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DO IT COMMITTTEE AND ERP ADOPTION AFFECT A FIRM'S PROFITABILITY? BANKING EVIDENCE FROM INDONESIA

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ABSTRACT

The purpose of this study is to examine the effect of the Information Technology Committee (IT Committee) and the Enterprise Resource Planning (ERP) system have affected Indonesian banking organization's profitability as determined by Net Profit Margin (NPM). Purposive sampling was used to choose 78 samples from the research population, which consists of banks registered with the Financial Services Authority (OJK) between 2022 and 2024. Panel data regression with a Random Effects Model (REM) technique was used to evaluate the data. To verify the model's validity, descriptive statistics and traditional assumption tests, such as multicollinearity and heteroscedasticity, were carried out. The findings indicate that Net Profit Margin is not significantly impacted by either the Information Technology Committee or the ERP implementation. These results imply that the adoption of ERP systems and IT Committee frameworks has not immediately increased profitability. The low impact could be attributed to the early phases of digital transformation in Indonesian banks, organizational preparedness, and human resource skills. According to the study's findings, IT Committee and ERP adoption have limited short-term financial effects but have the ability to increase performance over the long run. It is advised that more study be done to increase the observation duration and incorporate other factors like digital maturity and cost effectiveness.

Keywords: IT Committee, ERP adoption, profitability, net profit margin, banking sector, digital transformation

APAKAH KOMITE TI DAN PENERAPAN ERP MEMPENGARUHI PROFITABILITAS PERUSAHAAN? BUKTI DARI SEKTOR PERBANKAN DI INDONESIA

ABSTRAK

Tujuan penelitian ini adalah untuk menganalisis pengaruh Komite Teknologi Informasi (IT Committee) dan sistem Enterprise Resource Planning (ERP) telah mempengaruhi profitabilitas organisasi perbankan Indonesia yang diukur melalui Margin Laba Bersih (NPM). Sampling purposive digunakan untuk memilih 78 sampel dari populasi penelitian, yang terdiri dari bank-bank yang terdaftar di Otoritas Jasa Keuangan (OJK) antara tahun 2022 dan 2024. Regresi data panel dengan teknik Model Efek Acak (REM) digunakan untuk menganalisis data. Untuk memverifikasi validitas model, dilakukan statistik deskriptif dan uji asumsi tradisional, seperti multikolinearitas dan heteroskedastisitas. Temuan menunjukkan bahwa Margin Laba Bersih tidak terpengaruh secara signifikan oleh Komite Teknologi Informasi maupun implementasi ERP. Hasil ini menunjukkan bahwa adopsi sistem ERP dan kerangka kerja Komite Teknologi Informasi belum secara langsung meningkatkan profitabilitas. Dampak yang rendah ini dapat dikaitkan dengan fase awal transformasi digital di bank-bank Indonesia, kesiapan organisasi, dan keterampilan sumber daya manusia. Menurut temuan studi, Komite IT dan adopsi ERP memiliki dampak finansial jangka pendek yang terbatas, tetapi memiliki potensi untuk meningkatkan kinerja dalam jangka panjang. Disarankan agar dilakukan studi lebih lanjut untuk memperpanjang durasi pengamatan dan memasukkan faktor lain seperti kematangan digital dan efisiensi biaya.

Kata kunci: *Komite teknologi informasi, penerapan ERP, profitabilitas, net profit margin, sektor perbankan, transformasi digital*

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INTRODUCTION

In today's business environment, the advancement of information technology has become a critical requirement for organizations looking to increase productivity, efficacy, and competitiveness in the digital age. Businesses can optimize resource management, optimize business processes, and facilitate data-driven strategic decision-making by using integrated information systems (Ali & Miller, 2022). Information technology is therefore viewed as a strategic asset that needs to be professionally managed by putting in place efficient IT governance.

As businesses increasingly rely on integrated information systems to promote strategic decision-making and operational efficiency, it becomes necessary to understand the precise technology capabilities that enable good governance and organizational agility. In order to provide responsiveness and flexibility in a dynamic environment, technology must be in line with governance frameworks, as highlighted by the Key Areas of Technology Support for Governance and Business Agility. The Info-Tech Research Group (2022) states that these fields include digital technologies that improve decision-making, expedite procedures, and foster cross-functional cooperation, all of which help firms retain control and flexibility. Businesses can strengthen IT governance procedures and increase their ability to react proactively to new opportunities and challenges by utilizing technology-driven enablers (Info-Tech Research Group, 2022).

The adoption of integrated information systems is growing in Indonesia in response to calls for corporate responsibility and transparency. Businesses must make sure that their information systems uphold the values of sound corporate governance in addition to achieving strong financial success. Accordingly, a crucial component of the framework of contemporary corporate governance is the presence of an information technology (IT) committee (Lopes et al., 2022).

The function of IT committees in advancing supervision of technology policies and mitigation of digital risks is becoming more widely acknowledged. These committees are usually in charge of data protection, IT planning, and assessing the advantages of deployed systems like ERP (Sternad and Bobek, 2019). Strong control is required to guarantee that the technology used not only satisfies operational requirements but also enhances financial performance due to the growing complexity of information systems (Müller et al., 2021). Effective IT governance is therefore thought to boost business profitability (Adila, 2023).

The numerous instances of IT project failures brought on by poor planning and managerial oversight highlight the need of research on the connection between IT governance and company profitability. Inefficiencies, cost overruns, and even failures in digital transformation might result from the deployment of ERP systems without robust governance (Elragal and Haddara, 2019). By performing systematic monitoring and evaluation tasks, the IT Committee contributes to lowering these risks (Upadhyay et al., 2021). Therefore, it is crucial to conduct an empirical investigation into the relationship between the presence of an IT committee and the impact of ERP on profitability.

The impact of ERP adoption on business financial performance has been the subject of conflicting findings in earlier research. According to the majority of research, ERP can increase production, profitability, and efficiency (Ali et al., 2023). Other research, however, indicates that the advantages of ERP only become apparent in the medium and long term, contingent on management support and organizational preparedness (Ruivo et al., 2020). These disparate findings highlight the necessity for contextual study in developing nations like Indonesia, which differ from developed nations in terms of their technology infrastructure and legal frameworks.

Understanding the contradictory findings on ERP outcomes requires studying how the implementation process effects the overall success of ERP adoption. An ERP system's efficacy is determined by how well each stage is organized and carried out, starting with a detailed examination of current procedures and ending with a well-defined system design that specifies functional needs. This is followed by thorough system configuration, systematic testing to assure stability, full preparation for deployment including user preparedness, and constant maintenance to maintain the system optimum. Organizations are more likely to maximize the strategic value of their ERP investment when all phases are executed in a disciplined and coordinated manner. This is especially crucial in developing nations where institutional and technological constraints may have an impact on implementation quality (NetSuite, 2023).

According to the Resource-Based View (RBV) paradigm, a business might gain a competitive edge if its IT resources are limited, hard to replicate, and connected with organizational competencies (Barney, 2021). If properly managed, ERP and IT governance through the IT Committee can be classified as strategic resources that offer long-term benefits (HassabElnaby et al., 2020). Therefore, by making the most use of available resources, ERP adoption and the establishment of an IT committee should be able to boost business productivity and profitability.

The Financial Services Authority (OJK) laws in Indonesia, which highlight the significance of technology risk and information security management for financial organizations, further underline the urgency of IT governance. The OJK mandates that all financial institutions have sufficient IT monitoring measures, including the establishment of an IT committee, through POJK No. 38/POJK.03/2016 and the 2023 digital banking policy update. This rule demonstrates that the IT Committee serves as both an internal oversight body and a means of

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adhering to national regulations (OJK, 2023). Because of this, IT governance is crucial to preserving both legal compliance and profitability.

OJK laws urge businesses to increase operational efficiency through business process digitization in addition to compliance considerations. Because ERP systems may combine financial reporting, risk management, and compliance into a single integrated system, they represent a potential answer to this problem (Ali and Miller, 2022). ERP adoption helps guarantee that financial reports may be prepared on schedule and in compliance with regulatory criteria for the financial services industry (Haddara and Moen, 2021). In light of business policy and operations under OJK supervision, this study is therefore practically relevant.

ERP was initially primarily used by industrial firms, but its use has since spread to a number of industries, including banking and services. Information security, compliance, and data management present difficult problems for the service industry, especially financial institutions. ERP facilitates the integration of disparate risk management and reporting systems into a single integrated data set (Farooq and Ahmad, 2023). As a result, management decisions can be made more effectively and with better quality (Khan and Rahman, 2022).

Profitability is frequently regarded as the primary measure of the effectiveness of information technology adoption in the setting of typical businesses. Financial gains in the form of higher Return on Equity (ROE) and Return on Assets (ROA) are anticipated from investments in ERP systems or improved IT governance (Ren, 2024). However, poor collaboration between IT and business operations may limit the potential benefits in the absence of oversight and strategic policies from the IT Committee (Schniederjans and Yadav, 2020). To get the best outcomes for good IT governance, ERP and IT Committee must collaborate.

Empirical research indicates that businesses with sound information technology governance practices typically have more stable financial results than those with less focus (Almaqtari et al., 2024). The IT committee is crucial in developing strategic policies, evaluating information technology risks, and making sure that systems like ERP are implemented in compliance with accepted standards (Lopes et al., 2022). Potential mistakes in the implementation process can be reduced with the help of a robust monitoring system, which will boost business profitability.

The efficiency of ERP is also impacted by senior management's participation in the IT Committee. The board of director's support promotes resource accessibility and improved management of digital projects (Kilic et al., 2022). Director's supports the idea that IT governance is corporate, strategic, and technical (HassabElnaby et al., 2020). Thus, the IT Committee's role in monitoring the goals and course of system installation is crucial to the success of ERP.

Due to a lack of a strong governance culture and a shortage of human resources, Indonesian businesses struggle to establish IT committees and adopt ERP. The IT Committee is still seen by many businesses as a formality rather than a strategic monitoring role (Fidriansyah et al., 2025). Actually, when this committee is managed well, supervision of IT investments becomes more concentrated and directly contributes to better financial performance (Sastrodiharjo, 2023). It is therefore necessary to raise management's knowledge of the IT Committee's responsibilities.

The IT Committee is crucial for both operational effectiveness and cybersecurity, which has an impact on the bank's reputation and customer trust. IT Committee control considerably lowers the likelihood of security breaches and monetary losses, according to study by Qatawneh (2024). This supports the claim that IT governance helps organizations maintain their financial stability (Lopes et al., 2022). Therefore, having an IT committee is strategically important for sustaining long-term profitability.

The OJK highlights the significance of IT risk management and system integration in fostering financial innovation in its 2023–2027 digital banking roadmap policy (OJK, 2023). This rule confirms that in order to prevent systemic risks, digital transformation must be complemented by robust governance. ERP and IT committees are crucial tools for maintaining a balance between financial stability and innovation (HassabElnaby et al., 2020). This study is therefore pertinent to the course of national financial sector policy.

Based on the aforementioned, the purpose of this study is to examine how the adoption of ERP and the presence of an IT committee affect business profitability, specifically in Indonesia's banking industry. It is anticipated that this study will offer empirical proof of the ways in which integrated information systems and IT governance can enhance financial performance (Ali et al., 2023). Furthermore, the findings of this study can help regulators, particularly the OJK, create IT governance regulations that are more responsive to advancements in digital technology (OJK, 2023).

All things considered, IT governance via the IT Committee and ERP deployment is a business strategy that directly affects profitability in addition to being a technical component. Companies must develop flexible, safe, and effective governance in the face of shifting OJK requirements and the acceleration of digitization. As a result, this study is crucial for offering empirical proof of how much ERP and IT governance boost Indonesian businesses' profitability (Ali et al., 2023; Lopes et al., 2022).

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LITERATURE REVIEW

Theory of Resource-Based View (RBV)

According to the Resource-Based View (RBV) paradigm, an organization's capacity to successfully manage and use its resources is just as important to its competitive advantage as its ownership of those resources. Enterprise Resource Planning (ERP) is one of the strategic tools in information technology that can enhance productivity, data integration, and decision-making (Ruivo et al., 2020). However, the organization must have the organizational structure, human resources, and managerial skills to support ERP's best use in order to reap its benefits (Ali and Miller, 2022).

According to the RBV framework, organizational characteristics like leadership, supervision, and information technology governance are intangible capabilities that enhance the technology's value, whereas ERP serves as a tangible resource that gives businesses information infrastructure. As a component of organizational competency that guarantees alignment between business strategy and technology strategy, the IT Committee is crucial in this regard (Lopes et al., 2022). The IT Committee is in charge of overseeing IT policy, evaluating risks, and making sure that ERP deployment complies with strategic goals (Almaqtari et al., 2024). The company's capacity to turn technology investments into long-term competitive advantages is therefore strengthened by the presence of an IT committee.

The primary tenet of RBV, which is the integration of organizational competencies and resources to generate superior performance, is shown in the synergy between ERP and the IT Committee. ERP offers an integrated system that can boost productivity and service quality, and the IT Committee makes sure that its implementation adds strategic value through efficient planning, control, and oversight (HassabElnaby et al., 2020). Therefore, RBV theory offers a conceptual foundation for describing how the implementation of ERP and the efficiency of the IT Committee together can boost profitability and long-term competitive advantage in the context of Indonesian banking.

Information Technology Committee

A systematic oversight framework is necessary for the growth of information technology (IT) governance in contemporary businesses. This can be achieved by creating an IT Committee as part of IT governance. The IT Committee oversees the risks associated with the deployment of digital technologies and makes sure that business strategy and IT strategy are in line (Lopes et al., 2022). This group, which sets the strategic direction for technology use, is typically made up of directors, top management, and representatives from the IT division (Müller et al., 2021). Strong IT Committee participation boosts accountability and openness in the decision-making process, which benefits IT governance and organizational goals, according to research (Almaqtari et al., 2024).

The role of the IT Committee is extremely important in the context of financial and banking firms since this sector depends on the dependability of information systems to preserve operational stability (Ali and Miller, 2022). According to empirical research by Kilic et al. (2022), the IT Committee's active participation improves internal control efficacy and lowers the likelihood of system implementation errors. Additionally, this committee's presence enhances the strategic alignment of IT with business goals, which immediately boosts financial performance (Lopes et al., 2022). As a result, the IT Committee performs both an administrative and a strategic role.

Strategically speaking, the IT Committee plays a significant role in facilitating the adoption of systems like Enterprise Resource Planning (ERP) and the success of digital transformation. This committee is in charge of supervising the execution of significant IT initiatives, evaluating their efficacy, and guaranteeing that the advantages produced align with the organization's mission (HassabElnaby et al., 2020). The Financial Services Authority's (OJK, 2023) policy, which highlights the significance of IT governance in preserving data security and operational sustainability, governs the establishment of IT Committees in Indonesia's banking industry.

Enterprise Resource Planning (ERP)

An integrated information system called enterprise resource planning (ERP) was created to handle and coordinate all of the main company operations, supply chain, financial, and human resources procedures in real time (Haddara & Moen, 2021). ERP reduces data redundancy and improves information accuracy by integrating connecting modules into a centralized database (Bradford et al., 2020). ERP deployment incorporates management and business process transformation in addition to technology. Through data-driven decision-making, this approach helps businesses react swiftly to changes in the market (Elragal & Haddara, 2019).

ERP facilitates a uniform and transparent information flow between departments from a management standpoint (Sternad & Bobek, 2019). Information silos, which frequently impede cross-functional coordination, are lessened by this integration. According to research by Nicolaou and Bhattacharya (2020), businesses that maximize ERP implementation see improvements in service quality and productivity. Additionally, ERP facilitates regulatory compliance, especially in highly regulated industries like banking. ERP is a long-term investment that offers strategic value to enterprises because of these benefits.

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ERP deployment is not without its difficulties, though, including the requirement for extensive training, employee opposition, and significant upfront expenses (Chofreh et al., 2020). Support from upper management, user involvement, and system alignment with business requirements are critical success elements (Upadhyay et al., 2021). ERP success in the banking industry is largely dependent on the system's capacity to support regional laws, data security, and financial reporting specifications. According to Haddara and Moen's (2021) research, ERP initiatives may become unproductive if they are unable to adjust to these criteria. Thus, prior to implementation, strategic planning is essential.

ERP has important ramifications for corporate cultural change in addition to its technological features (Alyahya et al., 2022). Employees must adjust to new, more standardized, technology-based processes as a result of the system. By offering historical and predictive data for business trend research, ERP can eventually support organizational learning (Ruivo et al., 2020). Businesses are able to react to developments in the market more proactively thanks to this shift. As a result, in the digital age, ERP serves as a catalyst for innovation and competitive advantage in addition to being an operational tool (Ali & Miller, 2022).

Relationship Between Variables and Hypothesis

The Effect of IT Committee on Net Profit Margin (NPM)

According to the IT governance framework, the IT Committee serves as an organizational mechanism that guides the use of IT resources to ensure that they are in line with risk management and business objectives. According to theoretical and practical research, the IT Committee can enhance internal control, IT project governance, and strategic alignment, all of which lower operating expenses and boost productivity (Müller, 2021; Kilic et al., 2022). According to cross-sector research, having an IT committee is associated with improved IT project efficacy and reporting quality, both of which are critical preconditions for raising net profit margins (Lopes et al., 2022; Pierri, 2022). IT Committees are seen by RBV as organizational competences that assist in converting IT expenditures into long-term financial benefit (Ren, 2024). Based on this, IT Committees have the ability to boost Net Profit Margin through process improvement and cost optimization in addition to reducing risk.

When management quality and organizational context are taken into account, the empirical data on the impact of IT committees on profitability metrics, especially NPM, tends to be favorable. According to quantitative research on financial institutions and service businesses, organizations with active IT committees have lower operational expenses and more process efficiency, which boosts net margins (Ali et al., 2023; Sastrodiharjo, 2023). On the other hand, a number of studies highlight that beneficial impacts only show up after a time of adaptation and are dependent on moderating factors including the degree of digitalization and human resource skills (Almaqtari et al., 2024; Ren, 2024). Case studies further demonstrate that the creation of an IT Committee is symbolic and has no effect on financial performance in the absence of clear governance and support from upper management (Kilic et al., 2022; Ali et al., 2023). Therefore, the quality of the committee's operations, resource commitment, and integration with business strategy all play a major role in determining how consistently the IT Committee helps NPM.

Strengthening IT governance, including the creation of an IT Committee, is consistent with efforts to lower operating costs and increase reporting efficiency, which supports NPM improvement in the context of Indonesian banks and businesses, according to a number of local and regional studies (Qatawneh, 2024; Suryanto and Yuliana, 2023). According to recent study conducted in Indonesia, banks that establish a formal and active IT oversight structure exhibit improved risk control skills and the realization of IT project benefits, which have an effect on net profit margins over the medium term (Fidriansyah et al., 2025; Pierri, 2022). Furthermore, the adoption of more systematic IT Committee practices is encouraged by OJK regulations that mandate the strengthening of IT governance, which makes the potential impact on NPM more realistic if the committee consistently performs its supervisory and benefit evaluation functions (Lopes et al., 2022; Qatawneh, 2024). In light of both local and cross-national empirical data, the following study hypothesis is put forth:

H_1: *IT Committee has a positive effect on bank's NPM in Indonesia*

The Effect of ERP Adoption on on Net Profit Margin (NPM)

ERP implementation is positively connected with increases in net profit margins, according to a number of empirical studies. This is because ERP improves process efficiency, decreases work duplication, and expedites the financial reporting cycle, all of which lower operating expenses (Wulan, 2024; Pontoh, 2022). NPM increases following ERP adoption, according to research on manufacturing and service firms, particularly when top management backing and improved human resource capabilities are also present (Pranoto, 2023; Hasanah, 2024). Additionally, systematic research consistently shows that ERP improves data integrity and streamlines business processes, which boosts a company's financial performance (Gandasari, 2025; Sastrodiharjo, 2023). However, some studies claim that because of the early installation costs and user adaptation phase, the beneficial impact on NPM does not always show up right away in the short term (IJBS Petra, 2022; Ren, 2024). As a result, the advantages of ERP for NPM typically rely on corporate context and implementation considerations.

Empirical data has started to demonstrate that ERP can boost NPM in Indonesian banking and service

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firms if it is used in conjunction with robust governance and internal control systems (Pontoh, 2022; Wulan, 2024). Research on how ERP affects Indonesia's financial performance generally finds favorable outcomes (Putra et al.; Unair/JEBA 2024; Fransiscus, 2025). However, organizational preparedness and post-implementation benefit measurement are closely linked to the consistency of long-term benefits (Gandasari, 2025; Ren, 2024). There is a majority positive but conditional tendency towards NPM, according to a review of data from at least eight studies (Wulan, 2024; Pontoh, 2022; Pranoto, 2023; Hasanah, 2024; Gandasari, 2025; Sastrodiharjo, 2023; Ali et al., 2023; Fransiscus, 2025). The following theory can be developed based on the combination of these findings:
H_2: *ERP Adoption has a positive effect on bank's NPM in Indonesia*

Framework

The framework of thought in the research is shown in Figure 2.

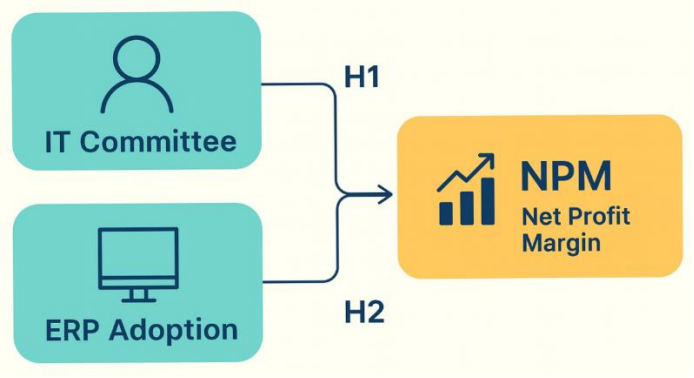

Figure 3. Framework Of Thought

RESEARCH METHODS

Population and Sample Method

The population under observation in this study consists of banks that were registered with the Financial Services Authority (OJK) as of December 2024. The method of sample selection used in this investigation is called purposeful sampling. Sekaran & Bougie (2016) state that samples obtained by purposive sampling are restricted based on specific categories that can yield the data required for study in compliance with several predefined criteria:

Table 1. Sampling Criteria

NO	SAMPLING CRITERIA	NUMBER OF COMPANIES
1.	List of banks that were registered with the OJK between 2022 and 2024	95
2.	Based on the information needed for the research variables over the 2022–2024 period, banking institutions release comprehensive annual reports	(11)
3.	Due to the fact that this study was conducted in Indonesia, financial institutions that submit their results in rupiah	(6)
	Number of Samples	**78**

Operational Research Variables

The operationalization of the three primary variables in this study are IT Committee, ERP Adoption, and Profitability. They are shown in Table 2. Using data from annual reports, public disclosures, and the OJK database, the IT Committee variable is measured based on whether the bank has an active IT committee.

Table 2. Operational Variables

VARIABLE	INDICATOR	SCALE	MEASUREMENT	DATA SOURCE	SOURCES
IT Committee (Dummy)	IT Committee status (1 = Bank has an active IT Committee; 0 = Bank does	Nominal	Dummy (0 or 1)	Annual reports, public disclosure, (OJK) database	(Elsayed, 2024); (Mazumder and Hossain, 2022)

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VARIABLE	INDICATOR	SCALE	MEASUREMENT	DATA SOURCE	SOURCES
	not have an IT Committee)				
ERP Adoption (Dummy)	ERP adoption status (1 = Bank has adopted (ERP); 0 = Bank has not adopted ERP)	Nominal	Dummy (0 or 1)	Annual reports, public disclosure, (OJK) database	(Ali et al., 2023; Kilic et al., 2022)
Profitability	NPM = (Net Income / Operating Revenue) × 100%	Ratio	Percentage (%)	Bank financial statements, OJK	(Nwankpa, 2022); (Schniederjans & Yadav, 2020)

Source: Processed Data (2025)

Data Analysis Techniques Statistic Descriptive
Research data can be described or characterized using descriptive statistical analysis. The independent and dependent variable's minimum value (min), maximum value (max), mean value (mean), and standard deviation are computed for this study. Summary of the distribution, patterns, and variances in the study's data is given by the analysis's findings.

Technique of Model Selection
Determine the strategy that best fits the features of the research data. The Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) are the three primary models that are frequently utilized. *The Chow Test*, *The Hausman Test*, and *The Lagrange Multiplier (LM) Test*, which determines to discover the optimal model. Wibowo (2025) highlights the significance of choosing the appropriate model in accounting research to prevent bias in the estimation results.

Classical Assumption Test
The heteroscedasticity test and the multicollinearity test are the most crucial classical assumption tests to take into account when processing panel data using EViews, according to Wibowo (2025), since both directly affect the validity of the regression results. Given the huge number of observations and the intricate structure of the data, normality and autocorrelation tests are seen to be less pertinent when dealing with panel data.

Multicollinearity Test
Finding correlations or links between independent variables in a regression model is the goal of multicollinearity testing. The Variance Inflation Factor (VIF) is a statistical measure used to identify multicollinearity. If the tolerance value is higher than 0.10 or the VIF value is less than 10, the model is considered multicollinearity-free.

Heteroscedasticity Test
The goal of the heteroscedasticity test is to ascertain whether the regression model exhibits variance inequality between different observations. The Glejser test is used to check for heteroscedasticity. The regression model does not show heteroscedasticity if the significance value is higher than $\alpha = 0.05$.

Regression Analysis
Simultaneous Test (F Test)
Finding out if the independent factors simultaneously have a substantial impact on the dependent variable is the goal of the F-test. This test is carried out by comparing the probability value (significance value) that appears in the estimation results with the F-statistic value produced from the EViews output. The independent variables taken together have a substantial impact on the dependent variable if the F-statistic probability value is less than $\alpha = 0.05$.

Coefficient of Determination Test (R^2)
The model's ability to explain variance in the dependent variable is evaluated using the coefficient of determination (R^2) test. The percentage of variance in the dependent variable that can be accounted for by the independent variables in the model is indicated by the R2 value, which is derived from the EViews output. The better the model explains the variation in the data, the closer the R2 number is to 1.

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Hypothesis Testing (Partial Test/t)
To ascertain if each independent variable in the regression model has a distinct impact on the dependent variable, the t-test is employed. The EViews program is used to perform this test with a confidence level of $\alpha = 0.05$. The analysis is carried out either by examining the probability value (p-value) or by comparing the t-statistic value from the EViews output with the t-table value. The independent variable has a significant partial impact on the dependent variable if the probability value is less than 0.05.

RESULT AND DISCUSSION

Descriptive Analysis

It is evident from the descriptive statistics from Table 3 that variable Y has an average value of 0.053, indicating that Y's value is typically within the range of 0.05. The highest observation in the research data is represented by the maximum value of 0.200000, and the lowest observation is represented by the minimum value of 0.018000. The distribution of Y data is comparatively modest around its mean value, indicating that the variation between observations is not very great, according to the standard deviation (Std. Dev.) value of 0.025005. This suggests that variable Y's performance is comparatively constant among all businesses seen during the study period. As a result, it may be claimed that the Y data is generally consistent and does not exhibit significant variances.

In the meantime, variable C, which has a mean, median, maximum, and minimum value of 1.000000 and a standard deviation of 0.000000, is a constant in the regression model. This requirement makes sense because variable C's value is constant across all observations because it serves as an intercept or cutting point in the regression equation. This variable is a component of the regression model structure that determines the location of the regression line on the vertical axis; it does not alter or vary between data points. Therefore, variable C does not provide any statistical variance in values; rather, it only facilitates the model's construction.

Due to their values falling between 0 and 1, the variables X1 and X2 represent dummy variable characteristics. While variable X2 has an average of 0.818182, which similarly demonstrates a tendency for values to be largely 1, variable X1 has an average of 0.933333, indicating that most observations have high values. The fact that both variables have a maximum value of 1.000000 and a minimum value of 0.000000 confirms that they are binary. X2 has slightly more variance than X1, according to the Std. Dev. values for X1 (0.250203) and X2 (0.386869). Overall, this suggests that Y is a continuous variable with a stable and quantifiable data distribution, whereas X1 and X2 are categorical variables used to describe specific circumstances in the model

Table 3. Descriptive Research Variables

Statistic	Y	C	X1	X2
Mean	0.054	1	0.933	0.818
Median	0.050	1	1.000	1.000
Maximum	0.200	1	1.000	1.000
Minimum	0.018	1	0.000	0.000
Std. Dev.	0.025	0	0.250	0.387

Source: Processed Data by EVviews 12 (2025)

Technique of Model Selection

The best method from the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) was chosen for this investigation using a model selection procedure. Three different types of tests are Chow, Hausman, and Lagrange Multiplier (LM) tests. It was used in stages of the model selection process. The Common Effect model and the Fixed Effect model were first compared using the Chow Test. According to the test results, there were no significant individual differences and the Common Effect model could not be rejected because the cross-section F probability value was greater than 0.05. The Fixed Effect and the Random Effect were then compared using the Hausman test. The Random Effect model is more suitable for use than the Fixed Effect model, according to the test findings, which revealed a probability value larger than 0.05. The Breusch-Pagan Lagrange Multiplier (LM) test was used as a last test to see if the Random Effect model outperformed the Common Effect model. The Random Effect Model (REM) is the best model for the panel data in this study, according to the LM test findings, which indicated a probability value of less than 0.05. Therefore, the Random Effect Model (REM) technique was used for additional regression analysis.

Classical Assumption Tests Results

Multicollinearity Test Result

Based on the test results in Table 4, the Centered VIF values for the independent variables ITC_X1 and ERP_X2 are 1.068. These values are well below the ten limit, which means that there is no multicollinearity between the independent variables in this regression model. Thus, the regression model used can be said to be free from

multicollinearity issues, so that the relationships between independent variables are independent of each other and suitable for further analysis.

Table 4. Multicollinearity Test Results (Variance Inflation Factors)

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.000	16.483	NA
ITC_X1	0.000	16.017	1.068
ERP_X2	0.000	5.873	1.068

Source: Processed Data (2025)

Heteroscedasticity Test Results

A probability value (Prob. F-statistic) of 0.545 and a probability value (Prob. Chi-Square) of 0.5403 were produced based on the test findings using the Glejser Test technique in Table 5, both of which are higher than the significance level of 0.05. These findings show that the regression model in use does not exhibit heteroscedasticity. As a result, the regression model satisfies the homoscedasticity assumption, which states that the residual variance between observations is constant. In terms of heteroscedasticity, this condition shows that the regression model has passed the traditional assumption test, indicating that the estimation findings are effective and appropriate for more study.

Table 5. Heteroscedasticity Test Results (Glejser Test)

Statistic	Scale	Probability
F-statistic	0.609	0.545
Obs*R-squared	1.231	0.540
Scaled explained SS	2.089	0.352

Source: Processed Data (2025)

Regression Analysis

Simultaneous Test (F Test)

The results of the simultaneous test from table 6 indicate a probability value of 0.420517 and an F-statistic value of 0.869527. It is decided to accept H_0 since the probability value is higher than the significance level of 0.05. This indicates that the dependent variable Y is not significantly impacted by the independent variables X1 and X2 taken together. To put it another way, the variation that happens in Y cannot yet be meaningfully explained by the combination of these two variables. This demonstrates that the connection between the variables cannot yet be adequately described by the regression model.

Table 6. Simultaneous Test (F Test)

Statistic	Scale	Statistic	Scale
R-squared	0.007	Mean dependent var	0.016
Adjusted R-squared	-0.001	S.D. dependent var	0.011
S.E. of regression	0.011	Sum squared resid	0.027
F-statistic	0.870	Durbin-Watson stat	1.214
Prob(F-statistic)	0.421	—	—

Source: Processed Data (2025)

A weak link between the independent and dependent variables could be the cause of the simultaneous test's unimpressive results. Another option is that Y is more heavily influenced by things outside the model. This suggests that variables X1 and X2 are not the primary determinants of changes in the dependent variable in the context of this study. As a result, both the variable selection and the observation time employed in this model need to be reevaluated. These outcomes might be enhanced by using a different econometric method or a model with more variables.

Coefficient of Determination Test (R^2)

Table 6 displays the findings of the coefficient of determination test. R-squared of 0.007472 indicates that only roughly 0.75% of the variation in variable Y can be explained by variables X1 and X2. Other factors not included in the model account for the remaining 99.25%. The model's poor explanatory ability is indicated by the Adjusted R-squared value, which is even negative (-0.001121). A weak correlation between the independent and dependent variables is indicated by a relatively low R2 value. Therefore, it can be said that the model is not yet

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representational enough to explain how variables actually relate to one another.

Hypothesis Test Result (t test)

The probability values for variables X1 and X2 are 0.1973 and 0.9770, respectively, based on the partial test results. Since both values are higher than 0.05, it can be said that each independent variable and Y do not significantly affect one another. This indicates that variations in X1 and X2 do not significantly affect variations in the dependent variable. The base value of Y is only described when X1 and X2 are zero, despite the constant coefficient (C) displaying a substantial value. As a result, this model cannot employ the independent variables as powerful predictors.

Table 7. Hypothesis Test Result (t test)

Variable	Coefficient	Std. Error	t-Statistic	Prob. (p-value)
C (Konstanta)	0.049413	0.005939	8.320534	0
X2	0.000101	0.003505	0.02881	0.977
X1	0.006923	0.005354	1.293046	0.1973

Source: Processed Data (2025

The poor correlation between X1 and Y and between X2 and Y may be the cause of these outcomes. These two variables may not have as much of an impact on Y as other factors outside the model. Furthermore, the little observation period could potentially hinder the major appearance of the association between variables. In the context of empirical research, this means that in order to get more accurate results, the model needs to be enlarged with more pertinent variables or a longer time period.

Discussion

The Effect of IT Committee on Net Profit Margin (NPM)

The analysis's findings indicate that Net Profit Margin (NPM) is not significantly impacted by the IT Committee variable ($p = 0.1973$). This result suggests that the profitability of Indonesian banks has not been directly impacted by the presence of IT committees. This is consistent with study by Khamees (2023) and Mulyana (2024), which indicates that if IT Committee is not in accordance with business strategy and organizational technology preparedness, it may not always have a financial impact. The committee's role is more administrative and supervisory than strategic because many Indonesian banks are still in the early phases of digital transformation. As a result, its actual impact on profit margins is still small and not yet statistically significant.

The fact that many bank's IT committees prioritize risk management and regulatory compliance over fostering innovation that boosts profits is one of the factors contributing to their lack of impact. Andi (2024) and Almaqtari (2024) claim that overly administrative committees often make conservative decisions that have no direct impact on profit development or operational efficiency. Additionally, a lack of collaboration with upper management prevents many of the committee's suggestions from being properly implemented. Because of this circumstance, the committee is less of a financial success driver and more of a symbol of governance. Its impact on NPM is therefore not statistically significant.

These outcomes could also be explained by limitations in committee members' technical skills and human resources. Mulyana (2024) and Khamees (2023) stress that member competency has a significant impact on the efficacy of IT governance. It is challenging for committee members to offer insightful suggestions on digital efficiency or innovation if they lack a thorough grasp of technology and business strategy. Additionally, a number of Indonesian banks continue to struggle with their IT budgets, which makes it difficult for strategic advice to be implemented as genuine initiatives. This indicates that the IT Committee's potential advantages have not yet been fully exploited.

Another important consideration is how prepared Indonesian bank's digital infrastructure is. According to studies by Almaqtari (2024) and Khamees (2023), the connection between IT governance and profitability will not become apparent until IT systems are developed and connected with business procedures. The influence of operational efficiency has not yet been realized in NPM since many banks, particularly regional and medium-sized banks, are still in the process of system integration. Additionally, IT committees are now more concerned with security and compliance than with increasing profits due to external factors like competition from fintech and digital banking. Because of this, it is challenging to see the immediate impact on profitability.

Overall, these findings support the idea that increasing bank profitability requires more than just having an IT committee. The quality of its execution, the proficiency of its members, the accessibility of infrastructure, and the backing of upper management all affect how effective it is (Mulyana, 2024; Almaqtari, 2024). These results are consistent with the current literature on IT governance, which highlights that in order to provide financial value, governance must be strategic and connected with business objectives (Khamees, 2023; Andi, 2024). IT

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committees can play a more effective role in promoting NPM development in the future by improving collaboration between committees, IT departments, and business management.

The Effect of ERP Adoption on on Net Profit Margin (NPM)

The findings of this study's regression analysis indicate that Net Profit Margin (NPM) in Indonesian banks is not significantly impacted by the implementation of Enterprise Resource Planning (ERP). This outcome is consistent with research showing that the complexity and resource needs of ERP deployment frequently do not directly lead to higher profit margins (Sastrodiharjo, 2023; Idrus, 2023). The transfer of technology adoption to financial outcomes in Indonesian banking may be restricted by institutional and technological constraints that are not yet fully developed. This implies that although ERP has been put into place, its effects on revenue or operational efficiency have not been substantial enough to significantly alter NPM. Therefore, short-term profitability gains cannot be ensured by ERP deployment alone.

Many banks may still be in the early phases of ERP system integration and have not yet attained the ideal levels of "use" and "reuse", which is one of the primary reasons why ERP and NPM do not strongly correlate (Sastrodiharjo, 2023; Idrus, 2023). According to research, in order for ERP as an integrated system to affect financial outcomes, it needs time, training, and business process adaption (Subanidja & Broto Legowo, 2019; Idrus, 2023). Process improvements in the banking sector are sometimes complicated and necessitate the participation of numerous organizational units, which lengthens the time it takes to see results. Banks may contribute very little to profit margins if they merely finish the system installation phase without changing their processes. Since many banks are still in the early stages of ERP deployment, this finding may not have had a substantial impact.

ERP may not have an immediate effect on NPM due to budgetary and IT resource limitations. Research on ERP adoption in Indonesia reveals that, despite the system's implementation, a lack of funding and managerial support are significant barriers to achieving its full potential (Subanidja & Broto Legowo, 2019; Idrus, 2023). ERP investments may still be expensive for Indonesian banks, and operating expenses have not decreased quickly enough to have an impact on profitability. It is nevertheless challenging to raise net margins in the absence of adequate expense reductions or revenue improvements. Therefore, for the advantages of NPM to materialize, banks must consider the whole cost of ERP ownership and organizational readiness.

The advantages of ERP on profitability are also constrained by the competitive landscape of Indonesia's banking industry (Adila, 2023). Internal efficiency needs to be considerably sharper in order to make a difference because of the growing pressure on margins brought on by the rise of digital banks and fintech (Setiawan & Prakoso, 2024; Yunita, 2023). According to research, for technology advancements like ERP to have an effect on financial performance, they must be paired with modifications to business models (Yunita, 2023; Sastrodiharjo, 2023). Since external factors like interest rates, credit risk, and regulations have an impact on bank profits, the impact of ERP is minimal if it merely increases internal efficiency without significantly altering income or expenses. As a result, this research's negligible findings might indicate that ERP has not yet been able to considerably alter the bank's operating model in order to affect NPM.

Additionally, the study's measurement indicator, NPM, might be less sensitive to identifying the immediate advantages of ERP. Numerous ERP studies assess operational performance (such as lead time and cost-to-serve) and identify impacts prior to the emergence of net profit gains (Idrus, 2023; Sastrodiharjo, 2023). With an emphasis on final margins, these variables can be impacted by numerous other factors, making the ERP signal difficult to see. For instance, studies conducted in Indonesia on digital banking reveal that technology significantly affects productivity, though not always profitability (Setiawan & Prakoso, 2024). Therefore, the time lag between system implementation and larger financial implications may potentially be the reason for ERP adoption's negligible impact on NPM.

Overall, this finding shows that the Net Profit Margin (NPM) has not yet benefited much from the implementation of ERP in the Indonesian banking industry during the observation period. This can be explained by a number of elements that are required for ERP to actually boost profit margins, such as budget and human resources, technological and process preparedness, competitive pressure, and the time needed to realize benefits. ERP has the ability to improve corporate performance, according to the research, but its financial advantages depend greatly on the environment and organizational context (Sastrodiharjo, 2023; Idrus, 2023). This indicates that in order to have an effect on profitability, ERP strategies for Indonesian banks must focus not only on system deployment but also on changing business models, processes, and pertinent metrics. Therefore, even though the study's findings are not statistically significant, this does not imply that ERP is worthless; rather, its advantages could not yet be apparent or quantifiable within the time span employed.

LIMITATIONS AND FUTURE RESEARCH

This study also has some methodological shortcomings that should be acknowledged. First, the model's low adjusted R^2 reveals that IT Committee and ERP Adoption explain only a tiny amount of the variation in NPM, suggesting that numerous financial, operational, and organizational factors influencing profitability were not

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adequately captured. In addition, the use of dummy variables for ERP Adoption may oversimplify the complexity of ERP adoption because it does not account for variances in system maturity, module coverage, integration depth, or user competence among different banks.

Additionally, the comparatively brief observation period makes it difficult to identify the long-term financial impacts of digital transformation projects, which usually take several years for system stabilization, organizational alignment, and capability development before quantifiable results appear. These limitations highlight the need for future research to employ longer observation windows, incorporate richer operational and digital capability variables, and utilize more nuanced measurements of ERP implementation to obtain a more comprehensive and accurate assessment of IT-related investments in the Indonesian banking sector.

CONCLUSION

The purpose of this study is to investigate how the IT Committee and ERP Adoption affect Indonesian banking organization's profitability as determined by Net Profit Margin (NPM). Regression study utilizing the Random Effect model revealed that NPM was not significantly impacted by any of the independent variables, IT Committee or ERP Adoption. The simultaneous test probability value indicates that these two factors alone are still unable to provide a meaningful explanation for the diversity in profitability changes. These findings show that the adoption of ERP and the existence of an IT committee have not yet had a major short-term financial impact. As a result, the efficacy of digital transformation and IT Committee in the Indonesian banking industry is still in its infancy and has not been fully integrated into business plans.

The IT Committee variable has a slight but favorable impact on NPM. This suggests that rather than serving as a catalyst for digital solutions that boost productivity and profitability, the establishment of IT committees in many Indonesian banks is still administrative in character, concentrating on compliance and risk mitigation. Additionally, the ERP Adoption variable has no discernible impact on NPM, suggesting that ERP deployment has not yet produced observable financial gains. Low efficacy in terms of profitability is mostly caused by factors like excessive implementation costs, inadequate human resource capabilities, and a lack of connectivity between ERP systems and important business processes. These two results demonstrate that organizational preparedness, management support, and a longer adoption period are necessary for digital transformation to be successful in Indonesian banking.

Based on the study's findings, it can be concluded that adopting ERP and implementing IT Committee did not considerably boost Indonesian bank's profitability throughout the observation period. These findings, however, do not imply that these two factors are insignificant; rather, they show that their advantages are still medium to long-term. As a result, banks must invest more in quantifiable and business-value-oriented information system infrastructure, boost digital human resource capabilities, and improve the connection between business plan and IT strategy. To get more thorough results, future researchers are encouraged to prolong the observation period and include additional variables including operational efficiency, cost-to-income ratio, and digital maturity. This strategy is anticipated to make the contribution of ERP and IT Committee to the profitability of Indonesia's banking industry more apparent.

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