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THE ISLAMIC BANKING DILEMMA: ARE CEO TURNOVER AND IPO THE RIGHT STEPS FOR ISLAMIC BANKS IN GCC?

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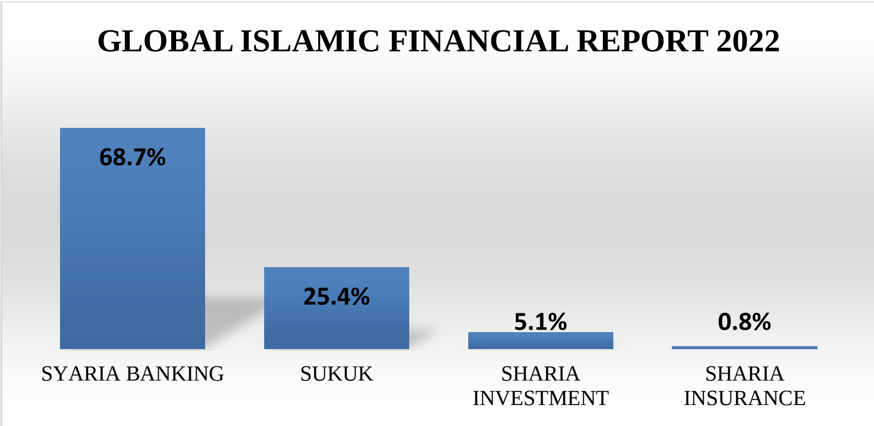
Abstract

This research aims to measure banking performance by revealing the influence of CEO changes and IPOs on Islamic banks. Apart from that, this research also involves control variables, namely GDP and inflation, to verify and test the robustness of the findings. This research uses a quantitative approach, measured using a panel data regression-based method with Eviews version 12. The population of this research is Islamic banks in the GCC region for the period 2013 - 2022. The sample was determined based on the purposive sampling method with a total sample of 17 companies, so the total observations in the research are 2040 observations. The data used in this research is secondary data. The data collection technique uses documentation methods via the sites: https://www.ifsb.org/, https://data.worldbank.org/, and the personal banking website. The research results prove that the CEO turnover probability value is 0.035 <0.05 with a t-statistic of -2.102, meaning that CEO turnover has a negative and significant effect on financial performance. The probability value of Initial Public Offering is 0.0002 <0.05 with a t-statistic of 3.766 so it can be concluded that IPO has a significant positive effect on financial performance. Macroeconomic control variables also have a significant effect on financial performance as evidenced by a probability value of 0.000. Meanwhile, the results of the f test show a probability value of 0.000 < 0.05, this result shows that there is a simultaneous influence in this research.

Keywords: *Initial Public Offering (IPO), Macroeconomics, Performance Bank, Turn Over CEO*
JEL Classification: *G2, G3, G21, E3*

1. INTRODUCTION

Since 1944, the presence of world banks has played a role in the growth and development of the world economy (Elfert, 2021). One of the important roles of the World Bank is to help countries experiencing economic and financial difficulties through the loan products they distribute (Ya, 2020). Meanwhile, currently, Islamic finance is also a contributing part of the world financial sector (Gani & Bahari, 2021). Sharia finance is an industry that has developed significantly to date. According to the Global Islamic Financial Report 2022, the Sharia banking sector and Sharia capital markets are the main contributors to increasing the total value of the global Islamic Financial Services Industry (IFSI). Sharia banking even dominates among other sharia financial sectors. Based on the Global Islamic Financial Report 2022, the contribution of Sharia banking to global Sharia financial assets is 68.7%, followed by Sukuk at 25.4%. Sharia Investment follows this at 5.1% and then Sharia Insurance at 0.8% (IFSB, 2022).



Source: Islamic Financial Services Board (2022)

Currently, the development of global Sharia finance is dominated by a group of countries that are members of the Gulf Cooperation Council (GCC) with total assets of up to USD 1,212 billion (Al-Sarihi & Mansouri, 2022; IFSB, 2022), so the GCC has been named as the most powerful alliance. contribute to the Sharia financial industry compared to other regions through Sharia financial activities in countries that occupy the top position in global Sharia banking asset ownership (Al Naimi, 2022; IFSB, 2022; Savinsky, 2021). Although Sharia Banks in the GCC region have large assets, they have not been able to generate significant income (Al-Hunnayan, 2020). Because, there are Islamic banks that experience a decline in financial performance in capitalizing profits in generating returns on shares owned through a decrease in earnings per share of up to 0.30% in several Islamic banks in the GCC region (Alqahtani & Boulanouar, 2017; Chouaibi *et al*., 2022; El Moussawi & Obeid, 2011; Moustapha & Benziane, 2022).

The VUCA phenomenon (Volatility, Uncertainty, Complexity, and Ambiguity), technological disruption, and the COVID-19 pandemic are thought to be one of the factors causing the overall decline in the performance of Islamic banks (Shufutinsky *et al*., 2020; Alghaisya *et al*., 2022). The emergence of this phenomenon has the potential to significantly disrupt the stability of Islamic banking financial performance (Khalatur *et al*., 2021; Asih *et al*, 2024), so Sharia Banks are required to adapt by implementing policies that can mitigate the risks that occur (Abuzayed *et al*., 2018). Apart from that, Sharia Bank also made strategic changes when financial performance experienced a downward trend in several periods by replacing the CEO based on shareholder decisions (Al-Musali & Ku Ismail, 2016; Farag *et al*., 2018; Medjedel & Hamid, 2020; Mersni & Ben Othman, 2016; Sarkar *et al*., 2019; Tajuddin *et al*., 2018). CEO replacement takes into account the condition of declining financial performance (El Moussawi & Obeid, 2011; Jenter & Kanaan, 2015; Kanter, 2003; Ozili, 2021; Schwartz & Menon, 1985; Tosi *et al*., 2000). The hope is that with new leadership, financial performance can improve and increase with new approaches and strategies carried out by the new CEO (Cooper *et al*., 2000; Katsaros *et al*., 2020; Rusmingsih *et al*., 2021; Shimizu & Hitt, 2004; Salmah & Devi, 2023).

CEO change is also synonymous with poor company financial performance, increased risk, and financial difficulties, so it is necessary to refresh ideas, strategies, and leadership through CEO change (Chen & Hambrick, 2012; Coughlan & Schmidt, 1985; Gilson, 1989; Jenter & Kanaan, 2015; Jenter & Lewellen, 2021; Murphy & Zimmerman, 1993) say that CEO replacement is one way for companies to make changes to ideas aimed at improving financial performance or getting out of a difficult situation. (Jenter & Lewellen, 2021) suggest that 38 - 55 percent of CEO changes are caused by problems with company performance. In addition, CEO turnover also causes changes in the company's strategic direction, financial decisions, investments, and others (Beatty & Zajac, 1987; H. Gao *et al*., 2017; Kesner & Dalton, 1994; Lin *et al*., 2020; Shen & Cannella Jr, 2002). However, changing CEOs also has an impact on decreasing profitability, losses, financial difficulties and increasing business risks (Bornemann *et al*., 2015; Bunkanwanicha *et al*., 2022; Chen & Ebrahim, 2018; Palvia *et al*., 2020; Sarkar *et al*., 2019; Schaeck *et al*., 2012; Srivastav *et al*., 2017), so that CEO changes need to be carried out with full consideration of various aspects.

Sharia banks in the GCC region also carry out Initial Public Offerings (IPO) as an alternative to improve their financial performance (Alqahtani & Boulanouar, 2017; Asutay & Marzban, 2015; Kamaludin & Zakaria, 2019; Mayes & Alqahtani, 2015). For example, Riyad Bank successfully carried out an IPO in 2019 by increasing net income and asset growth which reached 81.16% and 15.6% respectively from the previous year to open new opportunities for the company, develop its business, and improve financial performance (Weijermars & Al-Shehri, 2022). Apart from that, conducting an IPO can also help Islamic banks strengthen the Islamic financial industry (Kamal *et al*., 2022; Sholihin *et al*., 2021; Sudarwanto *et al*., 2023). The more Islamic banks that conduct IPOs, the more investors will be interested in investing in the Islamic finance industry (Bougatef & Kassem, 2023). This can help strengthen the position of Islamic banks in the global market (Rahmayati, 2021).

Some IPO research focuses on post-issuance stock price performance. Arif & Marsoem (2021); Khan *et al* (2021) stated that significant poor stock performance occurred after the IPO. Meanwhile, other studies discuss the operational performance of companies after an IPO, (Ahmed, 2021; Degeorge & Zeckhauser, 1993; Dewi *et al*., 2020; Jain & Kini, 1994; Madyan *et al*., 2020) with their findings stating that post-IPO companies publishing experienced a significant decline in generating profits. For the banking sector, Zhao *et al* (2022) stated that banks experienced poor performance after conducting an IPO, especially banks that carried out aggressive financing. Additionally, Yin *et al*., (2015) find that banks planning an IPO significantly outperform other banks before the IPO, but their superior performance disappears after the IPO. Meanwhile, research results by Ahmad-Zaluki & Badru (2021); Espinasse (2021); Li *et al* (2007) state that conducting an IPO will provide a source of capital for banks. This statement is also in line with research results, Belyaev (2022); Chahine *et al* (2020); Kenourgios *et al* (2007) which state that apart from being a source of capital for banks, IPOs can also be an effort to attract and increase investor confidence.

Most researchers focus on conducting studies on the performance of Islamic banks by involving economic, political, corruption, money laundering, and banking intermediary performance variables as predictors in measurement (Al-Nasser Mohammed & Joriah Muhammed, 2017; Hidayat *et al*., 2021; Majeed & Zainab, 2021; Yunan *et al*., 2023). Hidayat *et al* (2021); Majeed & Zainab (2021) carried out measurements by analyzing long to short-term and revealed the level of efficiency of financial performance. In fact, Ali *et al* (2020); Aspiranti *et al* (2021); Lestiyawati (2023) conducted a study using the Analytic Network Process (ANP) approach to reveal the right strategy to encourage increased financial performance of Islamic banks. Meanwhile, this research aims to measure the financial performance of Islamic banks by revealing the extent of involvement in the role of CEO turnover and IPO in Islamic banks. Apart from that, this research also involves control variables in the form of economic growth and inflation to test the robustness of the research results.

2. LITERATURE REVIEW

The spread of Coronavirus Disease 2019 (COVID 19) has had an impact on economic and financial aspects globally, because handling COVID 19 requires every country to implement social restrictions nationally and transnationally (Aum *et al*., 2021; Sharma & Mahendru, 2020). Even though the policies taken have reduced the rate of spread of COVID 19, the economic and financial sectors experienced strong shocks in almost all countries (Atalan, 2020; Cozzi *et al*., 2020; Fakhrunnas *et al*., 2021; Nicola *et al*., 2020; Rabbani *et al*., 2021; Tisdell, 2020). The impact of COVID 19 not only disrupts the conventional economic system but also affects the stability of sharia economic performance as a solution to global economic problems (Agustin *et al*., 2021; Fakhrunnas *et al*., 2021; Fernandes, 2020). Apart from that, COVID 19 also contributed to a decrease in demand and supply for various products and services, as well as giving rise to Volatility, Uncertainty, Complexity and Ambiguity (VUCA) conditions (Bekaert *et al*., 2020; del Rio-Chanona *et al*., 2020; Hassan *et al*., 2021). The performance of sharia banking, which is considered the main indicator of sharia economic growth, experienced a significant decline through VUCA-world conditions which resulted in inefficiency in its financial performance (El-Chaarani *et al*., 2022; Mufraini *et al*., 2021; Rizwan *et al*., 2022). El-Chaarani *et al*., (2022) explained that there were significant differences between sharia and conventional banking in the Gulf Cooperative Council (GCC) region during the pandemic, where conventional banks had better abilities in managing financial performance, while sharia banks actually showed increasingly declining performance after the pandemic (Alam *et al*., 2020; Fakhrunnas *et al*., 2021; Mateev *et al*., 2021) Gross Domestic Product (GDP) and inflation play a role in creating VUCA conditions (Aljadiri *et al*., 2023; Ghosh, 2022; Samarah, 2021). Fluctuating economic growth causes instability in the financial industry (Elbargathi & Al-Assaf, 2019; Nguyen *et al*., 2020). When GDP grows rapidly, sudden changes in demand and supply can affect markets and finance (Greenwood & Scharfstein, 2013; Hertel, 2011). (Khalatur *et al*., 2021) in their research stated that GDP influences bank financial stability when facing VUCA conditions. This is confirmed by research results which show that if GDP growth is 1%, the capital to asset ratio will increase by 0.11% (Khalatur *et al*., 2021). In addition, economic instability caused by slowing GDP has triggered uncertainty and complexity in economic activities (Baily & Elliott, 2009; Monasterolo *et al*., 2019). Then, an unstable inflation rate can also disrupt investment and consumption decisions (Haroon & Jehan, 2022). Price uncertainty can affect people's purchasing power and reduce confidence in the financial system and banking stability (Ryu & Yu, 2021; Tajuddin *et al*., 2019). In line with the results of research, Nurfalah *et al* (2018) which states that macroeconomic indicators, especially inflation, influence the stability of sharia and conventional banking.

Islamic banks require strong leadership figures who have adequate knowledge in leading companies to face VUCA conditions in global economic conditions (Anggraeni & Widarno, 2022; Kennedy, 2020; Van Tulder & van Mil, 2022). This figure leader must be able to adapt to rapid change, anticipate uncertainty, and manage the complexity of the business environment (Baran & Woznyj, 2020; Kotter *et al*., 2021). With strong leadership and deep understanding, Islamic banking can continue to develop and make a positive contribution to the economy (Hasan *et al*., 2023; Tarique *et al*., 2021). In fact, CEOs who have more experience and knowledge can improve company performance through effective management (Falato *et al*., 2015; Payne & Martins Pereira, 2022; Wang *et al*., 2016). Sharia banks also experience problems in capitalizing assets amidst VUCA conditions (Alam *et al*., 2020; Julia & Kassim, 2020). In fact, Sharia Banks have had difficulty in raising funds to expand their operational reach, so that the performance of Islamic banks has decreased in the aspect of financing distribution (Elsa *et al*., 2018; Fahlevi *et al*., 2019). Apart from that, funding problems can also have an impact on decreasing the financial performance of Islamic banks (Ichsan *et al*., 2021; Mustafa, 2020; Sihotang *et al*., 2022), so changes in the organizational leadership structure and policy direction need to be made by Islamic banks to adapt. on the changing conditions being faced by the financial industry.

The CEO replacement process is often carried out in the face of declining company performance by having an impact on the direction of company policy and identity (Eilert & Nappier Cherup, 2020; Huy, 2011; Miller & Le Breton–Miller, 2011; Patton, 2009). The CEO is the main leader of the company who can differentiate himself from his predecessors through interpretation in carrying out the vision and mission in accordance with the conditions that occur (Yi *et al*., 2020). Strategic decisions such as business expansion, restructuring, investment, and market focus can be key factors in creating change for the company (Padilla-Angulo, 2020). In addition, CEO changes also affect the company's image and internal culture (Zeitoun *et al*., 2020). In addition, companies must have a structured and transparent process for carrying out CEO changes and ensuring that the company's interests are safeguarded (Banerjee *et al*., 2020; Furlotti & Mazza, 2020; Larcker & Tayan, 2020). The change of CEO in a company has a significant impact that can affect the company's performance and direction (Schepker *et al*., 2017; Villagrasa *et al*., 2018). If a company experiences poor performance, a CEO change may be a necessary step (Boivie *et al*., 2021; Undeland & Skarpholt, 2022). Because, the new CEO can identify problems by taking corrective action, and directing the company in a better direction through resolving internal conflicts (Appelbaum *et al*., 2022; Burke, 2021; Maassen *et al*., 2023; Rodriguez Serna *et al*., 2023). In fact, agency theory emphasizes the need for effective leaders to optimize company value (Jan *et al*., 2021). However, companies must be careful and not be careless in selecting new leaders (Farao *et al*., 2023; Osnes & Wilhelmsen, 2020).

However, changing CEOs is not only a solution for companies when financial performance declines, but changing CEOs can also have a negative impact on the company and employees if they choose the wrong CEO (Nirino *et al*., 2021). This is triggered by new policies or strategies introduced by the new CEO that may be different from the previous one, thereby causing discomfort with changes in the way of work that employees are familiar with (Aureli *et al*., 2020). They may also need time to adapt to the policy (Kitsios *et al*., 2021). The new CEO also does not necessarily fully understand the company's business model, especially if he comes from a different background (Khatib *et al*., 2021). This can have an impact on decision making that may not be in line with the company's vision and mission, which has the potential to decline. This statement is also in line with research conducted by Ballinger & Marcel (2010); Belyaev (2022) which states that CEO change is a surprising organizational event and is detrimental to company performance due to new strategic directions and restructuring of successors can disrupt informal social network relationships and result in fear and worry about loss of stability, status, and power among workers in an organization.

In improving company performance, Sharia Banks need to make various breakthroughs to increase company capitalization, including through an IPO by offering shares to the public on the stock exchange (Abbas *et al*., 2022; Aghamolla & Thakor, 2022; Gao *et al*., 2013; Ibbotson & Ritter, 1995; Payne & Martins Pereira, 2022; Tajuddin *et al*., 2019). IPOs have a significant impact on the image and wider access to funding for Islamic banks to grow (Abdul-zRahim & Che-Embi, 2013; Tajuddin *et al*., 2019). In fact, banks that have conducted an IPO have the potential to gain a higher level of customer and investor trust compared to other banks through open financial information (Ahmed *et al*., 2020). Apart from that, IPOs have the potential to be a solution for Islamic banks in further development (Ascarya *et al*., 2022; Syafrida *et al*., 2020; Zuhroh, 2021). Islamic banks often need additional funds to expand their operations and reach more customers (Azad *et al*., 2023). An IPO can provide access to the capital needed to achieve this goal (Borisov *et al*., 2021). By becoming a public company, Islamic banks can attract more investors from both within the country and abroad (Qayimova, 2021; Sen *et al*., 2020). However, an IPO requires thorough and thorough preparation (Buslot & Olieslagers, 2021; Nurasheva *et al*., 2020). If preparations are not good enough, an IPO can potentially be a disaster for the company (Liljeqvist & B Lindbo, 2020). In fact, implementation that neglects careful planning can result in stock prices tending to decline post-IPO (Teti & Montefusco, 2022), thus potentially harming the company's image in the market and weakening the bank's financial position. (Syafrida *et al*., 2020; Teti & Montefusco, 2022). Overall, IPO can be the best option for companies, especially Islamic banks, to develop their business (Siswantoro, 2017; Yaakub & Sherif, 2019). However, thorough preparation and a deep understanding of the impact are essential to ensure the success of the IPO process (Cumming *et al*., 2014; Galloway & Miller, 2023).

3. METHODOLOGY

The research carried out is empirical research. This research aims to measure banking performance by revealing the role of CEO turnover and IPO in Islamic banks. Apart from that, this research also involves control variables, namely GDP and inflation, to verify and test the robustness of the findings. This research uses an associative research type with a quantitative approach, measured using a panel data regression-based method with Eviews version 12. The population of this research is Islamic banks that have carried out CEO turnover and IPOs in the GCC region during the period 2013 - 2022. The sample was determined based on the purposive method sampling, with a total sample of 17 companies so the total observations in this study were 2040 observations. The data used in this research is secondary data. Data collection techniques use documentation methods via the sites: https://www.ifsb.org/,https://data.worldbank.org/ and personal banking websites.

Tabel 1. Operational Variable

Variable	Symbol	Note	Source
Independent Variable			
CEO Turnover	CEO TO	If the CEO has turnover, it is equivalent to a value of 1, but if it does not have an equivalent value of 0 (Dummy)	Annual Report

Variable	Symbol	Note	Source
Initial Public Offering	IPO	If the Islamic Bank have an Initial Public Offering, it is equivalent to a value of 1, but if it does not have an equivalent value of 0 (Dummy)	Annual Report
Control Variable			
Gross Domestic Product	GDP	The GDP in the Islamic Bank country	International Monetary Funds
Inflation	INF	The Inflation in the Islamic Bank country	International Monetary Funds
Dependent Variable			
Performance	PER	The Earnings per Share of Islamic Bank	Annual Report

This research analyzes the role and impact of CEO Turnover and IPO on the performance of Islamic banks using several stages of analysis. The initial stage was to carry out descriptive statistical tests to reveal the relationship phenomena that occurred in the samples used in the research (Kaur *et al*., 2018; Marshall & Jonker, 2010). Then, the second stage tests the determination model to determine the best estimator model by considering the results of the Chow Test, Hausman Test, and Lagrange Multiplier Test (Hussien *et al*., 2019; Muhammad *et al*., 2020). The third stage is testing Classic Assumptions based on Multicollinearity and Heteroskedasticity to ensure that the data is normally distributed and homogeneous (Alita *et al*., 2021; Brooks, 2014; Wardhana & Indawati, 2021). The final stage of hypothesis testing is through the R^2-test, T-test, and F-test.

4. RESULT AND DISCUSSION

Testing the influence of CEO turnover and IPO is very important to understand the significant impact that these changes may have on company performance. However, before carrying out a hypothesis test, there are several stages of analysis that need to be carried out. These stages include descriptive statistical analysis to describe the basic characteristics of the data used, classic assumption tests such as normality, heteroscedasticity, multicollinearity tests, as well as estimating the best model in the research.

Table 2. Descriptive Statistic

Variable	Obs.	Min.	Mean	Max.	SD
CEO_TO	2040	0.000	0.129	1.000	0.335
IPO	2040	0.000	0.858	1.000	0.348
PER	2040	-3.790	3.301	6.350	2.336
GDP	2040	-4.940	2.580	9.900	3.320
INF	2040	-2.520	1.756	4.250	1.796

Based on Table 2, there are five variables observed in the data analysis. The first variable is CEO_TO, which refers to the company's CEO leadership turnover rate. The range of values for CEO_TO is between 0 and 1, with an average of 0.129. The standard deviation for this variable is 0.335, indicating a fairly significant level of variation among observations. The second variable is IPO, which reflects whether the company has conducted an initial public offering or not. Most observations show a value of 1, meaning the company has carried out an IPO. The average IPO is 0.858, indicating a high propensity for companies to conduct an IPO. The standard deviation of 0.348 indicates that there is a significant variation in IPO status among Islamic banks. The third variable is PER, which is the bank's financial performance. The PER value range is -3,790 to 6,350, with an average of 3,301. The fairly high standard deviation of 2.336 indicates that there is significant variation in financial ratios among the companies in the sample. The fourth variable is GDP, which refers to gross domestic product growth (GDP). The range of values for GDP ranges from -4,940 to 9,900, with an average of 2,580. A standard deviation of 3.320 indicates that there is considerable variation in GDP growth between observations. The final variable is INF, which refers to the inflation rate. The range of values for INF is from -2.520 to 4.250, with a mean of 1.756. A standard deviation of 1.796 indicates quite a significant variation in inflation rates between observations.

Table 3. Classic Assumptions

Heteroskedasticity				
Variable	Coefficient	Prob.	Rule of Thumbs	Note
CEO_TO	0.007807	0.904	P > 0.05	Significant
IPO	0.004525	0.942	P > 0.05	Significant
Multicollinearity				
Indicator		Prob.	Rule of Thumbs	Note
Pairwise Correlation		0.055	P < 0.85	Significant

Table 4. Estimation Model Determination

Effect Test	**Statistic**	**Prob.**	**Result**
Chow Test	21.883	0.147	CEM
Hausman Test	0.000	1.000	REM
Lagrange Multiplier Test	2.046	0.152	CEM

The panel data regression model in this study was estimated using three approaches, namely: (1) the common effect model (CEM) approach, (2) the fixed effect model (FEM) approach, (3) the random effect model (REM) approach. The CEM model assumes that there is no influence of cross-section and time series units in the regression model, and is estimated using the OLS method (Tariq *et al*., 2016). The FEM model assumes that differences between cross-section units can be accommodated from differences in intercepts, where to capture intercept differences between cross-section units in the model, the estimation method used is the least square dummy variable method (McNeish & Kelley, 2019). The REM model assumes that differences between cross-section units are accommodated through errors called error component models, estimated using the Generalized Least Square method (Ratnasari *et al*., 2023).

From the three estimation approaches, the best approach will be chosen to be used in this research. The selection of the best estimation approach is carried out through model selection tests. The first model selection test is the Chow test, which is used to select the best model between the common effect model and the fixed effect model (Zulfikar, 2018).

The second model selection test is the Hausman test, which is used to select the best model between random effect and fixed effect models (Mutl & Pfaffermayr, 2011). Meanwhile, the third model selection test is the Breusch-Pagan test, which is used to choose between common effect and random effect models (Abdullah *et al*., 2022).

The model estimation results as presented in table 4 will select one of the three existing approaches. The results of the model specification test show that based on the Chow test, the test statistical value is 4,129 with a p-value of 0.998. Because the p-value of the Chow test is more than 1 percent alpha, the common effect model is the best model used in this research. Furthermore, the Hausman test results obtained a test statistical value of 4,095 with a p-value of 0.129. Because the Hausman test p-value is more than 10 percent alpha, the random effect model is the best model for this research. Because the results of the Chow test and Hausman test showed inconsistent results, the Breusch-Pagan LM test was used to choose between the common effect and random effect models. Based on the LM test results, a statistical value of 7.001 was obtained with a p-value of 0.142. Because the p-value is more than 1 percent alpha, the best model used in this research is the common effect model (CEM).

Hypothesis test:
Coefficient of Determination Test (R^2)

Table 5. R^2-test

R-squared	0.094256
Adjusted R-squared	0.092476
S.E. of regression	1.710960
Sum squared resid	5957.226
Log likelihood	-3987.723
F-statistic	52.94298
Prob(F-statistic)	0.000000

The adjusted R-squared value is 0.09247 or 9.24%. The coefficient of determination value shows that the variables CEO turnover, IPO, GDP, and inflation can explain the financial performance variable of Islamic banks in the GCC region by 9.24%, while the remainder is explained by other variables that are not included in this research model.

Partial test (T-test)

Table 6. T-test

Dependent Variable: PER

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TO_CEO	-0.289032	0.137498	-2.102075	0.0357
IPO	0.498453	0.132337	3.766542	0.0002
GDP	-0.280781	0.014011	-20.03953	0.0000
INF	-0.228127	0.025860	-8.821533	0.0000

Based on table 6, the first test has been carried out on the CEO turnover variable on banking financial performance. Based on the results above, the CEO turnover variable has a coefficient of -0.289032. With a probability of 0.0357, it is smaller than 5% (0.00 <

0.05). Therefore, it can be concluded that the first hypothesis (H1) in this study is accepted, which means that CEO turnover affects banking financial performance. The results of this research prove that CEO turnover has a negative effect on banking financial performance, this is explained by the results of the data presented in table 5 with a negative coefficient value and a probability smaller than α, which means that the higher/lower the intensity of CEO turnover carried out by banks will be. influence the banking financial performance. The results of this study are in line with research conducted by (Bornemann *et al*., 2015; Bunkanwanicha *et al*., 2022; Z. Chen & Ebrahim, 2018; Palvia *et al*., 2020; Sarkar *et al*., 2019; Srivastav *et al*., 2017) which states that CEO change can have a negative effect on bank profitability.

Changing CEOs too frequently is not a solution for banks when their financial performance declines. Although changing leadership can bring new hopes and changes, changing CEOs too often can trigger negative impacts on banking financial performance, including: First, instability. The high frequency of CEO turnover creates instability within the organization (Kim *et al*., 2021). Employees and management must adapt to different leadership continuously. This instability can disrupt focus and consistency in implementing long-term strategies (Quansah & Hartz, 2021). Second, disruption of plan implementation. The new CEO may have a different vision and plan than his predecessor. This change can disrupt the implementation of pre-existing business plans, especially if the company is facing financial challenges (Marsden & Docherty, 2021). Lastly, there is a lack of focus on fundamental improvements (Fang *et al*., 2020). Instead of continuing to look for short-term solutions through leadership changes, banks should focus more on fundamental improvements such as operational efficiency, risk management, and product innovation (Maiti *et al*., 2022). Thus, banks need to carefully consider the frequency of CEO changes and ensure that these changes are based on careful evaluation and a sustainable long-term strategy (Schmid & Morschett, 2023).

The second test has been carried out on the IPO variable on banking financial performance. Based on the results above, the IPO variable has a coefficient of 0.498453. With a probability of 0.0002 less than 5% (0.00 < 0.05). Therefore, it can be concluded that the first hypothesis (H2) in this research is accepted, which means that IPOs affect banking financial performance. The results of this research also prove that carrying out the initial public offering process has a positive effect on banking performance. In line with research results (Ahmad-Zaluki & Badru, 2021; Espinasse, 2021; H. Gao *et al*., 2017) it is stated that conducting an IPO will provide a source of capital for banks. This statement is also supported by research results (Belyaev, 2022; Chahine *et al*., 2020; Kenourgios *et al*., 2007) which state that apart from being a source of capital for banks, IPOs can also be an effort to attract and increase investor confidence.

Carrying out an IPO when the company's financial performance is increasing is the right decision for the company to improve its financial performance (Soesetio & Rudhiningtyas, 2021). Through an IPO, banks can raise additional funds from external investors. These funds can be used to strengthen capital, allowing the bank to expand its business, provide more loans, and expand the range of services. By conducting an IPO, banks can have more shareholders, including individuals, institutions, and foreign investors (Dumrongwong, 2020). This diversification of shareholders reduces the risk of being dependent on one or a few large shareholders. Additionally, banks listed on the stock exchange have a higher profile and are better known. This can increase public trust and the bank's image, which in turn can attract more customers and business opportunities. Lastly, IPOs can help banks optimize capital use and reduce capital costs.

By increasing profitability, banks can provide added value to shareholders and strengthen their position in the market. Thus, an IPO when the bank's financial performance improves not only increases capital but also strengthens the bank's reputation and profitability. However, the decision to conduct an IPO must be considered carefully, considering the long-term impact on the company and shareholders (Engelen *et al*., 2020).

They are testing the three GDP variables on banking financial performance. Based on the results above, the GDP variable has a coefficient of -0.280781. With a probability of 0.0000 less than 5% (0.00 < 0.05). Therefore, it can be concluded that the first hypothesis (H3) in this research is accepted, which means that GDP influences banking financial performance. The results of this research are not the results of research (Khalatur *et al*., 2021) which states that GDP has a positive effect on bank financial stability when facing VUCA conditions. This is confirmed by research results which show that if GDP growth is 1%, the capital to asset ratio will increase by 0.11% (Khalatur *et al*., 2021). The influence of GDP on the financial performance of Islamic banks indicates that increases and decreases in a country's economic growth greatly influence customers in saving their funds in banks. Increasing GDP has a positive effect on consumer income because it can increase savings patterns in banking companies. According to (Fadhil & Rajab, n.d.) GDP can influence bank profitability, by Keynes' theory that the amount of savings is not influenced by the interest rate, but is influenced by the size of the consumer's income level. Research (Le & Ngo, 2020) agrees with the above that GDP has a positive effect on bank profitability because it can be seen that increasing GDP will increase people's income so that people will be interested in saving some of their income in banks.

Testing the four inflation variables on banking financial performance. Based on the results above, the Inflation variable has a coefficient of -0.228127. With a probability of 0.0000 less than 5% (0.00 < 0.05). Therefore, it can be concluded that the first hypothesis (H4) in this research is accepted, which means that inflation affects banking financial performance. The results of this research are in line with the results of research (Nurfalah *et al*., 2018) which states that macroeconomic indicators, especially inflation, affect the stability of sharia and conventional banking. Suppose a country's inflation rate is unstable. In that case, it will trigger a negative impact on banking performance, such as a decrease in people's purchasing power which can reduce demand for banking products and services (Khan & Naushad, 2020). This allows Islamic banks to experience a decrease in income from transactions and financing. Apart from that, inflation can also cause economic instability which has an impact on the quality of bank assets (Sultan *et al*., 2020). If asset values decline, Islamic banks may face higher credit risks.

Simultaneous test (F-test)

Tabel 7. F-test

R-squared	0.094256
Adjusted R-squared	0.092476
S.E. of regression	1.710960
Sum squared resid	5957.226
Log likelihood	-3987.723
F-statistic	52.94298
Prob(F-statistic)	0.000000

The F test results show that the regression model is statistically significant. The probability value is 0.000 < 0.005, indicating that simultaneously the independent variables and macroeconomic variables have a significant influence on the financial performance of Islamic banks in the GCC region. In addition, the analysis results show that the CEO turnover and IPO variables still significantly influence Islamic banks' financial performance, even though they are faced with macroeconomic variables such as inflation and GDP. This indicates that internal company factors such as leadership changes and initial stock offerings play an important and consistent role in determining the financial performance of Islamic banks, even in the context of fluctuating macroeconomic conditions. These results confirm the importance of internal company factors such as changes in leadership and market strategy in determining the financial performance of Islamic banks in the GCC region.

5. CONCLUSION AND RECOMMENDATION

Based on the results of this research, it can be concluded that CEO turnover harms banking performance. This suggests that changing the CEO too often is not an effective solution for companies experiencing declining financial performance. On the other hand, initial public offerings (IPOs) have a positive effect on bank performance, this indicates that conducting an IPO when financial performance is stable is the right strategy to improve company performance. Meanwhile, the control variables represented by macroeconomics show a significant influence on banking financial performance. Even though the CEO change and IPO have an impact on banking financial performance, companies need to pay attention to macroeconomic conditions, especially inflation, which has a significant influence on bank performance. The researcher suggests that changing the CEO when financial performance is declining is not the right solution for companies, especially banking companies, to improve their performance. Companies can take various steps to overcome this condition, such as innovating products and services. On the other hand, the strategy of increasing through an initial public offering (IPO) is suitable for companies or banks whose financial performance is stable.

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