

## CHAPTER V

### CONCLUSION

#### 5.1 Conclusion

This research aims to see whether corporate governance mechanisms influence the selection of external auditors in banking subsector companies listed on the Indonesia Stock Exchange in the 2017-2018 period. The corporate governance mechanism examined in this study is the largest percentage of share ownership, the size of the board of commissioners, and the effectiveness of the audit committee while company size, efficiency, profitability, and leverage are used as control variables. From the test results using logistic regression, several conclusions can be drawn as follows:

1. The largest percentage of share ownership has a negative and significant influence on the selection of external auditors. These results are in line with the initial hypothesis that was predetermined based on the results of Lin and Liu's study (2009) and allegedly caused because shareholders who have the largest proportion of ownership have tendency to take advantages for profit due to the intransparency of corporate financial reporting.
2. The size of the board of commissioners has a positive and significant influence on the selection of external auditors. These results are consistent with the initial hypothesis determined earlier based on studies that have been done by Lin and Liu (2009). The more members of the

board of commissioners, the supervisory function will be carried out more effectively, and the board of commissioners will also want good supervision from an independent party, in this case realized by selecting the Big 4 external auditor,

3. The effectiveness of the audit committee no influence on the selection of external auditors. This result is contradicted with the initial predetermined hypothesis. Balafif (2010) stated in his study that the more effective a company's audit committee, the audit committee would propose the appointment of an increasingly qualified external auditor.

## **5.2 Recommendation**

1. It is recommended to take a longer range of time so that research is able to get results that are more representative of the actual situation.
2. Variables used to reflect audit quality and corporate governance mechanisms can be further developed. Besides the income of public accounting firms, audit quality can also be proxied through the number of partners owned and the auditor's industry specialization.
3. It is recommended to increase the measurement of the effectiveness of the supervisory function of the board of commissioners can by using factors of activity, independence, and competence.