

## CHAPTER V

### CONCLUSIONS

#### 5.1 Conclusions

Based on the analysis and discussion that has been done in this research, so the results of this research have the following conclusions:

1. Size of board of commissioners have negative and significant influence on the possibilities of the companies experiencing financial distress. From the level of significance, board of commissioners have significant influence of the companies experiencing financial distress. So, every proportion of board of commissioners in the company, it is likely influencing the company in experiencing financial distress.
2. The proportion of independent commissioners have positive but not significant influence on the possibility of companies in experiencing financial distress. When viewed in a statistical test, the variable is not significant, so it can be concluded that the variable of proportion of independent commissioners do not have a significant influence on the possibility of companies experiencing financial distress. So no matter how much the proportion of independent commissioners in the company, it is likely the possibility of the company in experiencing financial distress are the same.
3. Institutional ownership have negative but not significant influence on the possibility of companies experiencing financial distress. When viewed in a statistical test, the variable is not significant, it can be concluded that institutional ownership have no significant effect on the possibility of

companies experiencing financial distress. Or in other words there are other factors beyond the institutional ownership that can explain and have a significant influence on the possibility of a company experiencing financial distress. So no matter how much the percentage of institutional ownership of the company, it is likely the possibility of the company in experiencing financial distress are the same.

4. Ownership of the board of directors and commissioners have negative and significant influence on the possibility of companies experiencing financial distress. From the level of significance, ownership of the board of directors and commissioners have significant influence of the companies experiencing financial distress. So every ownership percentage of the board of directors and board of commissioners in the company, it is likely influence the company in experiencing financial distress.
5. The size of the audit committee have negative but not significant influence on the possibilities of companies in experiencing financial distress. When viewed in a statistical test, the variables is not significant in influencing on the possibilities of the company experiencing financial distress. This is because the audit committee did not run the function of the audit committee properly in oversees management and ensures the independence and objectivity of the external auditors. It can be concluded that the performance of the audit committee in carrying out the responsibilities from this sample companies is not quite well. Since the significant results stated that the audit committee in the company has no significant influence on the possibility of the company in experiencing financial distress

6. Control variables in this research are the size and leverage of the company. Size of the company shows the natural logarithm of the total assets of the company. Because every company has a different total assets, by inserting it to the control variable, it is expected to make the model becomes more fit. Where the leverage shows the company's ability to pay off its liabilities and obligations of the investor. Leverage variable is included in order to give positive influence to the financial distress. But, when seen from the significance test results, the size and leverage of the companies is not significant through the possibilities of the companies in experiencing financial distress, or in other words, no matter how much the logarithm of the total assets and leverage of the company, it is likely the possibility of the company experiencing financial distress remains the same.

## 5.2 Research Implications

Based on the analysis and discussion that has been done in this research, there are implications for some parties associated in this research

1. For Corporate, this research can provides an overview and considerations to the managerial to fix and improve the performance of board of independence commissioners and the audit committee in order to work optimally and more effective since board of independence commissioners and the audit committee have not significant influence towards the company in experiencing financial distress.
2. For the investors, this research can be used as one of the factors in investing consideration due to the performance of one element in corporate governance

namely the size of board of commissioners and also their share ownership that have significant influence to help companies avoid financial distress.

### 5.3 Research Limitations

As some limitations in this study are as follows:

1. This research only uses a quantitative approach, so this research is not deep and just see the companies experiencing financial distress generally.
2. The research sample only focuses on the manufacturing industries, which can not give an overall description of all existing industries in Indonesia.
3. This research only focuses on four corporate governance mechanisms, which are the board of commissioners that only focus on the size of board of commissioners, the independent commissioners that only focus on the proportion of independent commissioners, From the ownership structure that only focuses on institutional ownership and directors & commissioners' ownership, and the audit committee that only focuses on the size of audit committee in the companies.
4. The difficulties in finding information in Indonesia corporate governance official website, because there is a lack of information according to the researcher that is not included in the website

#### 5.4 Suggestions

Based on several limitations from this research, researcher suggests for the next research are as follows:

1. Future research should be able to combine quantitative research with qualitative research, so that to obtain a more in-depth results,
2. The research sample should be more vary, by including the sample from an entire industry that listed in IDX, so it can be seen whether the implementation of corporate governance in Indonesia really affect the condition of the company.
3. Future research should be able to add more independent variables for further research that is related to corporate governance, Such as the board of directors, the company secretaries, General Meeting of Shareholders (RUPS), etc.
4. Regarding to the corporate governance information, FCGI is expected to be more updated regarding to the information on its website, so that the information seekers who want to know more about the corporate governance can find on the website.

