



## The Influence Of Narcissism and Tenure Of CEO On Indonesian Sharia Banking Performance

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**Abstract.** This researcher aims to explore how CEO narcissism affects banking performance in depth. This research aims to examine the relationship between CEO narcissism and CEO tenure on banking performance. Quantitative research methods were used in this research with purposive sampling which resulted in 64 samples from companies indexed on the Indonesia Stock Exchange from 2018 to 2021. This research was tested using the SPSS 21 application program. The results of this research provide evidence that CEO narcissism has a significant effect on performance. banking. CEO tenure does not have a significant effect on banking performance.

**Keywords:** CEO Narcissism, CEO Tenure, Sharia Banking Performance.

### INTRODUCTION

The development of the Islamic banking system in Indonesia is carried out within the framework of a dual-banking system or dual banking system within the framework of the Indonesian Banking Architecture (APII) to provide the most complete alternative banking services to the Indonesian community. The majority of companies have made efforts to meet the market's need for this. The progress of a country can also be measured based on the progress of banking in that country. The more banking plays a role in holding the sovereignty of a country, the greater the development of that country. The financial results prove that the existence of a banking world in a country is very necessary (Kasmir, 2016).

Febrianty and Wulandari (2018) state that company performance is a picture of the financial condition of a company which is analyzed using financial analysis tools, so that it can be known because of the poor financial condition of a company which that achieves work performance in the company. The form of presentation of financial reports is financial performance and financial output results. Company performance is the result of a series of financial processes carried out by a company in a particular model. Prospective investors and shareholders need to pay attention to the financial reports of an enterprise. Financial reports are used to gain a more in-depth understanding of traffic efficiency as a consideration in the decision-making process (Telguh & Krilstanto, 2020). The financial performance of a facility can be known from the company's profit. Profit information that has been generated by the company is always used as a basis for decision-making.

This encourages management actions to make profit information a strategic target in financial reporting (Amelia & Hernawati, 2016). The financial report presented the company reveals something that has important meaning related to how the company will fare in the next

release. In general, companies present their financial reports honestly and fairly by the company's actual results. However, financial reports presented by companies to help users with financial information sometimes contain misuse. Company leadership which is usually called Main Directorate or Chief Executive Official (CEO) can influence company performance, one of which is sales of narcissism.

Narcissism is self-centeredness which leads to self-centeredness (Engkus et al., 2017). Narcissism is defined as excessive beliefs about one's abilities and achievements (Buchhoz et al., 2020). One of the psychological attributes related to CEO characteristics that significantly influence the decision-making behavior of company CEOs is narcissism. Narcissism refers to a psychological construct that involves personality traits such as self-esteem, a sense of self-pride, success, power, belief in being special, demand for admiration and attention, and strengthening of self-image that comes from external flattery and praise. (Muttiarni et al., 2022) is the behavior of the most important stakeholder frequently referred to as the CEO and also influences company performance, one of the CEO's attitudes can be a narcissistic attitude. Narcissistic attitudes are related to mental and psychological aspects, such as boasting about oneself, success, power, liking to be praised, feeling that one is special and exaggerating. Often narcissistic behavior is not realized by the perpetrator and how other parties assess them. This ignorance creates problems for CEOs.

## **LITERATURE REVIEW**

Narcissism refers to a psychological structure that is related to personal characteristics, including self-esteem, a sense of self-pride, power, and self-worth by obtaining adulation and praise (Ernawan & Daniel, 2020). In other words, Narcissism is an attachment to other people that is not centered on one's self. Narcissism actions were not realized by the perpetrators and how other parties assessed them. This lack of knowledge creates problems for CEOs. The practice of Narcissism is very insignificant in the results of the Narcissism and everyone considers the Narcissism to be completely perfect and puts their abilities and hopes of doing it as the most important thing and does not involve other people. The Chief Executive of the Office or Director of Industry, known as the main director, is the most important position of the company and charge of managing the entire activities of the company in carrying out the role of the top leadership of the company, the character of the CEO is the key thing that can be used as a basis for The decision making of a CEO becomes an important matter that can form the basis for decision making for the CEO. company (Sudana & Dwiputri, 2018). A narcissistic CEO is a CEO who seeks praise and attention of his actions (Al-Shammaril et al., 2019).

CEO tenure is the length of a CEO's term of office in leading a company (Sudana & Dwiputri, 2018). The CEO's term of office is determined based on the annual GMS. CEOs who perform well will be reappointed through the GMS, while CEOs who perform poorly will be removed through the annual GMS. The expiry of the CEO's term of office will trigger an election to replace the CEO. Citrin, et al. (2019) explained that in the first year of his term of office, the CEO began to develop enthusiasm that called for bringing about changes, increasing share prices, and uniting investors, board members and organizations. However, most of the newly appointed CEOs have been released and are not responsible for making important strategic decisions for the company because the company's conditions are critical and require a change of direction. This situation continued in the second year, where CEOs generally still experienced decline and still had to face challenges regarding the potential slowdown in company performance. On the other hand, CEOs who experience a deep decline in the second year of their term of office are significantly more likely to be overthrown in the following years. Not only that, at the final stage of their life cycle, even though they have earned the investor's trust, in the end, CEOs still have to end their career journey at the final stage, whether due to job performance, health or personal reasons.

A CEO with a long tenure in a company is considered to be more capable of improving the company's performance. In research carried out by Hidayati (2017), it was found that there was a significant relationship between CEO tenure and company performance. This explains that the longer the CEO's term of office is released, the company's performance will continue to be better, because the CEO's understanding of the company's financial and financial processes will continue to be better, so he will be able to carry out more accurate target monitoring and produce better financial results for the company's regional operations. an. Leadership stakeholders generally still have doubts about the CEO's capabilities at the start of his CEO's career because the skills required in a previous position are not the same as the skills needed to be a CEO (Vernando & Rakhman, 2018). . The existence of poor results can of course hurt the CEO's work performance or autonomy. Worse still, this could lead to the CEO's dismissal. Due to this, the new CEO will continue to try to eliminate the results that arise from shareholders by carrying out banking activities to increase the company's profits and demonstrate its performance.

In the first and second years of his term of office, the CEO tended to have enthusiasm calling for changes and increasing share prices. However, not infrequently, corporate stakeholders use corporate performance which is usually calculated from a component of corporate profits generated to ensure the continuity of the CEO's career or safety due to the low

salary of the CEO (Vernando & Rakhman, 2018). The CEO's term of office is stated in Pelmelriintah Regulation No. 35 of 2018 Article 14 which states that Dilrelksil members are appointed for a term of 5 years and can be re-appointed for one subsequent term of office. Care should be taken regarding the term of office of a company CEO because this will support the roles and responsibilities of a CEO, indirectly influencing every decision the CEO makes. Measuring CEO tenure uses the number of years the CEO has served in that position. According to (Naseem et al, 2019) a more rational decision-making ability will affect the wealth of shareholders or can also be called an increase in company performance. Personal narcissism can be a psychological attribute that is significantly related to CEO decision-making behavior (Kim et al, 2018).

## **RESEARCH METHOD**

This research is quantitative in nature with secondary data obtained through the company's quarterly and annual reports obtained at [www.idx.co.id](http://www.idx.co.id) or the company's official website. Financial research aims to determine the influence of CEO decisions and CEO tenure on banking operations in companies listed on the International Stock Exchange from 2018 to 2021. The number of samples is 4 banks or 64 total observations from 2018 to 2021. Indonesian Sharia Bank Sub Sector listed on the Indonesian Stock Exchange 2018-2021.

1. Sub-sector banking company Bank Syariah Indonesia which reports its financial reports in Quarters 1 to 3 of 2018-2021.
2. Indonesian Sharia Bank Sub-Sector banking companies that have complete data required for financial reporting.

### **Definition of Operational**

Measurement and Definition of Operational Variables in the above:

### **Dependent Variables**

#### **Banking Performance**

Financial marketing uses banking performance as a variable model. Dependent variables are variables that are influenced by the presence of variables. In scientific research, we agree to use the formula produced by Brigham & Houston, (2016). The method for measuring banking performance in financial investment uses Return on Assets (ROA), which is proxied using the following formula:

$$\text{Return on Asset (ROA)} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

### **Independent variable**

**CEO narcissism**

Expressing self-love is one of the characteristics of the dark side that is very suitable for a CEO to practice. Meilani et al., (2022) stated that the calculation of CEO narcissism is as follows:

- a. If there is no CEO photo then zero will be released.
- b. If there is a photo of the CEO with one or more members of the company, it will be released with a value of two.
- c. If the CEO photo is displayed at a size less than the center of the page, it will be displayed at a minimum.
- d. If the current CEO's photo is displayed at a size larger than the center of the page, a minimum of four will be displayed.
- e. If the CEO's photo is displayed on a full page, it will be labeled with a value of five.

**Tenure of CEO**

Members of the Board of Directors are appointed for a term of 5 years and can be reappointed for another term of office. Siren et al., (2018) revealed that the variable measuring CEO tenure uses the length of time the CEO has served in that position

**Research hypothesis**

H1 CEO narcissism has a positive influence on banking performance.

H2 The CEO's term of office has a significant impact on banking performance.

**RESULT AND DISCUSSION**

This research uses several tests, including statistical analysis and normality tests. The data obtained was tested using the classic assumption test which includes the multicollinearity test, heteroscedasticity test and autocorrelation test. Next, multiple analysis is carried out and hypothesis testing is carried out through partial tests or t-tests

**Table 1.**

**Normality Test**

**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		64
Normal Parameters <sup>a,b</sup>	Mean	0
	Std. Deviation	1,77509547
Most Extreme Differences	Absolute	0,075
	Positive	0,05

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	Negative	-0,075
Kolmogorov-Smirnov Z		0,597
Asymp. Sig. (2-tailed)		0,869

Source: SPSS Data Output

Based on the above table of the normality test with the Kolmogorof-Smirnov (K-S) non-parametric statistical test which shows a significant value of 0.869 greater than 0.05, it can be concluded that the research data is normal.

**Table 2.**  
**Multicollinearity test**

Coefficients <sup>a</sup>		
Model	<i>Collinearity Statistics</i>	
	<i>Tolerance</i>	<i>VIF</i>
(Constant)		
CEO narcissism	,993	1,007
Tenure of CEO	,993	1,007

SOURCE: SPSS Data Output

Based on the table above, the results of the multicollinearity test on the banking performance variable show that the CEO variable and CEO tenure have a total value of 0.993 and a VIF value of 1.007. The two variables have a value of less than 0.10 and a VIF value of less than 10, so it can be concluded that there is no multicollinearity in the variable value in the model.

**Table 3.**  
**Heterocedacity test**

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	,892	,476		1,875	,066
1 CEO narcissism	,346	,127	,327	2,733	,008
Tenure of CEO	,226	,136	,198	1,653	,103

Source: SPSS data output

Based on the table above, it can be seen that the CEO's narcissism variable has a level of 0.008, the CEO tenure variable has a level of 0.103. The two independent variables are above 0.05, so there is no heteroscedasticity in the research data.

**Table 4**  
**Autocorrelation Test**

Runs Test	
<i>Unstandardized Residual</i>	
Test Value <sup>a</sup>	-,85994
Cases < Test Value	32
Cases >= Test Value	32
Total Cases	64
Number of Runs	21
Z	-3,024
Asymp. Sig. (2-tailed)	,002

Source: SPSS Data Output

Based on the table above, it shows that the significance value is greater than 0.002, meaning that the value is less than 0.05, it can be concluded that the correlation model experiences autocorrelation

**Table 5**

**Multiple Linear Regression Test**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	-,864	,431		-2,006	,049
CEO narcissism	1,299	,374	,406	3,476	,001
Tenure of CEO	-,142	,410	-,041	-,347	,730

Source: SPSS Data Output

Based on the table above, it shows the value of the correlation coefficient of the influence of the Independent variable and the Dependent variable on the result. Finally, a multiple model of the linear equation equation is completed as follows:

$$Y = -0.864 + 1.299 - 0.142$$

The discussion regarding the multiple linear relation equation model above is as follows:

- a) The constant value has a negative negative value of -0.864, which means that if each internal variable has a value of 0 or is constant then the value of the internal variable is -0.864.
- b) The coefficient value of the ceo narcissism variable is positive 1.299, meaning that for every 1 level increase in the ceo narcissism variable, the banking performance variable will experience an increase of 1.299 with the assumption that the values of the other variables are constant.
- c) The coefficient value of the term of office variable is negative 0.142, meaning that if there is a decrease of 1 unit in the CEO's term of office, the ceo's term of office variable will experience a decrease of 0.142, assuming the values of other variables remain constant.

### **Hypothesis testing**

H1: CEO narcissism has a positive effect on banking performance

Based on the statistical t test above, it shows that the significance value of the influence of the CEO narcissism variable on the banking performance variable is 0.001, which is smaller than 0.05. This shows that CEO narcissism has a significant effect on banking performance. The calculated value of the CEO narcissism variable is 0.406, indicating that the cycle of CEO narcissism has a positive effect on banking performance. An increase in the value of CEO narcissism will reduce banking performance, while a decrease in the value of CEO narcissism will increase banking performance. So that the results which state that CEO marketing has had a positive influence on banking performance can be confirmed, then the research results accept hypothesis 1.

H2: CEO tenure has a positive influence on banking performance

Based on the statistical t-test above, it shows that the financial value has an influence on the variable CEO tenure on banking performance of 0.730, greater than 0.05. This means that the CEO's tenure does not have a significant effect on banking performance. An increase or decrease in the CEO's term of office will improve banking performance because the CEO's understanding of the company's business processes will improve. So the hypothesis which states that CEO tenure does not have a positive influence on banking performance cannot be accepted, this research rejects hypothesis 2.

### **Discussion**

The discussion on financial research is divided into two (2) main points of discussion, namely:

#### **1. The influence of CEO narcissism on banking performance**



The results of research into the influence of CEO narcissism on banking performance in this research show that CEO narcissism has a positive influence on banking performance in the companies studied. The results were developed following the hypothesis that the researcher proposed until hypothesis 1 was accepted. This was done because the higher the level of CEO narcissism, the greater the banking performance in the business. CEOs who are more narcissistic tend to strengthen their self-image and that of the company by releasing more positive company information. The results of this research generally agree with the research conducted by Falah and Mita, (2020) which found that CEO narcissism can influence corporate performance.

## **2. The influence of CEO tenure on banking performance**

The results of the study of the influence of CEO tenure on banking performance in this study showed that CEO tenure did not have a positive influence on banking performance in the companies studied. These results are by the proposed hypothesis until hypothesis 2 is rejected. This result is because CEOs with long tenure are in their comfort zone, so they invest less in innovation and company development. Market situations and conditions are unstable and change cannot be avoided, so companies need new thinking to create a competitive company and this may be a reason for not having a CEO with a long tenure. Based on these results, it is stated that hypothesis 2 which states that CEO tenure has a positive and significant effect on banking performance is rejected. The results of this research are in line with research conducted by Arbogast & Mirabella (2018) and Kusumasari (2018) which states that the CEO's tenure has no effect on company performance.

## **CONCLUSION AND LIMITATION**

The objective of this research is to find out the influence of the CEO variable and the CEO's term of office on banking performance in the Indonesian Sharia Bank Sub-Sector which is listed on the Indonesian Stock Exchange in 2018-2021, so the following conclusions can be drawn:

CEO narcissism has a positive impact on banking performance. The results of this research are in accordance with the hypothesis that the researchers put forward, including hypothesis 1 accepted. This is done in accordance with the company's development stages, so as the company carries out its banking performance. Narcissism results in an image emanating from the personality of a person who seeks to gain views and seek admiration.

CEO tenure does not have a significant positive effect on banking performance. These results are not in accordance with the proposed hypothesis so hypothesis 2 is rejected. This is because CEOs who have worked for a long time are in their comfort zone, so they invest less in innovation and company development. The CEO's term of office is special because the retirement age of a CEO cannot be determined in advance. This is because there is diversity in the retirement period of a CEO of a company.

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