limited to transactional services, has not been able to have a significant impact on strengthening the bank's financial fundamentals. The quality of digital infrastructure and the readiness of human resources that vary between banking institutions are limiting factors for the effectiveness of digitalization in supporting financial resilience.

Significant findings were obtained from testing the fourth hypothesis which showed that company characteristics have a positive and significant effect on the financial resilience of banks. These results confirm a theoretical framework that emphasizes that internal factors such as size, leverage, profitability, and ownership structure are the main determinants of a bank's ability to cope with market pressures and economic volatility. Financial management theory positions internal characteristics as the foundation of financial stability that allows institutions to implement effective risk management strategies. (Maulida et al., 2022) in its research emphasizes the importance of strong capital and integrated risk management, while (Firmansyah, 2014) Identify company size and liquidity as key factors of resilience. (Anindyajati & Hanggraeni, 2022) affirms the role of leverage and profitability in determining financial stability, supported by findings

(Mudjijah et al., 2019) which indicates that the size of the company supports risk management even though it does not moderate the influence of the capital structure. The specific context of conventional commercial banks in Indonesia with complex organizational structures and strict regulations reinforces the relevance of internal characteristics as a pillar of resilience. These findings confirm that strengthening the company's internal fundamentals is a priority strategy in building financial resilience amid increasingly competitive market dynamics. The integration of strong internal characteristics with comprehensive financial management policies and risk strategies is proving to be key to success in maintaining operational stability and public trust.

Research Implication

This research has made substantial contributions both from the perspective of theoretical development and practical application in the context of modern financial management and Indonesian banking policy. Theoretically, the findings of the study enrich the scientific literature by presenting a new perspective on the dynamics of the relationship between digital transformation, organizational characteristics, capital structure, and corporate governance in influencing the financial resilience of banking institutions. The main theoretical contribution lies in the confirmation that the internal mechanisms of the company have a more dominant role than technological innovation in determining financial stability, challenging the conventional assumptions that place digitalization as a panacea for all modern banking challenges. The finding that Good Corporate Governance has no significant effect on financial resilience opens up new academic discussion space on the effectiveness of governance implementation in developing countries. The results of this study also expand the application of capital structure theory in the context of emerging market economies where technology adoption and governance have not been systemically integrated. The development of a conceptual model that combines the dimensions of technology, ownership, and organizational structure provides a theoretical foundation that is more relevant to the empirical conditions of the Indonesian banking industry.

The practical implications of the research provide strategic guidance for multiple stakeholders in the Indonesian banking ecosystem, from financial institution management to regulators and policymakers. For bank management, the research findings emphasize the urgency of optimally managing the company's internal characteristics, including optimizing operational size, increasing profitability, and managing an efficient capital structure as top priorities in strengthening financial resilience. Digital transformation strategies need to be reoriented from transactional focus to comprehensive integration with internal governance and risk management systems to maximize their positive impact. For regulators such as the Financial Services Authority, the results indicate the need for a reformulation of digital banking supervision policies that not only emphasize technological aspects but also encourage substantial governance transformation. The development of a regulatory framework that integrates digitalization with strengthening the bank's internal fundamentals is the key to the success of the banking industry's transformation. Implications for professional education and training institutions include the need to develop a curriculum that integrates aspects of digitalization, organizational structure, and governance within a holistic and comprehensive financial strategy framework.

5 | CONCLUSIONS AND FUTURE WORK

The results of the study revealed that digital banking transformation has not had a significant impact on strengthening Good Corporate Governance (GCG) and banking financial stability. These findings indicate that the implementation of digital technology in the banking sector is still partial and has not been fully integrated with a good corporate governance system. Meanwhile, the current GCG practices seem to still be procedural and have not become an integral part of the risk management culture of financial institutions. However, this study proves that internal factors such as the company's operating scale, leverage level, and profitability have a substantial influence on the quality of GCG and the financial resilience of banks. Capital composition has also been shown to be positively correlated with GCG implementation, although it does not directly affect financial stability. The role of GCG as a link between various independent variables and financial resilience shows insignificant results, indicating the need for an in-depth evaluation of the effectiveness of current governance practices. Conventional banking institutions listed in the LQ45 index need to integrate digitalization strategies with a more comprehensive implementation of GCG. The development of technological infrastructure must be accompanied by strengthening the internal oversight system and increasing transparency in the strategic decision-making process. Further research is suggested exploring additional variables such as operational efficiency and digital literacy to enrich the analysis of banking financial resilience.

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