

CHAPTER V

CONCLUSIONS AND SUGGESTIONS

5.1 Conclusions

This study was conducted to determine whether corporate governance and firm risk-taking affect the probability of a company in implementing malus. Based on data from the banking sector financial services annual report for 2017-2019 listed on the Indonesia Stock Exchange and using purposive sampling as a sampling method, there were 44 data obtained from 20 banking companies and then processed. All sample data collected is processed through simple statistics with Microsoft Excel and then processed using the SPSS 23 application. The results showed that there was a significant influence between corporate governance and firm risk-taking on the probability of the company in implementing malus. Based on the results of research and discussion that have been presented in previous chapters, the following conclusions can be drawn:

1. There are four factors in corporate governance as indicators, namely, number of independent directors, number of meetings, days of office, and board of directors salary ratio. In the two factors mentioned first, it negatively affects the probability of the company using Malus. Meanwhile, the other two factors have a positive effect on the probability of companies implementing malus.
2. There are three factors in the firm's risk-taking as an indicator, namely, equity to total assets ratio, loans to total assets ratio, and value of total assets. The equity ratio and total assets have a negative influence on the

probability of the company in implementing malus. Whereas the loans to total assets ratio have a positive influence on the probability of the company in implementing malus.

3. Then, it is found that the companies that implement the only malus are perceived as higher risks than other companies that do not implement other than malus. This is indicated by the presence of lower total assets and equity ratios, and a higher ratio of loans to total assets. It is also found that companies implementing the only malus have poor corporate governance than companies that implement other than malus. This is indicated by the lower percentage of independent directors, and the lower number of board meetings, short days of office, and the discrepancy of salary ratios between the highest and lowest directors' salaries.

5.2 Implication of Research Results

This research could provide more information related to the literature on compensation schemes in banking companies and studies of users of malus compensation schemes in Indonesia. This study may help the financial services of companies in the banking subsector to identify corporate governance and corporate risk-taking in implementing malus or other than malus. Based on the findings, it was suggested that companies with poor corporate governance and higher risk were recommended to implement malus as a compensation scheme in their company.

5.3 Limitations of Research and Suggestions

This study has several limitations that require improvement and development in future research studies. The limitations of this study are as follows:

1. Limitations in obtaining data so that the number of samples in this study is only 44 samples. After seeing from the annual report of the financial services company banking sub-sector from 2017-2019 some companies that do not publish financial reports so researchers do not make a sample of these companies into the study. Other samples that did not meet the criteria in this study.
2. This study uses two independent variables (corporate governance and firm risk-taking) consisting of seven indicators, namely the percentage of the number of independent directors, number of board meetings, days of office, salary ratio, equity ratio, loan ratio, and total assets. In this indicator, there are still other possible variables that affect the probability of the company in implementing *malus* such as stock prices, non-performing loan ratios, the use of big four public accounting firm as an external auditor in the company, and others.
3. The limited-time horizon is used in this study.

Based on the limitations of the research that has been described previously, the researchers suggest for further research as follows:

1. Further research should choose other banking sub-sectors such as Islamic banks to determine the differences in the influence of corporate

governance and firm risk-taking on the tendency to choose *malus* in companies.

2. Future studies are expected to consider a longer research period to get the possibility of better results due to the higher element of data representation.
3. The use of other variables is thoroughly recommended in future studies.

