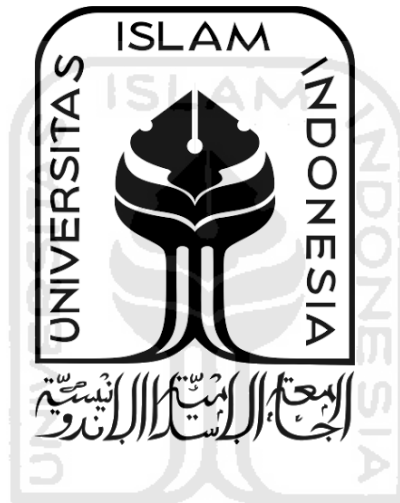


**THE ASSOCIATION BETWEEN BOARD OF COMMISSIONER
CHARACTERISTIC AND FIRM PERFORMANCE
(EVIDENCE FROM MINING COMPANY IN INDONESIA)**

A THESIS

Presented as Partial Fulfillment of the Requirements to
Obtain the Bachelor Degree in Accounting Department



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INTERNATIONAL PROGRAM
ACCOUNTING STUDY PROGRAM
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UNIVERSITAS ISLAM INDONESIA

2020

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CHARACTERISTIC AND FIRM PERFORMANCE
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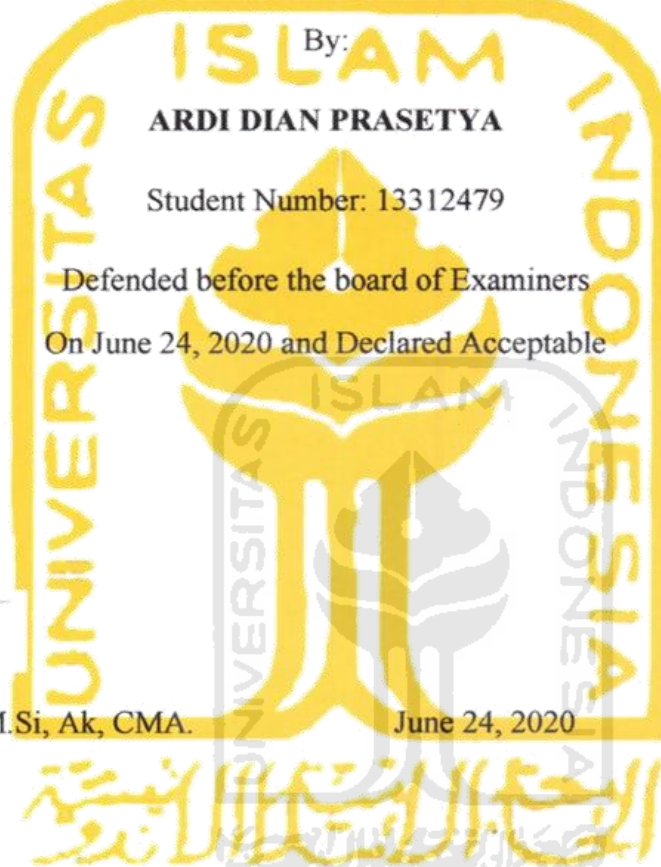
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A BACHELOR DEGREE THESIS



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DECLARATION OF AUTHENTICITY

Herein I declare the originality of the thesis; I have not presented anyone else's work to obtain my university degree, nor have i presented anyone else's words, ideas, or expressions, without acknowledgement. All quotations are cited and listed in bibliograpy of the thesis.

If in the future this statement is proven false, I am willing to accept any sanction comlyng with the determined regulation or its consequences.

Yogyakarta, November 10, 2020



Ardi Dian Prasetya



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Assalamualaikum Wr. Wb.

Alhamdulillah Rabbil'aalamin. All praise to Allah *subhanahu wa ta'ala* for enlighten me with religion of Islam and beloved prophet Muhammad *shallallahu'alaihi wa alaa alihi wa sallam* for guiding me to the way of the truth in understanding the religion of Islam for guiding to the way of truth in understanding the religion of Islam, hence this thesis could be finished. Finally, I could finish my thesis entitled "**The Association between Board of Commissioner Characteristic and Firm Performance (Evidence from Mining Company in Indonesia)**". I realize that this thesis would not have been possible without persistent help, trust, and support of those people surrounding me. In this occasion, I would like to say thank you for:

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ABSTRACT

The existence of corporate governance becomes one of the factors that can be used to measure the condition of the company in management point of view. Board of commissioner is one of the example from the component of corporate governance that has a huge influence in the company as a decision maker, as a result the decision that commissioner chose will influence the performance of the company in the future. This research aims is to analyze the association between board of commissioner characteristic and firm performance, specifically to test the association of commissioner size, Independent commissioner, board meetings, gender diversity, commissioner education, and foreign commissioner on Return On Assets. The research used data from annual report from 28 mining company that listed in Indonesia Stock Exchange in the period of 2014-2017. The result showed that commissioner size, independent commissioner, and commissioner education were positively associated with firm performance or ROA, whilst commissioner meetings were negatively associated with ROA. On the other hand, gender diversity and foreign commissioner did not have an effect on ROA.

Keyword: Commissioner Characteristic, ROA, CS, IC, CM, GD, CE, FC

ABSTRAK

Keberadaan tata kelola perusahaan menjadi salah satu faktor yang bisa digunakan untuk mengukur kondisi suatu perusahaan dalam sudut pandang manajemen. Salah satu unsur tata kelola perusahaan adalah komisioner yang mempunyai peran penting dalam menentukan keputusan, sebagaimana hasilnya keputusan yang diambil oleh komisioner akan mempengaruhi performa perusahaan di masa depan. Penelitian ini bertujuan untuk menganalisa asosiasi antara karakteristik komisioner dan performa perusahaan, secara khusus asosiasi antara commissioner size, independent commissioner, board meetings, gender diversity, commissioner education, dan foreign commissioner terhadap ROA. Penelitian ini menggunakan data yang bersumber dari laporan tahunan 28 perusahaan tambang yang terdaftar di Bursa Efek Indonesia dalam periode 2014-2017. Hasil yang diperoleh dari penelitian ini menunjukkan bahwa commissioner size, commissioner independent, commissioner education berpengaruh positif terhadap ROA, sedangkan commissioner meeting berpengaruh negatif. Di sisi lain tidak ditemukan asosiasi antara gender diversity dan foreign commissioner terhadap ROA.

Kata Kunci: Karakteristik Commissioner, ROA, CS, IC, CM, GD, CE, FC

CHAPTER 1

INTRODUCTION

1.1 Research Background

Corporate Governance becomes one of the popular discussion in the economic aspect, especially in the company survivability. Company can survive in the tough business competition if they can generate income more than their expenses, that was the basic principle in economic. But, how can the company generate their revenue and how can they keep survive in the competition? they must have some kind of rule and regulation. The rule and regulation or known as standard is based on the management quality to control and monitor the company activity to achieve their goals and to take a corrective action when the business goes off track. There are many company that still can generate revenue but then again their company suddenly collapse and go bankruptcy because they have poor management quality. To prevent that, a good management control is needed. In this era, the focus was more on the management control, as a result we know the term of good corporate governance. Corporate Governance is needed to create a corporate culture of consciousness, transparency, and openness. It enables a company to maximize the long term value of the company which is seen in terms of performance of the company (Gupta & Sharma, 2014). So a good corporate governance is needed to maximize and enhance the company performance.

Corporate Governance can be used to indicate the performance of the company. How a company can control and monitor their activities so they can obtain good performance. The implementation of a good corporate governance can be explained by comparing the assets and equity of the company in some period of time. Even though the relation between corporate governance and firm performance does not directly related, but they are the one that monitor and control the company so they can generate revenue and how the company must use their assets and equity is based on the management decision. The parameter for corporate governance are board constitution, board of structure, different committees, independent board and their roles. Corporate governance practices have limited impact on the shares prices of the companies and on their financial performance (Gupta & Sharma, 2014).

The Issues Related to corporate governance is more emphasized after the financial scandal such as Enron and WorldCom happened. In the Enron case, the company actually lost almost 600 million USD but they reported it as a profit. It happened because there were conflicts of interest between the board of director and this case happened because the involvement from the top executive from enron. It can be concluded that Enron company even though they are a big and famous company, they had a bad corporate governance or management control tht will lead into chaos. A measure is needed and need to be regularise by the companies to prevent future scam (Gupta & Sharma, 2014). In Asia, the issues of corporate governance is more emphasized after the Asian Financial crisis in 1997. In Indonesia the crisis happened in 1998 under president Suharto. Because of this crisis many company in Indonesia

collapse and go bankruptcy. After that problem, Indonesia make a regulation about the matter related with the corporate governance through the Minister of Finance, Capital Market Supervisiory Agency and Financial Instituion (BAPEPAM-LK), Indonesia Stock Exchange, and Bank Indonesia (Oviantari, 2011).

There are many researchers who conduct a research related with the board of commisioners' charcateristics. In Indonesia there are some researchers who already conduct a related research; they are Darmadi (2011), Kusumawati & Hermawan (2013); Pudjiastuti & Mardiyah (2007) and Suhardjanto et al. (2017). There are also many researcher across country who did the related research, they are Bathula (2015); Ghabayen (2012); Johl, Kaur, & Cooper (2015a); Obaretin (2015); Saaksmaki (2015); Lamers (2016). Generally most of previous researcher stated there are some independent variables that can influence the firm performance especially from board of commisioners composition. They are Board size, board independence, audit meetings, board meetings, age, education, nationality, gender diversity, and experience.

Previous study shows that the firm performance affected significantly by the number of commisioners (Bathula, 2008; Johl, Kaur, & Cooper, 2015; Makhoulf, 2017; Obaretin, 2015; Pudjiastuti & Mardiyah,2007.). Firm performance also significantly affected by the number of independence commisioners (Amran, 2017; Makhoulf et al, 2017; Obaretin, 2015; Veklenko, 2017). The other significant variable is the numbers of commisioners meetings that had been held in a year (Bathula, 2008; Johl et al., 2015; Makhoulf et al, 2017; Obaretin, 2015). Presence of woman become one of the

significant variable that has great impact on firm performance (Bathula, 2008; Darmadi, 2011; Pudjiastuti & Mardiyah, 2007.; Suhardjanto, 2017.; Taghizadeh & Saremi, 2013). Commissioners age also have a significant association with the firm performance (Darmadi, 2011; Horváth & Spirollari, 2012; Suhardjanto, 2017). The other important variable that have significant association with firm performance is commissioners education (Bathula, 2008; Phan, 2016; Suhardjanto, 2017) . The last variable that have significant association with firm performance is nationality (Darmadi, 2011; Suhardjanto, 2017.; Lamers, 2016). However from the previous research, there are some inconsistent result from one researcher to another researcher that effect the firm performance (Cabrera-suárez & Martín-santana, 2015; Garcia-torea, Fernandez-feijoo, & De, 2016; Mohamed, Ahmad, & Khai, 2016). They stated that the internal mechanism of corporate governance and firm performance is significantly related but not significant according to Di (2016); Villanuela and Rivo, & Lago (2016).

There are 6 independent variable that we will used in this research. The first variable is Commissioner size. Some of researcher that used this variable are (Bathula, 2008; Darmadi, 2011; Johl, Kaur, & Cooper 2015; Pudjastuti & Mardhiyah, 2007; Makhlof et al, 2017). Government must take the initiatives to strengthen the board structure and composition in order to create a good dynamics of board discussion (Johl, Kaur & Cooper, 2015). From agency theory perspective, large board can make coordination and decision making more complex and difficult and reduce the efficiency and performance, as a result there will be an increased in difficulty in obtaining agreement regarding decision making (Makhlof et al., 2017)

The second variable are Independent Commissioners. Some researcher that used this variable are (Amran, 2017; Makhlouf et al., 2017; Obaretin, 2015; Veklenko, 2017). independent commissioner being financially independent of management will give free of bias in opinion. It will also protect the right of shareholder, mitigation of agency problem and provide monitoring in the best form to manage the firm resources (Makhlouf et al., 2017). Independent commissioner represented by the number of indeoendent commissioner in contrast to its total member. Independent commissioner can be source of mental resources that contibute to over performing competitor and having higher return. Independent commissioner also care about their reputation and put much effort to improve it, because of that independent commissioner tend to provide unbiased opinion and will provide their extensive knowledge (Vaklenko, 2017)

The next variable is commissioner meetings. Some researcher that used this variable are (Bathula, 2008; Johl et al., 2015; Makhlouf et al., 2017; Illaboya & Obaretin, 2015). Johl, Kaur, & Cooper (2015) stated that from their study in malaysian stock exchange there is negative relationship between meetings and firm performance, it is mean that the less frequent meeting will result in meaningful decision. The goals of the meetings is to discuss the firm situation, any matter and issues that will arise, or any new sugestion that will usefull for the company. board meetings frequency is positively related to the firm performance (Makhlouf et al., 2017).

The next variable is about gender diversity, it is about the existence of female commissioner in the board. The researcher that used this variable in their research are

(Bathula, 2008; Darmadi, 2011; Pudjiastuti & Mardiyah, 2007.; Suhardjanto et al., 2017.; Taghizadeh & Saremi, 2013). Suhardjanto et al. (2017) stated that board structure with gender diversity is likely to cause issues or question that will not arise in the board with traditional characteristic, the diversity will cause the board structure to be more active, it is also stated that woman generally have detailed ideas regarding decision making process. Female commissioner can drive teamwork and decrease attendance problems in board meetings (Pudjiastuti & Mardiyah, 2007)

The next variable is commissioner education. This variable is defined by comparing the number of commissioners member with undergraduate degree, master degree, & doctorate degree with the total number of commissioners. The researcher that used this variable in their research are (Bathula, 2008; Phan, 2016; Suhardjanto et al., 2017). Education background has a vital role in improving firm performance, it is to be expected that company will be selective in their recruitment process so that they can get the best candidate (Suhardjanto et al., 2017). The reason that educational background is important because it is as a proxy for intelligence and expertise, more intelligent board will be able to give better strategic guidance to the management which will impact positively on the firm performance. The other reason is that more highly educated commissioners are more likely advise sophisticated methodologies to improve firm performance (Phan, 2016).

The last variable is foreign commissioner. Foreign commissioner indicate the existence of commissioner from abroad. The researcher that used this variable in their research are (Darmadi, 2011; Suhardjanto, 2017.; Lamers, 2016). The advantages of

hiring foreign commissioner is to bring international experience into the board (Suhardjanto et al.,2017). Another reason why the companies need foreign commissioner is to increased their connection so in the future there will be no issues if the company need some opinion and help if the business in danger of bankruptcy.

Based on previous study, the inconsistent result from one researcher to another researcher happened because the sample they use narrowly categorized and in different category, the method they use varies among researcher that resulting in difference correlation. Another reason why there are inconsistent result because the condition and system that companies adopted was different in each nation. As suggested by Puspitaningrum & Atmini (2012), they separately explained the relation of each variable, and as suggested by Mohamed et al. (2016) to use other indicator because there are other indicator that can be used to explain firm performance such as EPS and tobin q.

From the explanation of the background above the researcher is interested to do research about the problem with the title “The Association between Board of Commissioner Characteristic and Firm Performance (Evidence from Mining Companies in Indonesia)”.

1.2 Problem Formulation

Most of companies have the ability to manage their activity, one of the ability is by utilizing the perfect strategy that integrated with the company’s characteristic so they can survive in tough business competition. The common strategy they use is by enhancing the company’s performance. There are many ways to enhance the company

performance such as by using the management control. Many company becomes bankruptcy not because they cannot gain profit but because there are some error and trouble within the management that impact the company as a whole organization. As a result issues will occurred not only on the company itself but also impacting the relation with the customer and outside party.

Commissioner is one of the board that manage and observe and it is also becomes the decision makers of the company Board of Commissioner also conduct monitoring role on the management (Darmadi, 2011). The commissioner's decision can bring the company to flourish or sometimes it will bring issues that will become a nightmare to the company. Those issues will result in company performance and sometimes it leads into company's bankruptcy. Issues happened because of many causes, some of the examples are because the different in opinion and bad strategy choices. Different opinion among commissioners happened because each of them have their own thinking and perspective. For example, commissioners that have economic education will have different strategy with the commissioners with military education. Those will result in different opinion and sometimes they cannot agree with each others. As a result, it will impact the decision making and impact on the company's performance.

Based on the explanation above, problem formulation in this research are as follow:

1. Is there any association between commissioner size and company's performance?

2. Is there any association between Independent commissioner and company's performance?
3. Is there any association between commissioner meetings and companys' performance?
4. Is there any association between gender diversity and company's performance?
5. Is there any association between commissioner education level and company's performance?
6. Is there any association between foreign commissioner and company's performance?

1.3 Research Objective

Research objectives of this research are:

1. To analyze the influence of the number of commisioners on company's performance.
2. To analyze the influence of independent commisioners on company's performance.
3. To analyze the influence of board meetings on company's performance.
4. To analyze the influence of gender diversity on company's performance.
5. To analyze the influence of commisioners education on company's performance.

6. To analyze the influence foreign commissioners toward company's performance.

1.4 Research Contribution

1. Theoretical Contribution

The research on the effect of commissioners characteristic on the company's performance is still so rare and required to be examined in order to include more references in related topics. Therefore, this research hopefully will become one of the references that can be used by future researcher as a comparing object to enhance the relevancy and to develop a related research in order to generate relevant information regarding commissioners characteristic and company's performance.

2. Practical Contribution

This research generally describes information about commissioners characteristic on Return on assets of mining companies in Indonesia. From the previous research, most of them describe the board of directors and rarely explain board of commissioners. This is the reason why the importance of commissioners board will enhance the company's performance and need to be explained in detail. It is expected that the uniqueness of this research can increase the understanding of board governance practice in Indonesia, especially board of commissioners.

1.5 Systematic of writing

Sytematic of writing in this research are divided into 5 structure:

CHAPTER I : Introduction

CHAPTER one is an introduction that explains research background, problem formulation, research objective, research contribution, and sytematic of writing.

CHAPTER II: Literature Review

CHAPTER two is a literatutre review that elaborates basic theory, previous theory, hypothesis development, and conceptual framework .

CHAPTER III: Research Methodology

CHAPTER three is a research method that explains about the population and sample, research variable, data analysis method, and data analysis technique that will be used in the research.

CHAPTER IV: Data Analysis and Discussion

CHAPTER four is about the result of the reserach and data analysis that will elaborate the hypothesis testing from the generated hyothesis and it will discuss it in associated with the existing theory.

CHAPTER V: Conclusions and Suggestions

CHAPTER five is about the counclusion that will cover and explain the result from the analysis, research limitation, suggestion, and research implication.

CHAPTER II

LITERATURE REVIEW

2.1 Agency Theory

In the modern economy, there are separation of duty between corporate ownership and the management or corporate governance. This separation is based on the agency theory that stated the importance of the company ownership to trust and give the authority for management control to the professional agent that understand how to operate daily life of the company.

Agency theory becomes the most popular theory that been used by the researcher in their research related to the corporate governance. This theory is based on the idea about the relationship between principal and agent of business. In this case, the principal is the shareholders and agent of business is company management. Agency theory has the point of view in which the management decision will contribute in achieving company goals. According to agency theory, non-executive directors can play a key role in monitoring management performance (Darko, Aribi, & Uzonwanne, 2016). In company, there will be some issues that will occurred. The issues may occur from inside and outside the company. One of the issues that occurred from the inside is when there is a conflict of interest between company management and company shareholder, we call it agency problems. Agency problems come from the divergences

of interest between shareholder and managers and result in a loss of value to shareholder (Issarawornrawanich, 2015). This theory is used because usually the shareholder wants to get their dividend but according to the management decision the dividend will not be shared because of the company condition, as a result conflict of interest occurred.

Jensen & Meckling (1976) stated that conflict that happen between the principal and the agent causing a agency cost from the monitoring cost from the principal. There will be a cost that the owner of the company must be settled. There are some threats from the conflict of interest between the agent of the company and the principal of the company that lead into agency cost. They are the following:

1. The cost that occurred because the supervision and management from the agent does not implemen effectively and efficiently.
2. Monitoring cost, the cost that must be settled by the company because the need of evaluation in the company performance. It is including the cost of making many report that need to be presented periodically.
3. Bonding cost, the cost that must be settled by the directors as an agent and an effort to ensure the stakeholder that the management did not abuse their authority given to them.

Relationship between stakeholder and management give a whole description about agency relation. Management as a supervisor of the company has more

information about internal condition and future prospect rather than stakeholder. Because of that, as a supervisor, management have an obligation to report the company condition to the stakeholder.

Not every information that come from the management report is true. Sometimes the information is not appropriate with the actual condition of the company. This invalid information gives an opportunity to the management of the company to act based on their own interest. This condition will have consequences on the bad corporate governance because there are no openness from the management to report their performance for the stakeholder.

Based on the explanation above, a company need a good corporate governance system that have an objective to encourage the openness of the supervision in the company so that stakeholder have an opportunity to review and conduct the correct decision for the sake of the company. It is also as a valuation to conduct the effectiveness and efficiency of the judgment from the management.

2.2 Resources Dependency Theory

A more diverse board might have more access to different resources, a more diverse group is able to understand the costumer group because it has different insights (Diepen et al.,2015). This theory is based on the idea that how external factor can enhance the performance of the company. External factors in this area include the recruitment of the board such as, the member from foreign country, from non related

industries, etc. The basic assumption of this theory is that the company depends on the resources they have, more resources means more power that can be used to enhance the company. Company can survive in tough business competition if the company has more resources than the others.

According to Adika et al. (2018), resource dependency theorist argued that board are vehicle for coopting important external organization. An implication of resource dependency theory, explained that each board member may bring linkages and resources to the board. The resources in this case was more specifically in the context of their experience and their status. The example of resource dependency is the employment of foreign expert. By employing foreign expert, the company will gain more knowledge that can be use to establish their strategies. The knowledge from foreign expert will be different from the local expert and as a result it will be increase the amount of idea from many different perspective that can be used to enhance the quality of firm performance. The other aspect from foreign expert is their status. Their status as a foreign will increase company connection with the other. The existence of foreign expert in the company will at least make the company broaden their horizon in scope of connection because foreign expert basically will have many connection in their original country and it can be used to bridge the connection between a company and country and one of the good things that company can get is the investment from foreign investor.

From the explanation above, a company needs a good corporate governance system that have the objectives to encourage the idea from different perspective that can be used to enhance their performance and to encourage the foreign investment. Thus, the company will survive in this tough business competition.

2.3 Corporate Governance

To maintain company survivability in the tough business competition, the company must have an ability and strategy that is integrated with the company's characteristic. Most of company focusing on how they can get enough customer in strategy so their company can survive. CRM (Customer Relationship Management) become one of the favorite strategies. The companies needs to make efficient use of CRM in order to gain positive performance outcome (Alshahrani & Alsadiq 2014). However, to maintain company survivability focusing on the customer is not the only way. Another way is by focusing on the company corporate governance. Corporate governance has a huge impact on the firm performance. Firm performance becomes one of the aspects or indicators that indicates the company ability to survive. Corporate governance indicate the mechanism, processes and relations which corporation are controlled and directed. A high quality of corporate governance practices is important for a sustainable development of an economy (Armstrong & Guay, 2014). In Malaysia, the relationship between corporate governance variable and firm performance is found, the impact of board of directors characteristic and diversity

on firm performance is useful for policy makers of corporate governance (Taghizadeh & Saremi, 2013).

A company without corporate governance is like a person without a persona. The company will just focusing on how to get the profit without considering about the company condition. Effective corporate governance is essential if a company wantsto achieve their strategic goals. Basically, corporate governance is a combination of various mechanism. Usually internal mechanism and external mechanism is the main combination in corporate governance. Internal mechanism monitors the progress of the company and take corrective action when the company or business goes off track. There are many tools to indicate the corporate governance practices in company, such as ownership structure, board meeting, and audit committee (Mohamed, Ahmad, & Khai, 2016). The other combination is external mechanism, external mechanism is controlled by the outside of an organization and serve the objectives of the entities such as regulators, government, trade union, etc. In this research, the researcher focused on commisioners characteristics and explained the association between commisioner characterisitc and firm performance. The structure and composition of board has an effect on the firm performance (Villanueva, Rivo, & Lago , 2016). To measure their performance in period of time, a company needs some kinds of standard and some kinds of comparison. Financial performance is one of the standard to measure the performance of the company. It measure how the company can use assets from their primary business and how they can obtain revenue. It can also be used to measure the

company overall financial health. Usually, the company will measure it in some period of time and compare it every year. Another standard that the company will use is the performance from the other similar company because it can be used to measure performance.

Good Corporate Governance (GCG) is a rating factor for the management of the company for its implementation of GCG principal that has been recorded in the PBI GCG. The determination of GCG system is based on 3 aspect. They are (1) Governance structure, it is the governance adequacy of structure, process, and the result from the application of GCG, (2) governance process that consist of the implementation of risk management, implementation of audit intern and extern, and strategic planning, and (3) governance outcomes that consist of the information that have relevant relation with GCG such as, the tranparation condition of economic and non-economic, the report on the impementation of GCG, and internal report.

Corporate Governance is a concept from the agency theory. Its function is as a tool to ensure the investor that they will receieve a return from their fund in the company. Aspect of the GCG consist of tranparation, accountability, responsibility, independency, fairness, commitment, competition, mission, leadership, and strategy. In the mining companies, the concept of GCG has been impemented from the top management and the employer, and the company already made GCG as the company culture.

2.4 Types of Board in Indonesia

There are 2 types of board in Indonesian corporate governance, it is board of directors and board of commissioners. Under the two-tier system, the board of directors and the board of commissioners exist side by side. The board of directors conducts the day-to-day management of the company, while the board of commissioner conducts supervisory functions. For the purpose of monitoring the company's management, the members of the company are obliged to elect a supervisory board. The supervisory board also acts as an independent body and its members may not be instructed in this capacity by shareholders or by the employer. Every nation adopt one of those two. It depends on the condition and circumstance of the nation. Indonesia dopt two-tier board system. This structure system is also adopted in country such as Germany and England. According to the Law, corporations shall have two boards in their organizational structures, namely Dewan Komisaris (“Board of Commissioners” or “BOC”) and Dewan Direksi (“Board of Management” or “BOM”). Members of BOC and BOM are elected by shareholders in the shareholders’ general meeting. BOM conducts the day-to-day management of the firm, and is headed by a president director. It is responsible to both shareholders and BOC. BOC, which is headed by a president commissioner represents shareholders and conducts monitoring role on the management. Therefore, the function of BOC is merely non-executive. Its members may be affiliated to the firm (non-independent) or from outside the firm (independent). Each of BOC and BOM has its own members, so that overlapping membership is not permitted. Hence, in two-tier

board structure, there is no role duality between the chief executive officer (CEO) and the chairman, a debatable issue in unitary board structure (Darmadi, 2011).

From the previous explanation, we know that there are 2 types of board system, one-tier board system and two-tier board system. There are big differences on variable in one-tier board system and two-tier board system. This research solely focused on two-tier board system because the sample used was from Indonesia and Indonesia adopts two-tier board system. Basically in two-tier board system there are two separate board and each board have their own purpose and function. Those two boards are Board of commissioner and board of directors. One person can only be the member either board of commissioner or board of director. In two-tier board sytem they cannot become the member of the board of commisioners and board of directors. According to the Law, corporations shall have two boards in their organizational structures, namely Dewan Komisaris (“Board of Commissioners” or “BOC”) and Dewan Direksi (“Board of Management” or “BOM”). Members of BOC and BOM are elected by shareholders in the shareholders’ general meeting. BOM (Darmadi, 2011).

Board of directors is a group of people that have been selected to represent shareholder. The function and purpose of this board is to establish policies for the corporate management and make decision on company problem. Board of directors also keep an eye on the activities of the company. Every public company must have the board of directors. The effectiveness and efficiency in structuring the board is very important for the sake of company survivability. The number of directors in each

company is different and each year there are turnover of the directors. Those turnover happened due to the effectiveness and quality on how to maintain the company stability. The decision from the board of directors can influence the company as a whole and it will effect the firm performance. Moreno, Gomez, & Lagos (2017), in their study of corporate governance among Colombian firms, the optimum Board of directors number is between 6 and 10 member. This result is consistent for ROA as well as ROE. That amount cannot become the standard because the condition between Indonesia company and Colombian company are different. The researcher who used this in their research are Horváth & Spirollari (2012); Johl, Kaur, & Cooper (2015); Makhoulf (2017); Phan (2016); Gomez, Betancourt, & Lagos (2017); and Yasser, Mamun, & Rodrigs (2017). The negatives value of correlation coefficient with ROA indicated that there is weak negative correlation between board of directors size and ROA. Smaller boards are more likely to reach consensus and allow members to engage in genuine debate and interaction. Board of directors size is insignificant with tobin q (Makhoulf, 2017). It is totally different with the other researchers who use same variable. Most of them in their research result in negative significant correlation with firm performance. It is indicated that smaller board of directos size can lead to a better firm performance.

2.5 Board of Commissioners

There are many indicators that will affect the result of the financial performance of the company. One of the indicators is the presence of the board, especially board of

commissioners. Board of commissioner has a function to supervise management policies. Board of commissioner also responsible for overseeing the management of the company by the board of directors. To fulfill the duty, the board of commissioners communicates frequently with board of directors and the committees under its supervision through meetings and reports. BoC also advise BoD member on management matters. The BoC has the authority to suspend any member of the BoD who violate the provisions of the article of law. BoC must report to the general meetings of shareholder because Shareholders are the owners of the company and thus at the highest position in the hierarchy of decision-making, not many researcher using board of commissioner as the variable in their research. Board of commissioner has a positive relationship with firm performance, in Indonesia the average number of board commissioner size is four people per board. Further, larger number of independent commissioner provides problem solving, more strategies and critical judgement (Amran, 2017). According to Sukmono & Yadiati (2016), board of commissioners have positive effect on the financial reporting quality. The proportion of the member in the board of commissioner have no effect on mining corporation performance in Indonesia and Pakistan (Suhardjanto et al., 2017). Structure and composition of the board has an effect on the company performance under adverse economic condition (Villanueva, Rivo, & Lago , 2016).

Having a good corporate governance is very important because it means the company will work more effective and efficiently but having a good corporate

governance will not guarantee the company will have a good firm performance. So, it does not always mean that good corporate governance will lead to a good firm performance. One of the corporate governance mechanisms is board of commissioners. Commissioners have rights to decide company's strategy. Commissioners also act as decision maker for the company. The decision that commissioners decide must in line with the company goals and consider the shareholder desire. So, the decision and that been made will have impact on the company activity and it can both enhance the performance or reduce the performance. There are many previous study that already conduct a research regarding the effect of board commissioner's characteristic on the firm performance. They are Hidayat & Utama (2003), Pudjiastuti & Mardiyah (2007), Bathula (2008), Darmadi (2011), Horvath & Spirollari (2012), Lamers (2016), Amran (2016), Phan (2016), Makhoul et al. (2017), Suhardjanto et al. (2017). Most of the previous researcher stated that there are some several independent variables that will influence the firm performance especially from the commissioners characteristic, such as: the number of commissioners, the number of independent commissioners, commissioners meetings, gender diversity, education, & nationality.

2.6 Firm Performance

In the measurement of firm performance, there are some variables that can be used such as ROA, ROE, Tobin q, net profit margin, etc. Actually for ROA and ROE is some types of measurement, hence it only used ROA. For the dependent variable that used to indicate the firm performance is Return on assets (ROA). ROA is

accounting based measurement and it reflects backward looking information. ROA indicated the company profitability by measures how many amount of profit the company can earn in relations to its overall resources. Some of researchers that use this variable are D (2016); Garcia-torea, Fernandez-feijoo, & De (2016); and Mohamed et al. (2016). ROA becomes the main indicator to measure the firm performance, most of previous researcher use this variable.

2.7 Hypothesis Development

Board of commisioners main purpose is to monitor company's activity and act as decision maker for the company. Commissioners also has the obligation to report the condition of the company to the shareholder. Each of company has different number of commisioners. It usually depends on the company policies and condition. Some company have a larger size of commisioners because it can help to gather more information and discuss more openly. The larger size of company also indicates that there will be more strategies that can be implemented by the company because every member of commisioners will have their own experience and it can help the company to grow. Board of commisioner has a positive relationship with firm performance. In indonesia, the average number of board commisioners size is four people per board. Further, larger number of independent commissioner provides problem solving, more strategies and critical judgement (Amran, 2017). According to Sukmono & Yadiati (2016), board of commisioners have positive effect on the financial reporting quality. The proportion of the member in the board of commisioners have no effect on mining

corporation performance in Indonesia and Pakistan (Suhardjanto et al, 2017). Government must take the initiatives to strengthen the board structure and composition in order to create a good dynamics of board discussion that will lead into better performance (Johl, Kaur, & Cooper, 2015). According to Makhlouf et al (2017), larger board are not effective as they tend to be symbolic instead of being part of the actual management process. In other way, a smaller board will lead in better performance because the discussion between commissioners member is not hard as in the larger board. Smaller board also indicate that the decision making process will be a lot faster because the conflict of interest in smaller board relatively small. Result from the previous study indicates positive relation between board of commissioners size and firm performance. This variable also in line with the agency theory because the higher number of commissioners will encourage the openness of the supervision and monitoring in the company. Thus, the hypothesis is generated as follows:

H1 : There is positive association between the number of commissioner and firm performance.

According to Veklenko (2016), the term of board independence is represented by the number of independent commissioners in contrast to total number of board member. Independent commissioners included the absence of any ties with company's business and its major shareholder. The independence of board commissioners need to be reviewed to ensure the effectiveness while the minimum proportion and qualification requirement of independent commissioners must be adjusted

(Hermawan, 2011). According to Amran (2016), the larger number of independent commissioners provide unbiased point of view and bring experience that cannot be found among the internal member. Independent commissioners also provides problem solving and more strategies that can be used to enhance company performance. Commissioners that stay for a long time in the company could build a strong relationship with the directors. As a result, it will have impact in decision making process regarding the company performance. According to Obaretin & Ilaboya (2015), board independence was found positively associated with the firm performance but statistically insignificant having reported at certain condition and time. This result is supported by Pudjiastuti & Mardiyah (2007) who also shared similar hypothesis with different dependent variable and result on positive association. This variable was supported by agency and resources dependency theory, independence commissioners will provide more insight and knowledge that can be use to enhance company performance, we can catogarized independent commissioners as a external factor. Thus, the hypothesis is generated as follows:

H2 : There is positive association between Independent Commissioner and firm performance.

Board meetings are categorized as the number of meetings that commissioners attend in a year. Company conduct a meetings to discuss the condition and strategy that will be implemented by the company. The meetings also act as decision maker and prevent the problem that will happen with current issues. Board meetings were not

necessarily due to the limited time non-executive spend with the company and consider such time could be better utilised for a more meaningful exchange of ideas within the member of company (Vafeas, 1999). According to Obaretin (2015), company need to cut down on the waste of resources on too frequent board meetings. This result is supported by Johl et al. (2015) that stated the more frequent the board meetings have impact on an inverse effect firm performance, a negative relationship between board diligence and financial performance. The implication of the finding is that less frequent but meaningful meetings should be encouraged. An increase on board meetings channeling hard earned resources from productive to unproductive activities. Board meetings should be less frequent to avoid unnecessary wasting of quality time and effort. According to Bathula (2008), board meetings are negatively related to firm performance, board meetings are beneficial in the case of firms that have larger boards. In addition, Makhoul et al (2017) also shared similar hypothesis with 2 different result. It stated that there is a positive insignificant relationship with ROA but it has negative relationship with tobin Q. This result is also supported by Maryam & Sayedeh (2013) that also used 2 performance measurement namely ROA and ROE with the result of high frequency of board meetings that will decrease both from ROA and ROE. Frequent meetings involve managerial time and increase expenses, administrative support requirement, and meeting fees. This may affect enterprise activities within the company as resources which are being channeled toward less productive activities (Evans et al, 2002). This variable supported by agency theory, the meeting conducted by the

company have the objective to make decision and evaluate company in their daily activities. Thus, the hypothesis is generated as follows:

H3 : There is negative association between board meeting and firm performance.

According to Lamers (2016), the aim of gender quotas is to promote the presence of woman in the board that could influence the relationship between board diversity and firm performance because woman are able to to influence the decision made by the board. When there are 3 or more on the board the performance of the company, it will be enhanced because their capabilities and experience on the ground. According to Darmadi (2011), the presence of woman show significant negative impacts. The higher proportion of female member if associated with lower level firm of performance but it can not be interpreted that female member will destroy shareholder value. The value can be judged by their competence and contrubution they made to the organization. According to Taghizadeh & Saremi (2013), the presence of woman in the board is useful for policy makers of corporate governance. This result is supported by Bathula (2008) that stated the number of female board will positively enhance the company performance. This variable supported by agency they and resources dependency theory because gender divesity will encourage different idea frm different pespective that will helpfull for the company. Thus, the hypothesis is generated as follows:

H4 : There is positive association between gender diversity and firm performance.

According to Hermawan (2011), the effectiveness of board member monitoring role will depend on their experience, knowledge, and educational background. Thus, they will have better understanding in the company's business operation, The board member must have the ability to understand company's financial statement, because it is one of the information that is used to evaluating management actions. According to Obaretin (2015), the functional experience and professional background of board member has been recognized as significant germane to the performance of the organization. In other studies firms with better educated board may appear to have better performance in the short-run (Phan, 2016). According to Suhardjanto (2017), commissioners education is an important factor that caused them to be more rational in collecting and processing information that is usefull in decision making process, and it help to understand and perform their duty more effectively. Commissioners with high education background has decent capacity in processing the information and deeper analysis on various issues and situations faced by company. It will affect the correct decision making and startegic planning for company. This variable supported by agency theory and resouces dependency theory, because the higher the education will provide a better judgment that can be helpfull for the company. Thus, the hypothesis is generated as follows:

H5 : There is positive association between commissioner education level and firm performance.

According to Suhardjanto (2017), nationality is defined as self-awareness as a citizen and characteristic of country, foreign member that does not come from Indonesia. Company needs other perspective to enhance their performance, one of the strategies is by using foreign resources, especially human resources. Foreign commissioner will try to utilize their knowledge from their country and will try to implement it to their new company. Foreign commissioner excel in the process of collecting information and implementing the correct strategies because of their vast knowledge and experience. As a result, it can be used to enhance company performance. According to Darmadi (2011), in emerging markets, firm with larger foreign shareholder may have heterogeneous nationality in their board team members. Larger board size lead to greater nationality diversity, greater nationality diversity will lead into new strategies that can be developed by the company and the company will have the opportunity to chose the correct strategies, greater nationality diversity also will lead into new connection that can help company to gather the important information. In the business aspect, the most important thing is how to get information that related to the company and its surrounding, which means the bigger diversity and size will lead into vast information gathering. This variable supported by resources dependency theory, because foiegn commissioners will encourage the idea from

different perspective, it is also to provide knowledge, and it will also encourage foreign investment. Thus, the hypothesis is generated as follows:

H6 : There is positive association between foreign commissioner and firm performance.



2.8 Conceptual Framework

Conceptual Framework is used to summarize the explanation about the association between commissioner characteristics and firm performance.

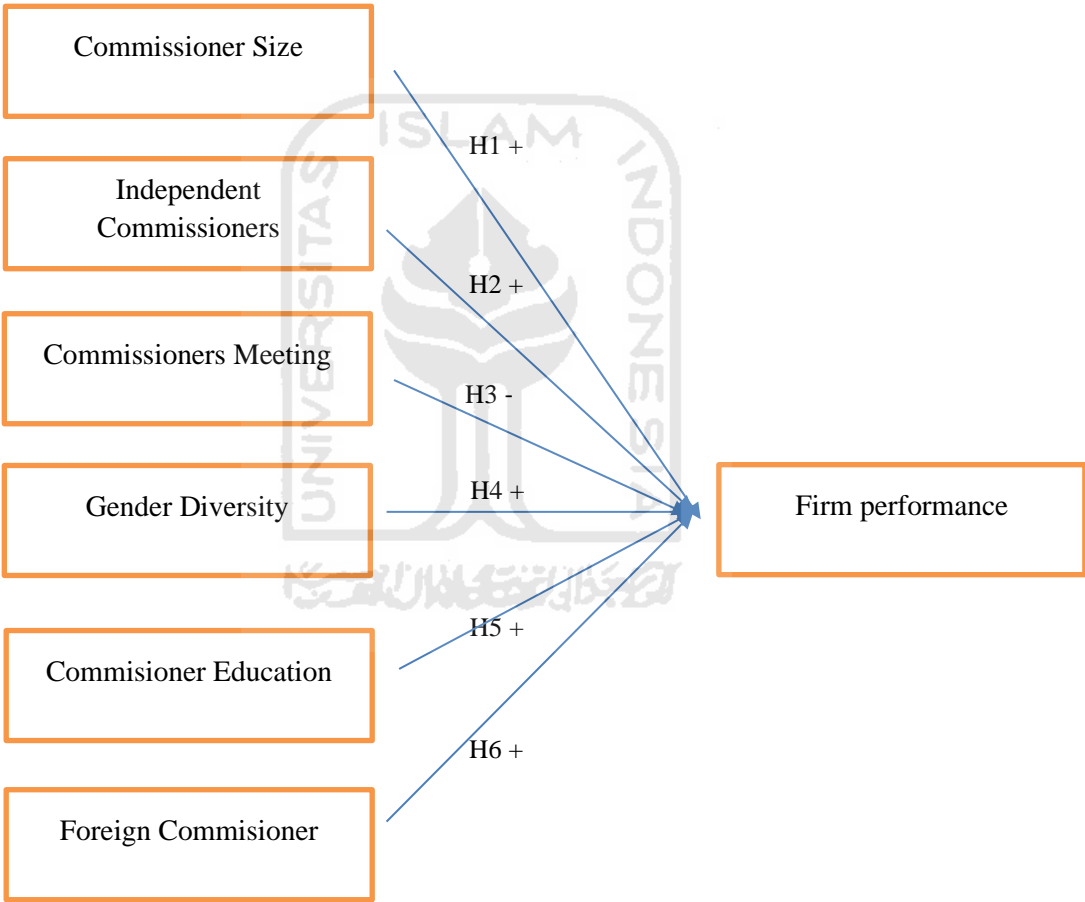


Figure 2.1 Conceptual Framework

CHAPTER III

RESEARCH METHOD

This chapter discussed the research methodology that applied in the research. Methodology guides the researcher in planning and implementing the research so it can achieve the intended goal. Quantitative research was used in this research. Quantitative research was used to quantify the problem by way of generating numerical data that can be transformed into useable statistic.

3.1 Data Source

Data source is the data that used by the researcher to find and test the hypothesis. The research used secondary data or the data that already existed then the researcher processed it to the next step to find the truth. In this research, the researcher used the data on the internet that was already provided by IDX. The other source come from the company main web, the researcher tried to collect the data related to the research.

3.2 Population and Sample

The populations are all mining companies listed in the Indonesia Stock Exchange (BEI). The sample is a subset of the population selected to participate in a research study. It defined the selected groups of elements, that is, individuals, groups and organizations. A purposive sampling was used in this research, and the category of

the sample were companies listed in IDX and it must be from mining companies. The researcher chose mining companies because its growth was relatively stable. Firms that over-extend themselves by growing too rapidly into excessively big companies, suffer from declining rates of return. Another reason why we chose it because we need specific industry area to conduct the research. The total population of the mining company in Indonesia from 2014 until 2017 were 41 companies, but because the use of purposive sampling were only 28 mining companies that fulfill the researcher criteria, as a result this research consisted only of 28 mining companies that listed in IDX. The criteria being used by the researcher were as follow:

1. Mining companies that were still listed in IDX until the end year of 2017.
2. Mining companies that already listed in IDX at least for 5 years in a row.
3. The complete availability of data from the company about their corporate governance that can be found from the annual report in the period of 2014-2017.

3.3 Operational Variable definition

There were many element that can change and affect performance and it is different for each company. Although there were many element but we can find some of them always or we can find that element in every company. In a research, the element is called as variable. There were 2 types of variables in this research, independent variable and dependent variable.

3.3.1 Independent Variables

Independent variable is variable that stand alone and does not depend on the other variable, but it will affect the other variable. In this research, there were 6 independent variables.

1. Commissioners size, CS, the number of commissioners in the company on the fiscal year, board of commissioners is one of the important organs of the company that is appointed and dismissed by the general meetings of shareholder (GMS), one of its function is as in charge in conducting its supervisory function of the company management by the board of directors. Law about commissioners are regulated on the chapter 5 article 76 until 86 in the commercial law. Board size seems differ from one country and other country, in malaysia, the corporate governance code does not specify the size of the board, instead every board should examine its size that in line with the company activity (Johl, Kaur, & Cooper, 2015).
2. Independent Commisioners, IC, Independent commisioners have a function as a conterveiling power in the decision making process decided by the board of commisioner. Independent commisioner consist of the people that do not have affiliation with the board of directors, other member of commisioners and stakeholder, and free from others business relation that can affect its ability to

act independently or act in the interest of the company. Board of commissioners required to have independent commissioner member because the higher the number of independent commissioners will caused in more effective monitoring and management activities (Pudjiastuti & Mardhiyah, 2007). Independent commissioner is defined by the % of the independent commissioners toward the total number of commissioners.

$$CI = \frac{\text{Independent Commisioners}}{\text{Total Commisioners}} \times 100\%$$

3. Commissiners meetings, CM, the number of meetings held by company in a year. There are many types of a meeting in a company, such as director meetings, commisioners meetings, and a meeting for both of directors and commisioners or joint meeting. In performing its duties and responsibilities, the board of meetings usually held a meeting that just consist of the member of board of commisioners or it can be called as a internal board of commisioner meetings. Johl, Kaur, & Cooper (2015) stated that from their study in malaysian stock exchange there is negative relationship between meetings and firm performance, it is mean that the less frequent meeting will result in meaningful decision. The number of meetings in every company is vary it is depend on the company policy. Some of companies' policy held at least once every 2 months. The other company can have a meeting once of every 6 months. It also can be once every month. The other case of internal meeting is when there are a

condition that will affect the survivability of the company. When there are some very serious issues the board of commissioners can hold an impromptu meeting besides the scheduled meetings.

CM = Total commissioner meetings

– joint meetings

4. Gender diversity, GD, the presence of female on the board is decided based on the report on the financial performance, as photograph and name. Female commissioners can drive teamwork and decrease attendance problem in board meetings (Pudjiastuti & Madhiyah, 2007). The diversity of the board sometimes make a new atmosphere that can enhance the performance of the company. It can also bring a new point of view in the meetings or in the discussion. Not every company has a female leader or commissioner. In this case, it used dummy variable. If the company has 1 or more female leader, it will use the number of 1. On the other hand, if there are no female leader, it will use 0.

GD = dummy variable

1 = 1 or more female leader, 0 = 0 female leader

5. Commissioner education, CE, the higher education level of commissioners will lead into better understanding of the company that will lead into better performance. This variable is defined by comparing the number of commissioners member with undergraduate degree, master degree, & doctorate

degree with the total number of commissioners. The qualification of individual board member is important for decision making, monitoring role can be effectively implemented if the board members are qualified and experienced, one of the indicators of qualified and experienced members is from the education (Bathula, 2008).

6. Foreign Commissioner, FC, the nationality of the commissioners will lead into more better understanding. Darmadi (2011), stated that in Indonesia case foreign on the board the average number of foreign commissioner is 8,9% of the board seats, this relatively large proportion is partly due to high proportion of foreign ownership in the firms. The higher number of foreign commissioners will provide more strategy that can be implemented in company. It will also give a different perspective and point of view in the discussion because not every company has a foreign commissioner. It will use dummy variable. In this case, if the company has 1 or more foreign leader, it will use the number of 1. On the other hand, if there is no foreign leader, it will use 0.

FC = dummy variable

1 = 1 or more foreign leader, 0 = 0 foreign leader

3.3.2 Dependent variable

Dependent variable is variable that is affected by the independent variable. In this research, the dependent variable is Return on Assets (ROA). ROA is accounting based measurement and it reflect backward looking information. Actually there are 2 types of accounting based measurement ROA and ROE. In this case, the researcher focused on ROA. ROA indicated the company profitability by measuring the amount of profit the company can earn in relations to its overall resources. ROA is a common accounting measure of performance (Fauzi & Musallam, 2015). Return on assets measure firm performance in terms of profitability prior to financing effects. By separating the financial effects from the operating effects, ROA provides a better measure of the true profitability of these assets (Issarawornrawanich, 2015). Productivity is measured as the natural logarithm of the ratio of sales to employees (Cabrera-suárez & Martín-santana, 2015). Manager holding a substantial portion of a firm equity may have enough voting power to ensure their position inside the company is secure. As a result, they may become to a great extent insulated from external discipline forces such as the takeover threat of the managerial labor market (Marimuthu, 2017). Firms with more debt have better performance which may be possible due to active monitoring and scrutiny by lenders (Nashier & Gupta, 2016).

$$ROA = \frac{\text{Net Income}}{\text{Total Asset}} \times 100\%$$

3.4 Data Analysis

Before starting data analysis, the researcher collected and processed the data with the help of computer software, SPSS (Statistical Package for Social Science). The researcher will obtain the data from the annual report of mining company that has been listed in BEI. The techniques that will be used is as follow:

3.4.1 Descriptive Statistic

Descriptive statistic was used to find out and describe the average (mean), standard deviation, variant, maksimum, minimum, range, and skewness. Descriptive data used in this research were maximum value, minimum value, mean, and standard deviation.

3.4.2 Testing of Classical Assumption

Testing of classical assumption is a test to define the value whether there is an error or not in the regression linear ordinary least square model. In this model, some requirements must be met so that the forecasting model becomes a valid forecasting tools. If all the requirement were met, it can be called the regression model as a BLUE or Best Linear Unbiased Estimation. To meet blue requirement, regression method should pass classical assumption test. In this research, it used multiple linear regression because it used 1 dependent variable and some of independent variables. To meet blue requirement, regression method should pass classic assumption test that consist of

multicollinearity, autocorrelation, and heteroscedasticity tests. It can use SPSS to finding the result of the test.

1. Multicollinearity

Multicollinearity is a condition in which 2 or more independent variables are highly linearly related. Multicollinearity can be detected using the help of tolerance and reciprocal or called as variance inflation factor (VIF) if the value of tolerance is less than 0.2 or 0.1 and simultaneously, the if value of VIF 10 and above, there is problem in Multicollinearity.

2. Heteroscedasticity

Heteroscedasticity is one variance of classic linear assumption that stated all disturbance or error have the same variance (homoscedasticity). The detection of heteroscedasticity can be done using rank spearman correlation test (Pudjiastuti & Mardiyah, 2007). The other method to test heteroscedasticity is by using Glejser test, in this case the researcher used glejser test.

3. Autocorrelation

It used durbin watson to detect autocorrelation. The criteria to detect autocorrelation are as follow:

1. $d > (4 - dL)$ it is means negative autocorrelation
2. $d < dL$, no positive autocorrelation
3. $dU < d < (4 - dU)$, no autocorrelation

4. $(4 - dU) < d < (4 - dL)$ no conclusion

4. Regression error normality test

Normality test is being used to test whether in the regression model, independent and dependent variable have normal distribution or not. We used Kolmogorov-Smirnov (K-S), with the α 0.05. If the significant value in the research $< \alpha$ it means that residual data is not being distributed normally, and if significant value $\geq \alpha$ it means residual data is being distributed normally, a good regression model has normal distribution of data.

3.4.3 Multiple linear regression

Analysis method used to test the hypothesis is regression model. Regression analysis was used to measure the influence of commissioners size, independence commissioners, gender diversity, boards meetings, commissioners age, commissioners education, and commissioners nationality on company's performance that were measured using ROA. The analysis were done by comparing the influence of independent variable on the dependent variable.

$$Y_{it} = a + bX_{it} + e_{it}$$

The general econometric specification is as follow:

$$ROA = a + b_1 CS + b_2 CI + b_3 CM + b_4 GD + b_5 CE + b_6 FC + e$$

Where:

a	= constanta
b ₁ ,b ₂ ,b ₃ ,b ₄ ,b ₅ ,b ₆	= coefficient
CS	= Commisioner size
IC	= Independent Commissioner
CM	= Commisioner meetings
GD	= Gender diversity
CE	= Commisioner education
FC	= Foreign Commisioner
e	= Error term

3.4.4 Coefficient of determination

Coefficient of determination (R^2) is used to test the ability of the model in the interpretation of independent and dependent variable. The value of R^2 between 0 and 1, the smaller number of R^2 indicates that independent variable has limited ability to explain and interperate the dependent variable.

3.4.5 Hypothesis testing

Hypothesis testing is needed to check wether independent variable in the research has an effect on the dependent variable. This test can be checked by using t-test. The result can be checked from the significant value. The value used in this research was 0.05, and the formula to test the hypothesis in this research are s follow:

1. if the significant value ≤ 0.05 , independent variable X individually has significant relation with the dependent variable Y.
2. if the significant value ≥ 0.05 , the independent variable X does not have significant relation with the dependent variable Y.

3.5 Discussion

In this section, the research will explain the concept of discussion by comparing and analyzing the result of the research with the theory or the concept that is relevant with the previous research.



CHAPTER IV

DATA ANALYSIS AND DISCUSSION

4.1 Sampling in Research Process

In this research, the population used were minning companies listed in Indonesia Stock Exchange or BEI (Bursa Efek Indonesia) within the period of 2014-2017. The number of listed minning companies in 2017 were 41 companies and the sample was chosen by using purposive sampling method that already being explained above. The process of obtaining 28 companies can be explained in Table 4.1 below:

Table 4.1
Sampling in research process

No	Criteria	Total
1	Mining companies listed in BEI in 2017	41
2	Mining companies that did not have complete data on the annual report	(9)
3	Mining companies that were not listed in BEI for at least 5 years	(4)
	Total sample	28
	Total sample from 2014-2017	112

Source : Secondary data processed, 2019

According to Table 4.1, the total number of sample were 28 minning companies. The list of the companies can be observed in Appendix 1.

According to the 28 companies, the data of dependent and independent variable for each company within the period of 2014-2017 can be observed as in Appendix 2.

The dependent and independent variable were processed using software of IBM SPSS version 23. The result of the processed data can be observed in Appendix 3.

4.2 Descriptive Statistic Analysis

The function of this analysis is to explain the whole picture from all of the variable being researched, such as: mean, standard deviation, minimum value, and maximum value. The result of the analysis in this research can be observed in Table 4.2 below:

Table 4.2

Descriptive Statistic Analysis result

Descriptive Statistics

	N	Minimum	Maximum	Mean	Deviation
Commissioner Size	112	2.00	10.00	4.7500	1.81336
Independence Commissioners	112	1.00	4.00	1.8929	.71480
Commissioners Meeting	112	1.00	18.00	6.4196	3.29247
Gender Diversity	112	.00	1.00	.4286	.49710
Commissioner Education	112	.00	9.00	2.3214	2.12329
Foreign Commissioner	112	.00	1.00	.4732	.50153
Firm Performance	112	-72.13	39.00	.8410	13.31933
Valid N (listwise)	112				

Source : Secondary data processed, 2019

Based on Table 4.2 above, the analysis can be explained as follow:

1. The minimum value of commissioner size (CS) was 2 from PT. Bara Jaya International Tbk (ATPK) in the year of 2017, while the maximum value of CS was 10 from PT. Vale Indonesia (INCO) in the year of 2014. Standard Deviation was 1.81336 and the mean was 4.7500. The smaller

value of standard deviation compared to the mean can be translated that the value of CS in the minning companies that listed in the BEI within period 2014-2017 were not much different.

2. The minimum value of independence commissioner (IC) was 1 from PT. Bara Jaya Internasional (ATPK) in the year of 2017, while the maximum value of IC was 4 from delta dunia makmur (DOID) in the year of 2014. Standard deviation was 0.71480 with the mean 1.8929. The smaller value of standard deviation compared to the mean can be translated that the value of IC in the minning companies that listed in the BEI within period 2014-2017 were not much different.
3. The minimum value of commissioners meeting was (CM) 1 from PT. Bara Jaya Internasional (ATPK) in the year of 2014, while the maximum value of CM was 18 from Timah Tbk. (TINS) in 2017. Standard deviation was 3.29247 with the mean 6.4196. The smaller value of standard deviation compared to the mean can be translated that the value of CM in the minning companies listed in the BEI within period 2014-2017 were not much different.
4. For the gender diversity (GD), there was no maximum and minimum value, because the researcher used dummy variable for this variable. 0 indicated that there was no gender diversity in the company, while 1

indicated there was gender diversity in the company. Standard deviation was 0.49710 with the mean 0.4286.

5. The minimum value of commissioner education (CE) was 0 from PT. Bara Jaya Internasional (ATPK) in the year 2015 until 2017, while the maximum value of CE was 9 from PT. Vale Indonesia in the year 2014 until 2017. Standard deviation was 2.12329 with the mean 2.3214. The smaller value of standard deviation compared to the mean can be translated that the value of CE in the mining companies listed in the BEI within period 2014-2017 were not much different.
6. For the foreign commissioner (FC), there was no maximum and minimum value because the researcher used dummy variable for this variable, 0 indicated that there was no foreign commissioner in the company, while 1 indicated that there was foreign commissioner in the company. Standard deviation was 0.50153 with the mean 0.4732.
7. The minimum value of return on Assets (ROA) was -72.13 % from PT. Mitra Investindo (MITI) in 2015, while the maximum number of ROA was 39 % from PT. Baramukti Suksessarana (BSSR) in 2017. Standard deviation was 13.31933 with the mean 0.8410. The higher value of standard deviation indicated that the data were more spread out.

4.3 Classical Assumptions Test

Classical assumption test was used to test worthiness of the regression model. When the model did not pass this test, the research cannot be continued. Classical assumption that was used in this research were normality test, autocorellation test, multicollinearity test, and heteroscedasticity test.

4.3.1 Normality test

Normality test was used to test whether in the regression model, independent and dependent variable have normal distribution or not. It used Kolmogorov-Smirnov (K-S), with α 0.05, if the value is significant in the research $< \alpha$ it means that residual data is not being distributed normally, and if significant value $\geq \alpha$ it means residual data is being distributed normally. A good regression model have normal distribution of data. The result from normality test can be observed in Table 4.3 below:

Table 4.3

Normality test result

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		112
Normal Parameters ^{a,b}	Mean	-.0094055
	Std. Deviation	.95375878
Most Extreme Differences	Absolute	.124
	Positive	.066
	Negative	-.124
Kolmogorov-Smirnov Z		1.312
Asymp. Sig. (2-tailed)		.064

a. Test distribution is Normal.

b. Calculated from data.

Source : Secondary data processed, 2019

Based on Table 4.3, the value of Asymp. Sig. (2-tailed) was 0.064. From those results it can be assumed that the residual data in the model was being distributed normally because the value of Asymp. Sig. (2-tailed) was higher than 0.05. Thus, the model of the regression can be used for further analysis.

4.3.2 Autocorrelation test

The function of autocorrelation test is to test whether in the regression model there are any correlation between error term in the t-period with the error term in the t-1 period, a good regression model must be free from autocorrelation. In this research, the researcher used Durbin-Watson test (DW test). The result from autocorrelation test can be observed in Table 4.4 below:

Table 4.4

Autocorrelation Test

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.714 ^a	.510	.482	.98068	1.897

a. Predictors: (Constant), Commissioner Nationality, Commissioner Size, Gender Diversity, Commissioner Education, Commissioners Meeting, Independence Commissioners

b. Dependent Variable: Firm Performance

Source : Secondary data processed, 2019

Based on Table 4.4 above, the value of Durbin-Watson (DW) was 1.897. The researcher compared this value with the table value on 5% significant value and 112 sample (N) with 6 independent variable (k=6). From those information, it can be found that the upper limit (DU) had the number 1.8060 because of the DW value was 1.855 much higher than DU 1.8060 and less than $4-1.8060$ (4-DU). It can be concluded that there were no autocorellation in this research ($1.8060 < 1.897 < 2.194$).

4.3.3 Multicollinearity test

The function of this test is to test whether there are any correlation between independent variable in the regression model. A good regression model must free from correlation between independent variable. Multicollinearity is a condition in which 2 or more independent variables are highly linearly related. Multicollinearity can be detected using the help of tolerance and reciprocal or called as variance inflation factor (VIF). If the value of tolerance is less than 0.2 or 0.1 and, simultaneously, the value of VIF 10 and above, there is problem in multicollinearity. In other word, tolerance value > 0.10 and VIF value < 10 to continue this research. The result from multicollinearity test can be observed in Table 4.5 below:

Table 4.5

Multicollinearity Test Result

Coefficients^a

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Commissioner Size	.557	1.794
Independence Commissioners	.473	2.112
Commissioners Meeting	.668	1.498
Gender Diversity	.809	1.236
Commissioner Education	.661	1.513
Foreign Commissioner	.754	1.326

a. Dependent Variable: Firm Performance

Source: Secondary data processed, 2019

Based on Table 4.5, all of the value of tolerance from independent variable were more than 0.10 and for the value of VIF, there were no independent variable that had value more than 10. Thus, it can be concluded

that there were no multicollinearity among independent variables in the regression model.

4.3.4 Heteroscedasticity test

The function of this test is to test whether in the regression mode, it will occur dissimilarity residual from 1 observation and the other observation. A good regression model is a model that is free from heteroscedasticity. To detect whether there are heteroscedasticity or not in the research the researcher used scatterplot. If there are a certain pattern, such as a dot that make a form of certain pattern or a regular pattern (a form of a wave, widened and then tighten again), it indicated that there is heteroscedasticity in the model. If there is no regular pattern or the dot are spread out randomly there is no heteroscedasticity or the model free from heteroscedasticity. The result from heteroscedasticity test can be observed in Figure 4.1 below:

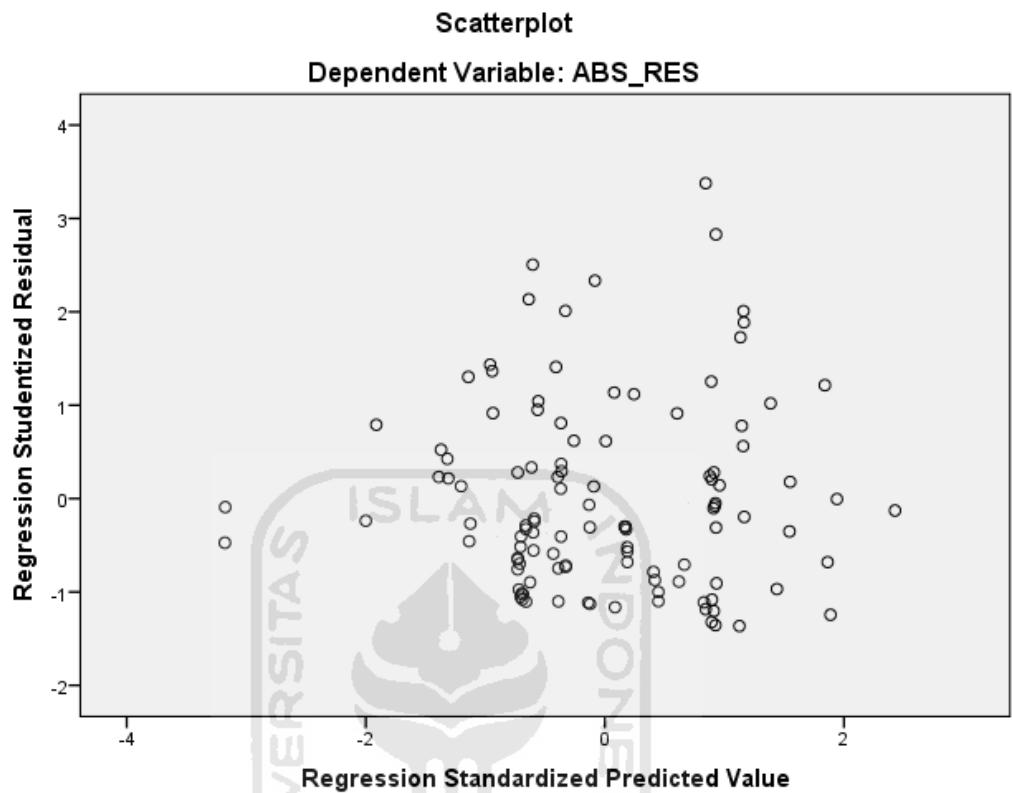


Figure 4.1 Heterocedasticity Test Result

Based on Figure 4.1, scatterplot chart showed the dot spread out randomly and spread above and below 0 in the Y axis. This indicated that there were no heterocedasticity in the regression model and this regression model can be used for further analysis.

4.4 Multiple Regression Analysis

Multiple regression analysis was used to find out how big the influence of independent variable (commissioner characteristics) with the dependent variable. The elements of commissioner characteristics are divided into

personal characteristic and company characteristic. The element from personal characteristic can be divided into 3 variables. They are Gender Diversity (GD), Commissioner Education (CE), and Foreign Commissioner (FN) for the country of origin of the related commissioner. The elements from company characteristic can be divided into 3 variables. They are Commissioner Size (CS) that explains the total number of commissioner, Independence Commissioner (IC) that explains the number of independence commissioner, and Commissioner meetings (CM) that explains the number of internal meetings of commissioner that the company held in a year. The dependent variable in this research was the firm performance more specifically was Return on Asset (ROA). The result from the calculation of multiple regression analysis can be observed in Table 4.6 below:

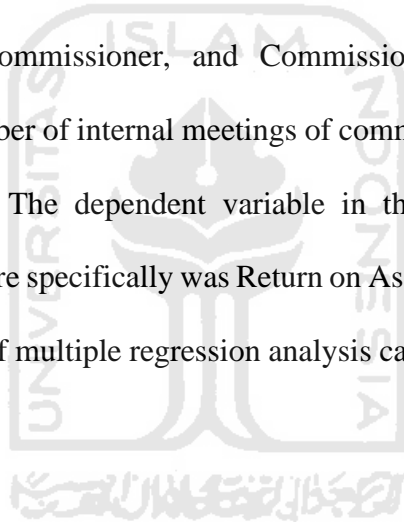


Table 4.6
Result from Multiple Regression Analysis

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.585	.508		-1.152	.252
	Commissioner Size	.516	.238	.199	2.170	.032
	Independence Commissioners	.776	.312	.247	2.487	.014
	Commissioners Meeting	-.580	.180	-.269	-3.215	.002
	Gender Diversity	-.115	.265	-.033	-.434	.665
	Commissioner Education	.548	.229	.202	2.397	.018
	Foreign Commissioner	-.180	.273	-.052	-.658	.512

a. Dependent Variable: Firm Performance

Source : Secondary data processed, 2019

Based on Table 4.6, the formulation for regression model is:

$$\text{ROA} = -0.585 + 0.516\text{CS} + 0.776\text{IC} - 0.580\text{CM} - 0.115\text{GD} + 0.548\text{CE} - 0.180\text{CN} + e$$

Based on the formulation above, there are some information that can be describe as follow:

1. The value of constanta was -0.585. It can be interpreted that if all variable have 0 value, the value of ROA would be -0.585
2. The value of regression variable of Commissioner Size (CS) was 0.516. It can be interpreted that if the value of variable CS increase 1 percent, the value of ROA in the company would increase to 0.516 or 51.6% with the assumption all of other variables were constant.
3. The value of regression variable of Independence Commissioner (IC) was 0.776. It can be interpreted that if the value of variable IC increase 1 percent, the value of ROA in the company would increase to 0.776 or 77.6% with the assumption all of other variables were constant.
4. The value of regression variable of Commissioner Meeting (CM) was -0.580. It can be interpreted that if the value of variable CM increase 1 percent, the value of ROA in the company would decrease to 0.580 or 58% with the assumption all of other variables were constant.

5. The value of regression variable of Gender Diversity (GD) was -0.115. It can be interpreted that if the value of variable GD increase 1 percent, the value of ROA in the company would decrease to 0.115 or 11.5% with the assumption all of other variables were constant.
6. The value of regression variable of Commissioner Education (CE) was 0.548. It can be interpreted that if the value of variable CE increase 1 percent, the value of ROA in the company would increase to 0.548 or 54.8% with the assumption all of other variables were constant.
7. The value of regression variable of Foreign Commissioner (FC) was -0.180. It can be interpreted that if the value of variable CN increase 1 percent, the value of ROA in the company would decrease to 0.180 or 18% with the assumption all of other variables were constant.

4.5 Coefficient of Determination Testing

Coefficient of Determination (R^2) is used to test the ability of the model in the interpretation of independent and dependent variable. The value of R^2 is between 0 and 1. The smaller number of R^2 indicates that independent variable has limited ability to explain and interpret the dependent variable. On the other hand, the value of R^2 that is close to 1 indicates that independent variable provides almost all of information needed to predict

dependent variable. The result from coefficient of determination testing can be observed in Table 4.7 below:

Table 4.7

Coefficient of Determination testing result

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.714 ^a	.510	.482	.98068

a. Predictors: (Constant), Commissioner Nationality, Commissioner Size, Gender Diversity, Commissioner Education, Commissioners Meeting, Independence Commissioners

Source : Secondary data processed, 2019

Independent variable in this research were commissioner characteristics. The elements of commissioner characteristics were divided into personal characteristic and company characteristic. The elements from personal characteristic can be divided into 3 variables such as Gender Diversity (GD), Commissioner education (CE), and Foreign Commissioner (FC) for the country of origin of the related commissioner. The elements from company characteristic can be divided into 3 variables such as

Commissioner Size (CS) that explains the total number of commissioner, Independence Commissioner (IC) that explains the number of independence commissioner, and Commissioner meetings (CM) that explains the number of internal meetings of commissioner that the company held in a year.

According to Table 4.7 above, the coefficient value of adjusted R square was 0.482. It indicated that the independent variable of commissioner characteristics can describe and explain dependent variable Return On Asset in mining companies of 0.482 or 48.2%, and for the residual value 51.8% can be explained by the other variable outside from the equation.

4.6 Hypotesis Testing

Hypotesis testing used in this research was t-test. T-test was used to determine whether 2 samples that did not have any correlation have different mean. This test is resolved by comparing the differences between two means with standard error from the differences of mean from two samples, and the formula to test the hypothesis in this research are:

1. if the significant value ≤ 0.05 , the independent variable X individually have significant relation with the dependent variable Y.
2. if the significant value ≥ 0.05 , the independent variable X did not have significant relation with the dependent variable Y.

The result from the hypothesis testing can be explained as follows:

1. First hypothesis testing

The first hypothesis in this research stated that *there is positive association between the number of commissioner size (CS) and firm performance (ROA)*. Based on Table 4.8, the coefficient value of CS regression was 0.516 with the significant value of 0.032 in the significant level of $\alpha = 5\%$. Thus, the regression value in this case was significant $0.032 < 0.050$. It can be concluded that CS had positive and significant effect on ROA. Because of that, the first hypothesis (H1) in this research was accepted.

2. Second hypothesis testing

The second hypothesis in this research stated that *there is positive association between Independent commissioner (IC) and firm performance (ROA)*. Based on Table 4.8, the coefficient value of IC regression was 0.776 with the significant value of 0.014 in the significant level of $\alpha = 5\%$. Thus, the regression value in this case was significant $0.014 < 0.050$. It can be concluded that IC had positive and significant effect on ROA. Because of that, the second hypothesis (H2) was accepted.

3. Third hypothesis testing

The third hypothesis in this research stated that *there is negative association between the number board meeting (CM) and firm performance (ROA)*. Based on Table 4.8, the coefficient value of CM regression was -0.580 with the significant value of 0.002 in the significant level of $\alpha = 5\%$. Thus, the regression value in this case was significant $0.002 < 0.050$. It can be concluded that CM had negative and significant effect on ROA. Because of that, the third hypothesis (H3) in this research was accepted.

4. Fourth hypothesis testing

The fourth hypothesis in this research stated that *there is positive association between gender diversity (GD) and firm performance (ROA)*. Based on Table 4.8, the coefficient value of GD regression was -0.115 with the significant value of 0.665 in the significant level of $\alpha = 5\%$. Thus, the regression value in this case was not significant $0.665 > 0.050$. It can be concluded that GD had negative and insignificant effect on ROA. Because of that, the fourth hypothesis (H4) in this research was rejected.

5. Fifth hypothesis testing

The fifth hypothesis in this research stated that *there is positive association between commissioner education level (CE) and firm performance (ROA)*. Based on Table 4.8, the coefficient value of CE

regression was 0.548 with the significant value of 0.018 in the significant level of $\alpha = 5\%$. Thus, the regression value in this case was significant $0.018 < 0.050$. It can be concluded that CE had positive and significant effect on ROA. Because of that, the fifth hypothesis (H5) in this research was accepted.

6. Sixth hypothesis testing

The sixth hypothesis in this research stated that *there is positive association between Foreign Commissioner (FC) and firm performance (ROA)*. Based on Table 4.8, the coefficient value of FC regression was -0.180 with the significant value of 0.512 in the significant level of $\alpha = 5\%$. Thus, the regression value in this case was not significant $0.512 > 0.050$. It can be concluded that FC had negative and insignificant effect on ROA. Because of that, the sixth hypothesis (H6) in this research was rejected.

4.7 Discussion

Before further discussion, the summary from hypothesis testing can be observed in Table 4.8 below:

Table 4.8

The Summary of Hypothesis Testing

H	Description	B	Sig.	Conclusion
1	CS has a positive significant effect to ROA	0.516	0.032	Supported
2	IC has positive significant effect to ROA	0.776	0.014	Supported
3	CM has negative significant effect to ROA	-0.580	0.002	Supported
4	GD has negative insignificant effect to ROA	-0.115	0.665	Not Supported
5	CE has positive significant effect to ROA	0.548	0.018	Supported
6	FC has negative insignificant effect to ROA	-0.180	0.512	Not Supported

Source : primary data processed, 2019

Based on Table 4.8, the discussion that can be carried out are as follow:

4.7.1 Association between Commissioners Size and Company Performance

According to Table 4.9, the result from first hypothesis in this research can be accepted. The result from first hypothesis was Commissioner size had positive and significant effect on ROA. This result empirically supported the research of Sukmono & Yadiati (2016); Amran (2017) that stated commissioners size have positive significant relation with ROA.

Commissioners size is an indicator used to value the effectiveness and efficiency of commissioner characteristic to firm performance that was shown by ROA. Commissioner size indicates the number of commissioner in the company

management. Commissioner main purpose is to monitor company activity and act as a decision maker. It is also have an obligation to report the condition of the company to the shareholder. By monitoring company activities, the commissioner will know the weakness and strength of the company and commissioner will decide the correct strategies that can enhance company performance. The higher number of commissioner will simplify the monitoring activity and it will also enhance the openness of company report. The higher number of commissioner will also lead into the discussion about different strategies that can be implemented in the company. As a result, the higher number of commissioners will enhance company performance.

4.7.2 Association between Independent Commissioner and Company Performance

According to Table 4.9, the result from second hypothesis in this research can be accepted. The result from second hypothesis was independent commissioner had positive and significant effect on ROA. This result empirically supported the research of Obaretin & Ilaboya (2015); and Amran (2017) that stated independent commissioner have positive significant relation with ROA.

Independent Commissioner indicates the number of independent commissioner compared to the total commissioner in the company. Independent commissioners are commissioners that do not have any relation and ties with the company

business and the shareholder. The simplest way is commissioner that was chosen and hired from the external parties had the primary purpose to provide unbiased point of view and not bound by anything. Independent commissioner will also bring new strategies from outside company culture that can be used to enhance company performance. The higher number of independent commissioner will lead into new strategies that can be implemented and monitoring activity from independent commissioner will be more accurate and more realistic because their main objective is to support the companies as a hired parties. The higher number of independent commissioner will also avoid conflict of interest in the company. The less conflict in the company means the member of the management have the same objective and the management will implement all way that can be used to achieve that objective. As a result, the higher number of independent commissioner will lead into better firm performance.

4.7.3 Association between Commissioner Meetings and Company Performance

According to Table 4.9, the result from third hypothesis in this research can be accepted. The result from third hypothesis was commissioner meetings had negative and significant effect on ROA. This result empirically supported the research of Vafeas (1999); Evans et al. (2002); John et al. (2013); and Makhoul et al. (2017) that stated commissioner meetings had negative and significant effect on ROA.

Board meetings indicated the number of meetings that commissioner held in a year. Commissioner meetings will discuss all the thing that hapenned in the company in year and act as decision maker. It also prevent problem that will happen in the company. It is true that the higher number of meeting will effect positively to the firm performance but it will work on the long term and will work with the bigger commissioner size because in Indonesia, the average of commissioner size is between 3 and 5 and it can be classified as a small size. Thus, the effect of the commissioner meetings will be negative. The frequent meeting will need more expenses, such as cost related to the board meeting, including managerial time, commissioner accommodation, travel expenses, etc. Administrative support is also needed to conduct a meeting that can affect company activities within the company as a resource of being channeled toward less productive activities. The other problem is not everyone in board of commissioner can attend the meetings, the probability of meeting that discuss the same agenda will be high. Thus, board meeting should be less frequent to avoid unnecessary wasting of quality time and effort. The meeting should be less frequent but it must be good meetins. A good quality of commissioner meetings is needed to enhance the performance of the firm.

4.7.4 Association between Gender Diversity and Company Performance

According to Table 4.9, the result from fourth hypothesis was rejected. The result of fourth hypothesis is gender diversity has negative and insignificant effect on ROA. This result was not in accordance with the research conducted by Taghizadeh & Saremi (2013); and Lamers (2016) that stated Gender diversity positively related to company performance.

Gender diversity can interpret the presence of female commissioner in the company and its effect on the performance . In this research, gender diversity can be measured by using dummy variable, it used dummy variable because not all company has female commissioner in their board. It used 0 for the one without female commissioner and 1 company with female commissioner. The presence of female commissioner can enhance the company performance because their capabilities and experience on the fieldwork. She also has different skill that is useful to implement new strategies. Female commissioner also relatively has different mindset and point of view that sometimes it can be beneficial for the company. The result in this research showed that if the value of variable GD increase 1 percent, the value of ROA in the company would decrease to 0.115 or 11.5% .

Based on the explanation above, gender diversity negatively but not significant related to the firm performance because if we take a look from the data, from 112 only 42 sample that have female commissioner, the lower number of female commissioner presence from the sample indicated that there was insignificant

relation with ROA. At least, the sample needed to find out the relationship must be higher than 50% of the total sample.

4.7.5 Association between Commissioner Education and Company Performance

According to Table 4.9, the result from fifth hypothesis can be accepted. The result of fifth hypothesis is commissioner education has positive and significant effect on ROA. This result empirically supported the research of Obaretin (2015); Phan (2016); and Suhardjanto (2017) that stated commissioner education have positive and significant relation with ROA.

Commissioner education indicates the higher education of the commissioners, the number of commissioner that have master and doctoral degree compared to the number of commissioner. Education is one of the most important aspects for the commissioner. Educational background lead into a better knowledge and understanding about the company condition. A higher educational background also becomes fundamental that can be used to achieve the objectives using many varieties of strategies because commissioner with understanding, knowledge, and theory from their education will be implemented in the company. Commissioner with higher education will be more rational in the process of collecting and processing the information that they have so it can be used to analyze many issues and decide the correct strategies for the company.

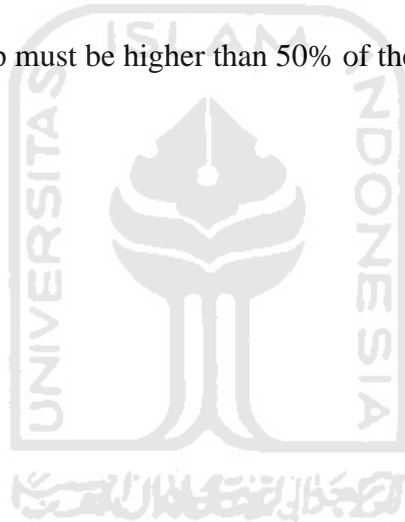
4.7.6 Association between Foreign Commissioner and Company Performance

According to Table 4.9, the result from sixth hypothesis was rejected. The result of sixth hypothesis is foreign commissioner has negative and insignificant effect on ROA. This result was not in accordance with the research conducted by Darmadi (2011) and Suhardjanto (2017) that stated larger board size lead into greater national diversity and will enhance company performance.

Foreign commissioner indicates the presence of foreign commissioner on the company board and it has effect on the company performance. In this research, commissioner nationality was measured by using dummy variable. It used dummy variable because not all companies have foreign commissioner in their board. It used 0 for the one without foreign commissioner and 1 company with foreign commissioner. The presence of foreign commissioner will greatly enhance company performance because literally they have different knowledge and strategies that can be used on the other nation. Most of foreign commissioner will adopt their national knowledge and experience and they will try to implement it in their new company. Their capabilities on resolving issues related to the company were also relatively high. Thus, they can solve the current issues and avoid similar thing happen in the future. As a result, the company can avoid unnecessary cost and expense that can be used to enhance the company activity to increase their performance. The result in this research showed that if the value of variable CN

increase 1 percent, the value of ROA in the company would decrease to 0.180 or 18%.

Based on the explanation above foreign commissioner had negative and insignificant effect on ROA because if we take a look at the data, from total 112 sample only 47 sample that had foreign commissioner. The lower number of foreign commissioner presence from the sample indicated that there was insignificant relation with the company performance. At least, sample needed to find out the relationship must be higher than 50% of the total sample.



CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Conclusion that can be drawn from this research are as follow:

1. Commissioner Size (CS) had positive and significant association with Return on Assets (ROA). The higher number of commissioner size would affect the higher number of ROA .
2. Independent Commissioner (IC) had positive and significant association with Return on Assets (ROA). The higher number of independent commissioner would affect the higher number of ROA.
3. Commissioner Meetings had negative and significant association with Return on Assets (ROA). The smaller number of commissioner meetings would affect the higher number of ROA.
4. Gender Diversity did not have any significant association with Return on Assets (ROA). Gender diversity would not affect the amount of ROA.
5. Commissioner Education (CE) had positive and significant association with Return on Assets (ROA). The higher education of commissioner would affect the higher number of ROA.

6. Foreign Commissioner (FC) did not have any significant association with Return on Assets (ROA). Commissioner nationality would not affect the number of ROA.

5.2 Research Limitations

In this research, there were some limitation that had a possibility to affect the result of the research as follow:

1. This research only used mining companies that had been listed in Indonesian Stock Exchange (BEI) within the period of 2014-2017.
2. The result from coefficient of determination test was 0.482, which means that all of 6 independent variables can only describe and explain the variation variable of Return on Assets as much as 48.2%, and there were residual value of 51.8% that can be explained by the other variable outside from this research than can affect Return on Assets.

5.3 Suggestion

Within some limitation of the research that had already being explained, accordingly some suggestion was given for the future researcher as follow:

1. For the future researcher, larger sample is needed. Thus. researcher suggests to increase the number of sample by increasing the number of companies and the range of the year. As a result, the distribution of the data will be better.

2. For the future researcher, researcher suggests to increase or exchange dependent variable, such as Tobin q and ROE. Thus, it can explain the association between commissioner characteristics and company performance from another perspective.
3. For the future researcher, the researcher suggests detailed information about female commissioner needed rather than using the existence of female commissioner. The researcher suggests to use the total number of female commisnners in the board of the company. Thus, it can can achieve a better result on explaining the variation variable of ROA.

5.4 Research Implication

Based on the result of this research, there are several things that can be considered for the related parties. They are:

1. For company, this research is expected to give some additional information on the importance of governance, especially board of commissioner because a good corporate governance can lead to a better performance of the company
2. For researcher, this research is expected to give some idea and additional information about board of commissioner because there are not many researches that explain the importance of the board of commissioner, especially in indonesia.

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Appendix 1

List of Indonesian minning companies 2014-2017

No	Code	Name
1	ANTM	PT. Aneka Tambang Raya
2	ARII	PT. Atlas Resources
3	ATPK	PT. Bara Jaya Internsional
4	BIPI	PT. Astrindo Nusantara Infratraktur
5	BORN	PT. Borneo Lambung Energy
6	BSSR	PT. Baramuti Sukses Sarana
7	BYAN	PT. Bayan Resource
8	CITA	PT. Cita Mineral Investindo
9	DKFT	PT. Central Omega Resources
10	DOID	PT. Delta Dunia Makmur
11	ELSA	PT. Elnusa Tbk
12	ENRG	PT. Energy mega Persada
13	ESSA	PT. Surya Esa Pekasa
14	GEMS	PT. Golden Energt Mines
15	HRUM	PT. Harum Energy
16	INCO	PT. Vale Indonesia
17	ITMG	PT. Indo Tambangraya Megah
18	KKGI	PT. Resources Alam Indonesia
19	MEDC	PT. Medco Energy Internasional
20	MITI	PT. Mitra Investindo
21	MYOH	PT. Samindo Resources
22	PTBA	PT. Bukit Asam
23	PTRO	PT. Petrosea
24	RUIS	PT. Radiant Utama Interinsco
25	SMMT	PT. Golden Eagle Energy
26	SMRU	PT. Smr Utama
27	TINS	PT. Timah
28	TOBA	PT. Toba Bara Sejahtera

Appendix 2

List of Dependent and Independent variable in Indoneisa Mining Companies 2014-2017

Code	Year	CS	IC	CM	GD	CE	FC	ROA (%)
ARII	2014	6	2	3	1	2	1	-7,26%
	2015	6	2	3	1	1	1	-7,38%
	2016	6	2	3	0	1	1	-7,70%
	2017	5	2	3	0	1	0	-5,10%
ATPK	2014	3	1	1	0	1	0	12,80%
	2015	3	1	3	0	0	0	-9,12%
	2016	2	1	4	0	0	0	-18,20%
	2017	2	1	4	0	0	0	-30,80%
BSSR	2014	7	2	1	0	2	1	2,00%
	2015	8	2	2	1	1	1	15,00%
	2016	8	2	4	0	1	1	15,00%
	2017	6	2	5	0	1	1	39,00%
BYAN	2014	5	2	2	1	3	1	-16,30%
	2015	5	2	6	1	3	1	-8,70%
	2016	5	2	6	1	3	1	2,20%
	2017	6	2	6	1	5	1	38,00%
BORN	2014	2	1	3	0	0	0	-41,00%
	2015	2	1	6	1	0	0	-27,00%
	2016	2	1	6	1	0	0	17,07%
	2017	2	1	6	1	0	0	3,43%
PTBA	2014	6	2	12	0	4	0	12,54%
	2015	6	2	12	0	4	0	12,06%
	2016	6	2	13	0	4	0	10,80%
	2017	8	3	11	0	6	0	20,36%
DOID	2014	6	4	4	1	5	1	1,80%
	2015	7	4	4	1	6	1	-1,00%
	2016	7	4	6	1	6	1	4,20%
	2017	6	2	6	1	5	0	4,90%
SMMT	2014	5	3	6	0	3	0	0,00%
	2015	4	3	6	0	3	0	-8,50%
	2016	5	3	6	1	4	0	-2,90%

	2017	3	1	6	1	1	0	5,50%
GEMS	2014	5	3	5	0	3	1	3,42%
	2015	6	3	6	0	3	1	0,55%
	2016	6	3	6	0	3	1	9,12%
	2017	6	3	6	0	3	1	20,17%
HRUM	2014	5	2	2	0	0	1	0,10%
	2015	6	2	3	0	1	0	-5,06%
	2016	6	2	6	0	1	0	3,23%
	2017	6	2	6	0	1	0	9,86%
ITMG	2014	6	2	2	1	3	1	15,00%
	2015	5	2	9	1	1	1	5,36%
	2016	6	2	10	1	2	1	10,80%
	2017	7	2	7	1	2	1	18,60%
PTRO	2014	5	2	7	1	3	1	0,50%
	2015	5	2	6	1	1	0	-2,98%
	2016	5	2	8	0	2	1	-1,99%
	2017	5	2	6	0	3	1	1,90%
KKGI	2014	5	2	4	0	4	1	7,54%
	2015	5	2	7	0	4	1	5,76%
	2016	5	2	6	0	4	1	9,60%
	2017	5	2	6	0	4	1	12,79%
MYOH	2014	3	1	5	0	1	1	13,80%
	2015	3	1	9	0	1	1	15,34%
	2016	3	1	8	0	1	1	14,44%
	2017	3	1	6	0	1	1	9,04%
TOBA	2014	3	2	6	0	2	0	0,10%
	2015	3	2	5	0	2	0	0,10%
	2016	3	2	6	0	2	0	0,10%
	2017	5	2	5	0	3	1	0,10%
BIPI	2014	4	2	5	0	0	0	0,60%
	2015	4	2	5	0	0	0	0,40%
	2016	2	1	6	0	0	0	13,40%
	2017	3	1	6	0	1	0	2,90%
ELSA	2014	5	2	4	0	4	0	10,00%
	2015	5	2	7	0	5	0	8,52%
	2016	5	2	7	0	5	0	7,42%
	2017	5	2	15	0	5	0	5,09%
ENRG	2014	4	2	4	0	2	0	2,83%

	2015	4	2	8	0	2	0	-14,41%
	2016	4	2	6	0	2	0	-32,60%
	2017	4	2	6	1	3	0	3,23%
ESSA	2014	4	2	3	0	3	1	7,28%
	2015	4	2	4	0	3	1	1,75%
	2016	4	2	3	0	3	1	0,02%
	2017	4	2	6	0	3	1	0,27%
MEDC	2014	6	2	5	1	2	1	0,30%
	2015	6	2	3	1	1	1	-6,50%
	2016	5	2	8	1	1	0	5,20%
	2017	5	2	4	1	1	0	2,55%
RUIS	2014	3	1	6	1	0	0	4,43%
	2015	3	1	6	1	0	0	3,78%
	2016	3	1	6	1	0	0	2,66%
	2017	3	1	6	1	0	0	2,18%
ANTM	2014	6	2	13	0	5	0	-3,38%
	2015	6	2	14	0	5	0	-5,50%
	2016	6	2	13	0	5	0	0,21%
	2017	6	2	12	0	4	0	0,46%
CITA	2014	3	1	9	1	1	0	-13,00%
	2015	3	1	9	0	1	0	-12,20%
	2016	3	1	9	0	0	0	-9,72%
	2017	3	1	9	0	0	0	1,78%
DKFT	2014	3	1	4	1	0	1	-4,00%
	2015	3	1	4	1	0	1	-2,35%
	2016	3	1	6	1	0	1	-4,98%
	2017	3	1	6	1	0	1	-1,97%
INCO	2014	10	3	3	1	9	1	7,00%
	2015	10	3	6	1	9	1	2,21%
	2016	10	3	6	1	9	1	0,09%
	2017	10	3	6	1	9	1	-0,70%
SMRU	2014	2	1	12	1	0	0	-1,33%
	2015	2	1	12	1	0	0	-10,15%
	2016	2	1	12	1	0	0	-9,31%
	2017	2	1	12	1	0	0	1,61%
TINS	2014	5	2	4	0	1	0	7,00%
	2015	6	3	13	0	3	0	1,09%
	2016	6	3	15	0	3	0	2,96%

	2017	5	2	18	0	2	0	4,29%
MITI	2014	5	2	4	1	3	1	2,09%
	2015	5	2	4	1	3	1	-72,13%
	2016	5	2	4	1	3	1	-10,18%
	2017	4	1	4	1	2	1	-9,99%



Appendix 3

Result of Data Processing

Descriptive statistic

Descriptive Statistics

	N	Minimu m	Maximu m	Mean	Std. Deviation
Commissioner Size	112	2.00	10.00	4.7500	1.81336
Independence Commissioners	112	1.00	4.00	1.8929	.71480
Commissioners Meeting	112	1.00	18.00	6.4196	3.29247
Gender Diversity	112	.00	1.00	.4286	.49710
Commissioner Education	112	.00	9.00	2.3214	2.12329
Foreign Commissioner	112	.00	1.00	.4732	.50153
Firm Performance	112	-72.13	39.00	.8410	13.31933
Valid N (listwise)	112				

Classical Assumption

Normality test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		112
Normal Parameters ^{a,b}	Mean	-
	Std. Deviation	.0094055
	Most Extreme Differences	.9537587
Kolmogorov-Smirnov Z	Absolute	.124
	Positive	.066
	Negative	-.124
Asymp. Sig. (2-tailed)		1.312
		.064

a. Test distribution is Normal.

b. Calculated from data.

Autocorrelation

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.714 ^a	.510	.482	.98068	1.897

a. Predictors: (Constant), Commissioner Nationality, Commissioner Size, Gender Diversity, Commissioner Education, Commissioners Meeting, Independence Commissioners

b. Dependent Variable: Firm Performance

No autocorrelation : $DU < DW < 4-DU$
K : 6
N : 112
DU : 1,8060
DW : 1,897
4-DU : 2194
DU < DW < 4-DU : 18060 < 1897 < 2194



Multicollinearity

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)				-			
	-.585	.508		1.152	.252		
Commissioner Size	.516	.238	.199	2.170	.032	.557	1.794
Independence Commissioners	.776	.312	.247	2.487	.014	.473	2.112
Commissioners Meeting				-			
	-.580	.180	-.269	3.215	.002	.668	1.498
Gender Diversity	-.115	.265	-.033	-.434	.665	.809	1.236
Commissioner Education	.548	.229	.202	2.397	.018	.661	1.513
Foreign Commissioner	-.180	.273	-.052	-.658	.512	.754	1.326

a. Dependent Variable: Firm Performance

Heterokedasticity

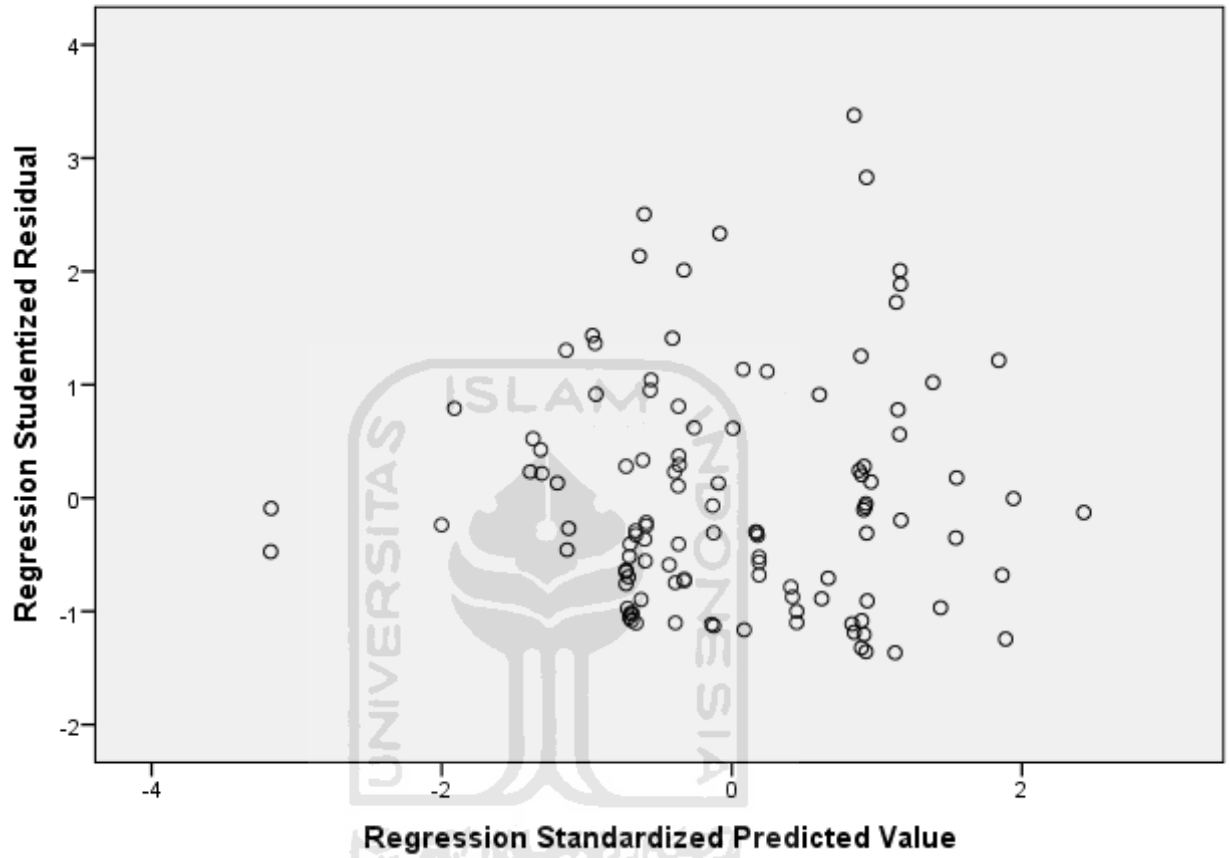
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.589	.315		1.871	.064
	Commissioner Size Independence Commissioners	.132	.147	.115	.895	.373
	Commissioners Meeting	-.181	.193	-.131	-.936	.352
	Gender Diversity	-.003	.112	-.003	-.030	.977
	Commissioner Education	-.004	.164	-.002	-.022	.983
	Foreign Commissioner	.008	.142	.006	.054	.957
		.189	.169	.124	1.116	.267

a. Dependent Variable: ABS_RES

Scatterplot

Dependent Variable: ABS_RES



Multiple linear regression

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.585	.508		-1.152	.252
	Commissioner Size	.516	.238	.199	2.170	.032
	Independence Commissioners	.776	.312	.247	2.487	.014
	Commissioners Meeting	-.580	.180	-.269	-3.215	.002
	Gender Diversity	-.115	.265	-.033	-.434	.665
	Commissioner Education	.548	.229	.202	2.397	.018
	Foreign Commissioner	-.180	.273	-.052	-.658	.512

a. Dependent Variable: Firm Performance

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	104.930	6	17.488	18.184	.000 ^b
	Residual	100.982	105	.962		
	Total	205.912	111			

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), Commissioner Nationality, Commissioner Size, Gender Diversity, Commissioner Education, Commissioners Meeting, Independence Commissioners

R square test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.714 ^a	.510	.482	.98068

a. Predictors: (Constant), Commissioner Nationality, Commissioner Size, Gender Diversity, Commissioner Education, Commissioners Meeting, Independence Commissioners

Hypothesis testing

Coefficients^a

Model		Unstandardized Coefficients		Sig.
		B	Std. Error	
1	(Constant)	-.585	.508	.252
	Commissioner Size	.516	.238	.032
	Independence Commissioners	.776	.312	.014
	Commissioners Meeting	-.580	.180	.002
	Gender Diversity	-.115	.265	.665
	Commissioner Education	.548	.229	.018
	Foreign Commissioner	-.180	.273	.512

a. Dependent Variable: Firm Performance

H1 : $0.032 < 0.050$ positive significant accepted

H2 : $0.014 < 0.050$ positive significant accepted

H3 : $0.002 < 0.050$ negative significant accepted

H4 : $0.665 > 0.050$ negative insignificant rejected

H5 : $0.018 < 0.050$ positive significant accepted

H6 : $0.512 > 0.050$ negative insignificant rejected

