CHAPTER V

CONCLUSION

5.1 Conclusion

Based on findings and analyses of the research conducted on Stated-owned Enterprises (SOEs) listed on IDX for period 2013-2016, it can be concluded that:

1. The size of Board of Directors has negative significant effect on ROA (Return on Assets) and negative insignificant effect on ROE (Return on Equity). The negative relationship shows the smaller the size of BOD then the better the financial performance. The small size of BOD are expected to give the better decision-making due to greater coordination and less agency problem. This condition would give impact to the better financial performance due to the good performance of BOD and less agency problem . The large size of BOD might increase the agency problem, social loafing, and free riding. The larger the size of BOD lead to the bigger problem of communication and coordination and give impact to the decreasing of their effectiveness. All of the weaknesses of large board leads to the decrease on financial performance. Therefore, the smaller size of Board of Directors, the better for the financial performance.
2. The size of board of Commissioners has positive siginificant effect both of ROA (Return on Assets) and ROE (return on Equity). The positive relationship shows the bigger the size of Board of Commissioners then the better the financial performance. It is because the large size of BOC provide a greater monitoring, controlling, and advising on management activities and

also reduce the agency problem and management opportunism. Therefore, these benefits would improve the financial performance due to less agency problem.

3. The size of Independent Commissioners has positive insignificant effect both on ROA (Return on Assets) and ROE (Return on Equity). The positive relationship show the larger the size of IC then the better the financial performance. On this research, the independency and objectivity of the large Independent Commissioners could reduce the agency problem but the influence is not significant. It can be concluded that, the large size of Independent Commissioners does not give big contribution on reducing agency problem.

4. The size of Audit Committee has negative insignificant effect on both ROA (Return on Assets) and ROE (Return on Equity). The negative relationship shows the smaller the size of Audit Committee then the better the financial performance. The members on small size of Audit Committe tend to focus and give more participation in performing their role. It would reduce free-riding and social loafing among audit committee members. On this research, the small size of Audit Committee could reduce the agency problem but the influence is not significant.

5.2 Research Limitations

In this study the researcher limits the problems discussed as following:

1. Based on various variables or factors that define GCG (Good Corporate Governance), this study uses only company's structure to be discussed, i.e.

the size of Board of Directors, Board of Commisioners, Independent Commisioners and Audit Committe.

2. This research only takes SOEs (State owned Enterprises) that listed in Indonesia Stock Exchange (IDX) as the sample.
3. This research only analyze 4 annual years from 2013 until 2016.

5.3 Suggestions

1. It is recommended for further research to add other CG variables such as Board diversity which defines by Board meetings, age, gender and educational backgroud or from ownership structure such as institutional ownership, managerial ownership, etc.
2. It is recommeded for further research to not limit the research sample only on SOEs that listed on IDX in order represent the actual SOEs performance.
3. It is recommended for further research to add annual years. The longer the term period, the more objective to obtain empirical evidence.