THE IMPACT OF BOARD GOVERNANCE PRACTICES AND INVESMENT OPPORTUNITY SET IN IMPROVING COMPANY'S PERFORMANCE
(STUDY OF BANKING LISTED IN IDX)

THESIS

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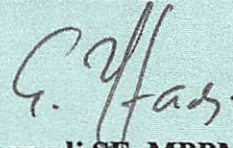**FACULTY OF ECONOMICS**
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THESIS APPROVAL LETTER

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The Impact of Board Governance Practices and Investment Opportunity Set in Improving Company Performance (Study of Banking Listed in IDX)

ABSTRACTS

The objective of this study is to determine the impact of board governance (board size, independent board, board meetings of BOD, BOC and both) and Investment Opportunity Set (IOS MBVA, MBVE, PPEMVA) toward Bank performance (Tobin's Q). The samples used in this study are listed Banking companies at Indonesia Stock Exchange. Using purposive sampling method, there are 13 banks involved in this research as a subject of analysis for four-years-period starts in 2006 and ends in 2009. Author use Hypothesis testing to determine the influence of board governance, and Investment Opportunity Set toward banking firm's performance. The result of this study showed that board governance in board size, board independence and board meetings of BOD and board meetings of BOC and IOS have positive relationship to company performance as measure by Tobin's Q,(except for board meeting BOD with BOC that result negative relationship)

Keywords: Board governance, Investment Opportunity Set, Tobin's Q

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Sincerely,

(Putri Kumala Dewi)

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CHAPTER I

INTRODUCTION

1.1 Background

Corporate governance research has been increasingly popular in recent years, from the 1997 Asian financial crisis to corporate governance failure such as the Enron and WorldCom scandals in the US. In Indonesia, the example of corporate governance failure is burglary case of Citibank and Mega Bank. The main reason of these problems was poor corporate governance. Thus, further encouragement over the application of corporate governance particularly the scope of board governance is needed.

Corporate governance is a system of how companies are managed and controlled through the delegation of certain rights and authority within the company. Furthermore in Monk and Minnow (1995) reveals that corporate governance is the relationship between certain elements in determining the direction and performance of the company. The element consist of three main parties are shareholders, management and corporate board.

Pooling of shareholders, debt holders and management interests which in fact the parties who have an interest in the company's goals often lead agency problem. According to Jensen's (1976) agency relationship arises when one party (principals) use the services of other parties (agents) and gave it authority to implement a number of specific tasks such as managing the company.

Talking about corporate governance, the focus of discussion is on board. This is due to the fact the board is the responsible party and have full authority in making decisions about how to do the briefing supervision control over resource management in accordance with company objective The main objective of companies is to maximize shareholder wealth by increasing firm value. Increasing corporate value can be achieved if the companies reach the targeted profit, which profits from company will be able to pay dividends to shareholders, increasing company growth and sustainability. Beasley and Petroni (2001) stated that if a company has good board governance, the company will have a good performance as well. Thus the board governance is one of the key input factors in order to deliver the optimization of resource management to achieve organizational goals

There are two system adopted by many countries all around the world like Anglo-Saxon system and Continental system. Anglo-Saxon also known as unitary board or one tier board model that is prevalent in the Anglo-Saxon countries. On the other hand Continental European countries, called the dual board system (two tier board system), which has separation of supervisory and management board.

As Indonesian adopted Continental European governance model, there are two boards in every companies within this country. Those are the Supervisory board or commonly called Board of Commissioners and the management board. In the dual board system that is used in Indonesia has its own uniqueness compared to the dual board system prevailing in the country of origin of this system evolved (Continental European countries). The main

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characteristic in another country that uses this system, the board of commissioners (supervisory board) elected by and responsible to the General Meeting of Shareholders (GMS), and this council will then select the board of directors (management board). While in Company Act in Indonesia (2007) declare that both elected and accountable to the RUPS. This certainly provides a unique on board governance practices in corporate Indonesia.

The researches about the board governance and company performance like Jensen (1993), Geoffrey (2003) in terms of board size commonly used by researchers in various countries is characteristic of the board include board independence, board size, ownership and etc. While the performance indicators that are used are generally based on accounting profits or market return. Though there have been many researches before about the board governance, Bhagat and Black (1999) reveals that there is still not conclusive evidence concerning the effect of the performance of board governance on firm performance.

The researches about the board meeting to company performance have done by Mehran (2003), stated there is positive relation between board meeting to company performance. Moreover in agency theory (jensen(1993)) accentuates that board characteristics are essential to manage the agency conflict and that it is not just that a board exercises governance but that specific board constituents are necessary to exercise governance as full board meetings are the only occasions when non-executive directors formally participate in the corporate process and the minutes of such meetings are now generally reported to shareholders. Thus, the number of full board meetings is

one measure of non-executive director contribution to the corporate process and certainly one of the most visible measures of monitoring the corporate decisions.

The company's main goal is to maximize shareholder wealth by increasing firm value. Increasing firm value means the company having good performance. Investment opportunities are growth options that can be taken or forgone at the managers' discretion (Myers (1977)). They represent future investments the value of which is uncertain because they depend on discretionary expenses made by the managers. Hence, the managers are likely to have more information about investment opportunities and their value than the shareholders (Bizjak 1993).

Furthermore, the management of investment opportunities requires decision-making in an uncertain environment and consequently managerial action is more unobservable (Smith and Watts (1992)). Hence, shareholders of firms with high investment opportunities have a greater need of monitoring their managers. A common practice is to rely on proxy variables to measure firm's investment opportunity set, since investment opportunity are typically unobservable to outsiders. Several proxies have been used in accounting and finance literature and have been classified by Kallapur and Trombley (2001) as price-based, investment-based proxies, variance measures and composite measure.

The researches about the investment opportunity set have done by Kallapur and Trombley (2001) stated that investment opportunity set of the company is an important component of market value. This is due to

Investment Opportunity Set (IOS) or a set of investment opportunities of a firm affects the perception of managers, owners, investors and creditors against the company.

In relation with these empirical findings, the authors are interested to conduct research on board governance practice, investment opportunity set in the banking firm performance. This research studies the banking that listed in Indonesia Stock Exchange that brings uniqueness to the study. The choice of banking that listed in Indonesian stock exchange because it the most efficient data available and bank are subject to regulation because banking sector deserves special attention and have played a significant corporate governance role by monitoring business client performance and management behavior.

1.2 Problem Definition

Based on the explanation in the background, the major question of the research is: what is the impact of board governance practice and investment opportunity set in improving company's performance?

1.3 Objective and Benefit of the study

Regarding to the problem definition above, the objective of this study is to determine the impact of board governance practices and investment opportunity set in company's performance that are banking listed in BEI will give improving. The specific objectives are follows:

1. To determine whether board governance practice as measure by size of board commissioners, proportion of independent board, meeting

frequency of board director, meeting frequency of board director and meeting frequency between board director and board commissioner influence the corporate performance as measured by Tobin's Q

2. To determine whether investment opportunity set as measure by Market-to-book-value of asset, Market-to-book-value of equity and property plant and equipment market value of influence the corporate performance as measured by Tobin's Q.

The benefit of the study is to give empirical evidence between board governance practice and investment opportunity set in improving company performance and to gain an understanding of board governance practices in Indonesia.

1.4 Writing Systematic

The thesis will be presented in five chapters, as in chapter one as the introduction chapter, it will contain the background, problem definition, research purposes and significance and writing systematic. In chapter two, it explains the theoretical framework and reviews the literature about all related researches.

In chapter three, it explains the research method including the population that taken, the sampling method, variables identification and measurement, data gathering method and techniques. In chapter four, it discusses the research analysis, like empirical findings and other related things that is analyzed during the research. Chapter five is the concluding section, which contains the research conclusions, the research limitations and suggestions.

CHAPTER II

THEORETICAL FRAMEWORK

2.1 Corporate Governance

The term corporate governance had not become a fashionable concept in Asia until this decade when it was stimulated by the occurrence of Asian financial crisis and the phenomena of corporate governance failure such as the Enron and WorldCom (2008) scandals in the US. The financial crisis prompted by the securitization of subprime mortgage loans in the Unites States which led to the collapse, takeover and in some case, nationalization of banks and other financial institutions around the world raised some fundamental corporate governance issues. Furthermore in Indonesia, the example of corporate governance failure is burglary case of Citibank and Mega Bank. The main reason of these problems was poor corporate governance. Thus, further encouragement over the application of corporate governance and this makes the issue of corporate governance still pertinent to be discussed.

The term governance deals with the processes and systems by which an organization or society operates. Since corporate governance is notoriously difficult to explain in one sentence, there are so many definition related with it, but basically corporate governance is an organization issue in which resources of organization are distributed among parties related to organization. Monks and Minnow (1995) proposed the definition of corporate governance as a relationship among various parties in determining company's direction and performance.

There are four essential elements of Corporate Governance elaborated by OECD (Organization for Economic Co-operation and Development). The elements are:

1. Fairness.

   Ensuring the protection of shareholder rights, including the rights of minority and foreign shareholders, and ensuring the enforceability of contracts with resource providers.

2. Transparency.

   Requiring timely disclosure of adequate, clear and comparable information concerning corporate financial performance, corporate governance, and corporate ownership.

3. Accountability.

   Clarifying governance roles and responsibilities, and supporting voluntary efforts to ensure the alignment of managerial and shareholder interests, as monitored by the boards of directors (or board of commissioners in Two Tiers System, FCGI)

4. Responsibility.

   Ensuring corporate compliance with other laws and regulations that reflect the respective society's value.

These elements could be used to measure the corporate governance implementation process within the company. The principles will give a wide opportunity for managers in a country depend on the distinct national business systems in that country (Pedersen & Thomsen, 1999). By applying Corporate

Governance to the companies, there are some benefits that could be gained. The benefits are as follows:

1. Easier to raise capital;

2. Lower cost of capital;

3. Improved business performance and improved economic performance;

4. Good impact on share price. (Due to the current Indonesian situation, privatization of State-Owned Enterprises can contribute significantly to the state budget)

The objective of corporate governance is to achieve a responsible, value oriented management and control of companies. corporate governance rules promote and reinforce the confidence of current and future shareholders, lenders, employees, business partners and the general public in national and international markets, Drobetz, Schillhofer and Zimmermann (2003).

2.1.1 Agency Theory

The clear implication for corporate governance from an agency theory perspective is that adequate monitoring or control mechanisms need to be established to protect shareholders from management's conflict of interest – the so-called agency costs of modern capitalism (Fama and Jensen, 1983). Agency theory leads to normative recommendations that boards should have a majority of outside and, ideally, independent directors and that the position of chairman and CEO should be held by different persons.

Agency theory has become a popular theoretical perspective in corporate governance to explain organizational behavior. In general, agency theory is used

to analyze the relationship between principals and agents. It is concerned with devising structural and behavioral measures that minimize inefficiencies in the contractual structure of the firm. These contracts delineate or specify agency relationships: between shareholders (principals) and managers (agents), between debt holders (principals) and managers (agents), between shareholders (principals) and directors (agents) and between the directors (principals) and various board committees and task groups (agents).

The agency theory, as has been addressed by Jensen and Meckling (1976) was based on the proposition of separation between ownership and control. Such separation will give the agents (manager of the firm) incentives to pursue activities which will benefit themselves, at the cost of their principal (provider of finance). The basic premise is that 'if both parties to the relationship are utility maximizes there is a good reason to believe that the agent will not always act in the best interests of the principal. They believe that the owner-manager's divergence of interests causes agents to fail to maximize the welfare of the principal. This failure is the most important cost resulting from the principal and agent conflict known as the agency problem.

Banking firms face an industry specific set of agency problems (Hasan, wolfe, & Maroney 2004). As bank essentially intermediates between deposit contract and loan contracts, it incorporates a conflict of interest between bank and borrower. Therefore this type of financial contracts forms the basis for an agency relationship between debt holder (lender) and project holders (borrower). In this type of agency relationship, the asymmetric information problems become really matter.

Moreover in agency theory (Jensen (1993) accentuates that board characteristics are essential to manage the agency conflict and that it is not just that a board exercises governance but that specific board constituents are necessary to exercise governance as full board meetings are the only occasions when non-executive directors formally participate in the corporate process and the minutes of such meetings are now generally reported to shareholders. Thus, the number of full board meetings is one measure of non-executive director contribution to the corporate process and certainly one of the most visible measures of monitoring the corporate decisions.

2.1.2 Stewardship Theory

Stewardship theory looks at governance through a different lens from agency theory. Stewardship theory reflects the classical ideas of corporate governance. Directors' legal duty is to their shareholders no to themselves or to other interest groups. Contrary to agency theory, stewardship theory believes that directors do not always act in away that maximize their own personal interests: they can and do act responsibly with independence and integrity. It claims that managers are essentially trustworthy individuals and therefore good stewards of the resources entrusted to them Proponents of stewardship theory contend that superior corporate performance will be linked to a majority of inside directors as they work to maximize profit for shareholders. This is because inside directors understand the business they govern better than outside directors and so can make superior decisions (Donaldson, 1990; Donaldson and Davis, 1991). Underlying

this rationale is the assertion that since managers are naturally trustworthy there will be no major agency costs (Donaldson, 1990; Donaldson and Preston, 1995).

Stewardship theorists also argue that senior executives will not disadvantage shareholders for fear of jeopardizing their reputation (Donaldson and Davis, 1994). Stewardship theory argues that the board should have a significant proportion of inside directors to ensure more effective and efficient decision making. Similarly, CEO duality is seen as a positive force leading to better corporate performance, because there is clear leadership for the company (Donaldson and Davis, 1991). Stewardship theory suggests that board characteristic (such as meetings) is irrelevant to the execution of a board's governance obligations mainly because monitoring is an entirely endogenous process. Endogenous process means that historical unitary board practice and company law are also blind to board characteristics and composition and deem board responsibility a joint or collective responsibility of all directors.

2.2 Board Governance

Boards is the responsible party and have full authority in making decisions about how to do the briefing, supervision control over resource management in accordance with company objective and the board's accountability to the company and the shareholders. Companies in Indonesia adopted a model system of the board of Continental European countries, called the dual board system (two tier board system) like this figure:
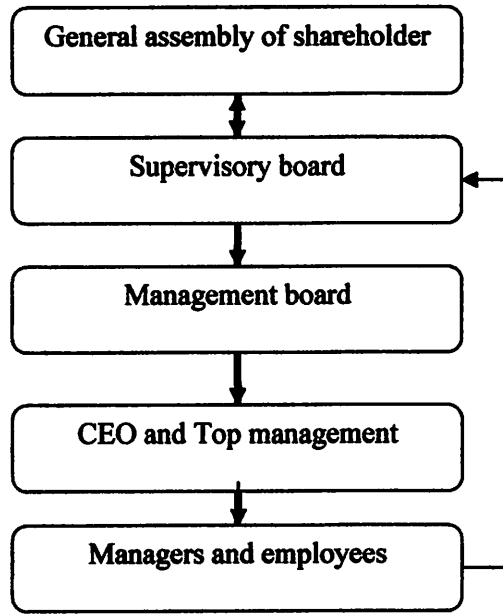
Figure 2.1 Two tier board system
adopted from Tricker 2009

This system is developed and used in most European countries and former

colonies. In the dual board system, a company has two councils, namely the board

of directors charged with managing the company, and the board of commissioners

charged with overseeing implementation of the duties of the board of directors.

But the council system that is used in Indonesia has its own uniqueness compared

to the dual board system prevailing in the country of origin of this system evolved

(Continental European countries). Indonesia based on Company Law (2007)board

of commissioners, or better known as the supervisory board, and board of

directors (management board), both elected and responsible to the General

Meeting of Shareholders (RUPS) like this figure:
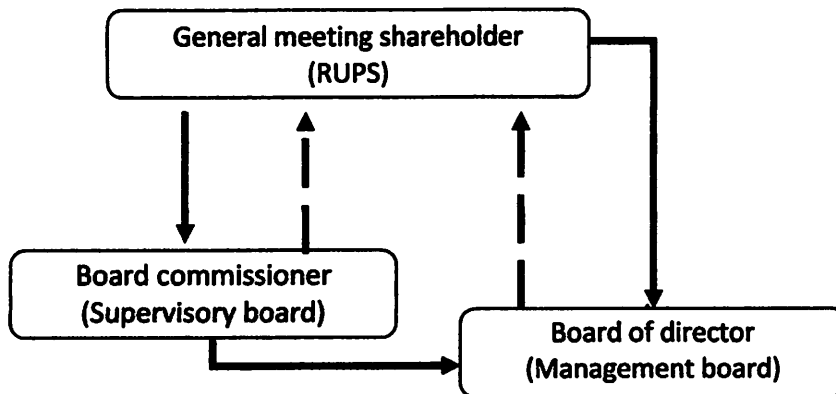
Figure 2.2 Structure of Board in Indonesian Companies
Based on company law no. 40/2007
* A solid line represents supervisory direction.
** A broken line represents reporting direction.

2.2.1 Board Commissioner

The Board of Commissioners has very important roles in the company especially in the implementation of sound corporate governance. The Board of Commissioner is responsible for supervising the performance of Management Board and policies made by the Management Board and giving advice to the Management Board. Based on Regulation of bank Indonesia number 13/ 1 /PBI/2011 regarding rating on commercial banks, article 1:

Commissioners are:

a. of a Bank incorporated as a Limited Liability Company, shall be Commissioner as referred to in Article 1 number 6 of Act Number 1 Year 2007 concerning Limited Liability Companies

b. of a Bank incorporated as a Regional Government Enterprise shall be member of Supervisory Board as referred to in Article 19 of Act Number 5 Year 1962 concerning Regional Government Enterprise;

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c. of a Bank incorporated as a Cooperative shall be member of the Supervisory Board as referred to in Article 38 of Act Number 25 Year 1992 concerning Cooperatives.

The boards of commissioner have duties are as follow:

1. The Board of Commissioners must ensure the implementation of Good Corporate Governance in each of the Bank business activity on all organizational levels or hierarchy.

2. The Board of Commissioners must perform supervisory function on the implementation of the tasks and responsibilities of the Board of Directors, and must provide advice to the Board of Directors.

3. In performing the supervisory function as referred to in number 2 commissioners must direct, monitor, and evaluate the implementation of Bank strategic policies.

4. In performing the supervisory function as referred to in number 2, the Board of Commissioners are prohibited from being involved in decision making related to Bank operational activities, except: provision of funds to related parties as stipulated in Bank Indonesia regulation concerning Commercial Bank Legal Lending Limit; and other matters as stipulated in the Bank's Articles of Association or prevailing laws and regulations.

5. Decision making by the Board of Commissioners as referred to in number 4 shall not erase the responsibilities of the Board of Directors in performing Bank management function.

Independent Commissioner shall be a member of The Board of Commissioners without any financial, management, share ownership and/or family relationships with other members of The Board of Commissioners, The Board of Directors and /or Controlling Shareholders or any other relationships that may affect his/her ability to act independently. The effectiveness of a board in monitoring the management is determined by its composition, independence and size (John & Senbet 1998).

Monitoring function by the Board of Commissioner itself presents an agency problem as board members (agents) are expected to monitor managers on behalf of the shareholders (principals). Fama and Jensen (1983) argue that outside directors (independent commissioners) are more efficient in monitoring the management and will not collude with the management.

Agency theory argues for boards dominated by outside or NEDs (independent commissioner) as they would help to monitor and control the opportunistic behavior of management (Berle and Means 1932; Jensen and Meckling 1976), reduce management consumption of perquisites, influence the quality of directors' deliberations and decisions, and provide strategic direction and improvement in performance (Pearce and Zahra 1992).

The preceding discussions support the intuition that the boards' monitoring function should increase with the proportion of independent commissioners. In addition to these independent commissioners' independence, the Board of Commissioners has an affirmative incentive to monitor effectively, especially in the absence of market for corporate control which is non-existent in most developing countries, including Indonesia.

From the agency theory, board meeting is a measures of monitoring the corporate decisions, so author want to know the relationship board meeting to company performance. Board meeting in board commissioner consists of board commissioners meeting and meeting board commissioner between board directors. Board commissioner meeting based on PBI number 8/14/PBI2006 as follow:

1) Board of Commissioners meeting must be held periodically at least 4 (four) times a year.

2) Board of Commissioners meeting must be physically attended by all members of the Board of Commissioners no less than 2 (two) times a year.

3) In case Board of Commissioners cannot physically attend the meeting, then he/she is suggested to attend the meeting using teleconference technology.

4) Board of Commissioners meeting decisions shall be made by unanimous consent principle.

5) In case unanimous could not be reached, the decision shall be made by way of majority voting.

6) All decisions by the Board of Commissioners shall be binding on all members of the Board of Commissioners.

7) The result of the Board of Commissioners meeting as referred to must be written into a minute of meeting and documented well.

8) Any dissenting opinions in the Board of Commissioners meeting must be written clearly in the minutes of meeting together with the reason for the dissenting opinions.

2.2.2 Board of Director

To begin with the monitoring activity by the principal has become important since the separation ownership and control within the company, thereby to minimize the agency cost (Jensen and Meckling 1976). Therefore, a board of director has a vital role to play in a corporation, as its responsibility is to manage and direct management. Based on Regulation of Bank Indonesia number 13/ 1 /PBI/2011 regarding to the rating on commercial banks, article 1:

The Board of Director are:

a. of a Bank incorporated as a Limited Liability Company shall be The Board of Directors as referred to in Article 1 number 5 of Act Number 1 Year 2007 concerning Limited Liability Companies.

b. of a Bank incorporated as a Regional Government Enterprise shall be The Board of Directors as referred to in Article 11 Act Number 5 Year 1962 concerning Regional Government Enterprise;

c. of a Bank incorporated as a Cooperative shall be Management Board as referred to in Article 29 of Act Number 25 Year 1992 concerning Cooperatives;

d. of a branch office of a foreign bank shall be the head of the branch office of a foreign bank.

The board of directors has duties as follows:

1. The Board of Directors shall be fully responsible for performing Bank management function.

2. The Board of Directors must manage the Bank in accordance with its authority and responsibilities as stipulated in the Articles of Association and prevailing laws and regulations.

3. The Board of Directors must implement Good Corporate Governance principles in each of the Bank's business activity for all organizational levels or hierarchy

4. The Board of Directors must take follow up action for audit findings and recommendations from the Bank's Internal Audit Work Unit, external auditor, Bank Indonesia's supervision result and /or other authorities' supervision result.

5. The Board of Directors must be responsible for the implementation of its tasks to Shareholders through the General Meeting of Shareholders.

From the agency theory board meeting is a measures of monitoring the corporate decisions, so author want to know the relationship board meeting to company performance. Board meeting in board director consists of board director meeting and meeting board commissioner between board directors. Board director meeting based on PBI number 8/14/PBI2006 are as follows:

1) Each strategic policy and decision must be made in the Board of Directors Meeting

2) The decision in the Board of Directors Meeting shall be made under unanimous consent principle.

3) In case the unanimous could not be reached, the decision making shall be done by way of majority voting.

4) The result of the Board of Directors Meeting must be stated in a minute of meeting and documented well.

5) Any dissenting opinions in the Board of Directors Meeting must be clearly stated in the minutes of meeting together with the reason of the dissenting opinion.

2.3 Investment Opportunity Set

Investment Opportunity Set (IOS) is a set of investment decisions in the form of owned assets and future investment options, where the Investment Opportunity Set (IOS) itself affects the value of the company. Companies that have a number of investment opportunities, both tangible (tangible) and intangible (intangible) that is prospective to be given to show the public that the company has a chance to grow better when compared with companies that have few investment opportunities. Research on the Investment Opportunity Set (IOS), still relatively little is done and the result is still causing controversy or debate. In the opinion of finance experts mentioned that a company has the opportunity or the chance to grow (growth). Opportunity to grow the company can look at investment opportunities proxies with various combinations of the value of an investment opportunity set (IOS).

According to Hartono (1999) Investment Opportunity Set IOS is availability of alternative of firm's investment in the future. IOS is the present value and choices for firm to make a future investment decision, this market value divide into two part: (1) the present value of assets already in place and (2) the present value of future growths opportunities (Myers, 1977). Investment Opportunity Set (IOS) has an important role in corporate financial policy. Policies of Investment Opportunity Set (IOS) will have an impact on the financial aspects of the company as corporate capital structure, debt contract, dividend policy, compensation contracts and corporate accounting policies.

The IOS is unobservable as it is related to discretionary expenditures and firm-specific factors such as physical and human capital in place and industry-specific and macroeconomic factors. Thus, any individual proxy is unlikely to be a perfect measure. Several proxies have been used in accounting and finance literature and have been classified by Kallapur and Trombley (2001), there are four proxies type of investment opportunity set as follows:

1. The price-based proxies are based on the assumption that growth firms will have higher market values relative to assets in place because growth prospects are at least partially impounded in stock prices. That is, a material portion of the market value of equity is accounted for by growth opportunities. Kallapur and Trombley (2001) found that among the commonly used proxies, market-to-book value ratios are the most highly correlated with future growth. Consequently, three price-based proxies for

growth opportunities are used in this study, which allows an assessment of the robustness and sensitivity of the results to be made. These proxies have been used extensively in prior studies (Anderson et al., 1993; Baber et al., 1996; Gaver and Gaver, 1993; Gul, 2004; Hossain et al., 2000; Skinner, 1993). The three variables used as proxy measures of growth are: the market value of assets to book value of assets ratio, the market-to-book value of equity ratio and the ratio of gross plant, property and equipment to market value of the firm.

2. Investment-based proxies, these proxies identify that a high level of investment activity is positively related to the IOS of the firm. Firm with high IOS also have high level of investments as the IOS is converted into asset already in place in place over time. Investment based proxies are formed using a ratio with compares a measure of investment to measure of assets already in place or to operating result produced by asset already in place.

3. Variance measures, these measures identify that investment options before more valuable as the variability of ROA increases. Risk measures used are follows; variance of return and assets beta.

4. Composite measure, IOS used individually and then attempt to evaluate sensitivity of result to choice of IOS proxies to construct composite measures with incorporate multiple proxies or rely on other evidence regarding the firm's IOS.

2.4 Company Performance

The main goal of companies is to maximize shareholder wealth by increasing firm value. Increasing corporate value can be achieved if the company can achieve the targeted profit. The profits from the company will be able to pay dividends to shareholders, increasing firm growth and firm survival. Nevertheless, on the other hand, the manager as the doer of the company has different objective especially in increasing the achievement of the individual and the compensation that is to be accepted. If the manager of the company does some actions to get his own benefit and disobeys the investor's importance, he or she can lose the investor's hope about the return for the fund they have invested in the company. Due to that this fact, it necessary to build a protection to all parties concerned to the company.

Measuring company performance use market based (Tobin's Q). The market based measures of firm performance relate to the overall value placed on the firm by the market and may not bear any relationship to asset valuations, current operations or even the firm's historical profitability.

2.5 Previous Researches

Previous studies stated that the company owning a large board size cannot do the coordination, communication and decision making better than the company that has a board that much lower than the company having fewer directors (Jensen, 1993). In Geoffrey (2003), board size is positively correlated with firm value and a positive relationship between the proportion of inside directors and the market-based measure of firm performance. Bhagat and Black (1999) found

that a different relationship to the research board size has a relationship with the company's performance; meanwhile independent boards do not have a relationship with firm performance as measured by Tobin's Q and ROA but it has a positive relationship with the operating margin.

Conger et al (in Reyes 2001) revealed that the frequency of meetings can measure the effectiveness of the control board so far carried out other than that the frequency of meetings could be a good size to get results that match the desire of shareholders. Meanwhile, Jensen (1993) suggested that if the council charged with greater control due to problems faced by the company, meetings are one effective way to resolve it as one form of control over the implementation of corporate governance. Research the influence of board meetings to the company performance was conducted by Mehran (2003). He proved the existence of a positive relationship between the number of board meetings to corporate performance as measured by ROA, ROE, and Tobin's Q. According to him, a board meeting is one element that supports the analysis oversight board.

Research about investment opportunity set (IOS) was undertaken by Adam and Goyal (2007). This research concluded that valuing growth option of mining firms by using real options approach that to evaluate the performance of proxy variables for a firm's investment opportunities set this study result shown that the market to book asset ratio (MBA) is the best proxy along several dimension. It has the highest information content with respect to investment opportunities and is least affected by other factor. In Hutchinson and Gul (2004), IOS is negatively associated with firm performance. The paper result a negative association between

growth and firm performance and then examine whether corporate governance

variables moderate this negative relationship.

Table 3.1
Summary of Previous Research

No	Author	Year	Research objective	Result
1	Jensen	1993	Indicating that internal control systems have largely failed in bringing about timely exit and downsizing, leaving only the product market or legal/ political/regulatory system to resolve excess capacity	large board size cannot do the coordination, communication and decision making better than the company that has a board that much lower than the company having fewer directors
2	Geoffrey	2003	Examine relationships between board demographics and corporate performance in 348 of Australia's largest publicly listed companies and describe the attributes of these firms and their boards.	board size is positively correlated with firm value and a positive relationship between the proportion of inside directors and the market-based measure of firm performance
3	Bhagat and Black	1999	There survey the evidence on the relationship between board composition and firm performance	Different relationship to the research board size has a relationship with the company's performance; meanwhile independent boards do not have a relationship with firm performance as measured by Tobin's Q and ROA but it has a

				positive relationship with the operating margin.
4	Reyes	2001	Board directors, Diversification Strategy and Shareholder Value from Bangladesh	Revealed that the frequency of meetings can measure the effectiveness of the control board so far carried out other than that the frequency of meetings could be a good size to get results that match the desire of shareholders.
5	Mehran	2003	To examine both the relation between board structure (size and composition) and bank performance, as well as some determinants of board structure.	He proved the existence of a positive relationship between the number of board meetings to corporate performance as measured by ROA, ROE, Tobin's Q
6	Adam and Goyal	2007	To evaluate the performance of several proxy variables for a firm's investment opportunity set	This research concluded that valuing growth option of mining firms by using real options approach that to evaluate the performance of proxy variables for a firm's investment opportunities set this study result shown that the market to book asset ratio (MBA) is the best proxy along several dimension
7	Hutchinson and Gul	2004	to evaluate the performance of several proxy variables for a firm's investment opportunity set	The results show on a relative scale, the market-to-book assets ratio has the highest information content with respect to investment opportunities.

2.6 Hypothesis Development

Based on background, problem definition and objective of study so the hypotheses of the study are as follows:

H1: Size of Board commissioners has positive relationship in banking firm performance

H2: Independence commissioners has positive relationship in banking firm performance

H3: Meeting frequency of board commissioners has positive relationship in banking firm performance

H4: Meeting frequency of board director has positive relationship in banking firm performance

H5: Meeting frequency of board director and board commissioners has positive relationship in banking firm performance

H6: Investment opportunities set (MBVA) has positive relationship in banking firm performance

H7: Investment opportunities set (MBVE) has positive relationship in banking firm performance

H8: Investment opportunities set (PPEMVA) has positive relationship in banking firm performance
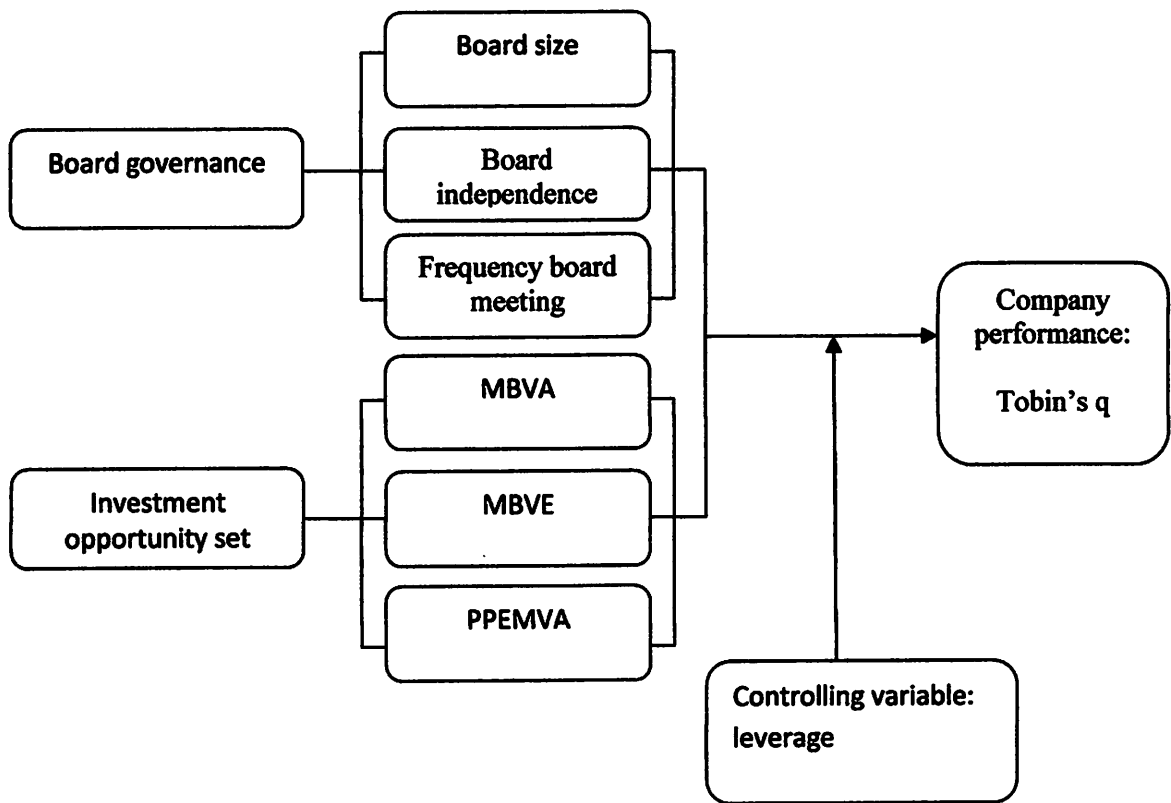
Figure 2.3 Framework of Research

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Method

This research is Hypothesis testing with empirical studies approach. The object of this research is bank that listed in Indonesian stock exchange. Variables that will be tested in this research sample consisted of the dependent variable (Tobin's Q) and independent variables (board size, board independence, board meetings and Investment Opportunity Set).

3.2 Constructions of Data

The data used in this analysis consisted of four years observation of all listed bank in Indonesian stock exchange and having full data covering period 2006-2009. In all cases, the data were for the end of each financial year during the period of the study in order to be consistent with the use of audited financial statement data. The choice of publicly listed companies was based on the most efficient data available and the presence of audited financial statements.

The research samples were taken based on the purposive sampling method with the following criteria:

1. Bank are Listed in Indonesian stock exchange from January 2006-december31 2009

2. The Bank publish the annual financial statement for December 31st 2006-2009

3. Data available is complete (all of data is available in period December 31st 2006-2009 publication), data related to corporate governance and investment opportunity set of company and data needed to detect the company financial performance.

3.3 Data Collection Method

Data used are derived from secondary data is information obtained from other parties (Sekaran, 2003), which the data published by government and other institution such as Indonesian Stock Exchange in form of annual report. Annual reports are obtained from www.idx.co.id and the websites of the sample companies.

3.4 Variables Identification and Measurement

3.4.1 Dependent Variable:

The dependent variable is company performance was measured using market based (Tobin's Q). The market based measures of firm performance relate to the overall value placed on the firm by the market and may not bear any relationship to asset valuations, current operations or even the firm's historical profitability

3.4.1.1 Tobin's Q

Tobin's Q, it is defined as market capitalization and total liabilities divided by total assets.

$$\text{Tobin's Q} = \frac{\text{Market Capitalization} + \text{Total Liabilities}}{\text{Total Assets}}$$

3.4.2 Independent Variable:

3.4.2.1 Board Governance

3.4.2.1.1 Size of board commissioner is total number of board commissioner

3.4.2.1.2 Board Independence

The independence of commissioner's board is to know the independence level of company's independence level of its commissioner's board.

Proportion of independent on the board of commissioner
The formula= the total number of independence board
Total number board of commissioner

3.4.2.1.3 Board Meeting

Frequency board meeting in here to know the meetings have impact to build relationships and better understand and respond to concerns to the company performance. The board meeting consists of:

3.4.2.1.3.1 The frequency board commissioner meeting is Total number of meeting of board commissioner.

3.4.2.1.3.2 The frequency board of director meeting is Total number of meeting of board director.

3.4.2.1.3.3 The frequency board commissioner with board of director meeting is total number of meeting board commissioner with board of director

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3.4.2.2 Investment Opportunity Set

The three variables used as proxy measures of growth are the market value of assets to book value of assets ratio, the market-to-book value of equity ratio and the ratio of gross plant, property and equipment to market value of the firm.

      3.4.2.2.1   Market-to-book-value of asset

$$MBVA = [(total\ assets - total\ common\ equity) + shares\ outstanding * share\ closing\ price]/total\ assets$$

      3.4.2.2.2   Market-to-book value of equity

$$MBVE = [shares\ outstanding * share\ closing\ price]/total\ common\ equity$$

      3.4.2.2.3   Property, plant and equipment to market value

$$PPEMVA = gross\ property,\ plant\ and\ equipment/(market\ value\ of\ the\ firm + non\text{-}current\ liabilities)$$

3.4.3 Controlling Variable

Control variable is to avoid corporate performance influenced by other factors. This research use Leverage as control variable because it represents external governance. Debt holders, interested in protecting their investment in the company, are more likely to monitor a company when the capital structure is highly leveraged (Hutchinson et al, 2004). Leverage is measured as total liabilities of the company divided by owner's equity.

$$Leverage = \frac{Total\ liability}{Owner\ equity}$$

This control variable will categorize the firms into two criteria as, high leverage bank and low leverage bank. Leverage is measured by median split of total leverage which high leverage banks are identified by a dummy variable that equals one if the bank is above the median of the total leverage, and zero otherwise. All analyses were conducted for the continuous variable and each size sub-category.

3.5 Data Analysis Method

Data is processed by using Statistical Program for Social Science (SPSS) software. The method of analysis will be used the linear regression model which proposes to prove there is relationship of one variable to another variable. Analyses method that's used to examine the research will use the equation:

$$Y = a + bX_1 + \varepsilon \quad \text{................................} \quad (1)$$

$$Y = a + bX_2 + \varepsilon \quad \text{................................} \quad (2)$$

$$Y = a + bX_3 + \varepsilon \quad \text{................................} \quad (3)$$

$$Y = a + bX_4 + \varepsilon \quad \text{................................} \quad (4)$$

$$Y = a + bX_5 + \varepsilon \quad \text{................................} \quad (5)$$

$$Y = a + bX_6 + \varepsilon \quad \text{................................} \quad (6)$$

$$Y = a + bX_7 + \varepsilon \quad \text{................................} \quad (7)$$

$$Y = a + bX_8 + \varepsilon \quad \text{................................} \quad (8)$$

It can be conclude as follows:

$$Y = a + bX_1 + bX_2 + bX_3 + bX_4 + bX_5 + bX_6 + bX_7 + bX_8 + \varepsilon$$

Where,

1. Y is Tobin's Q

2. bX_1 is size of board commissioner

3. bX_2 is Proportion of independent on the board of commissioner

4. bX_3 is frequency board commissioner meeting

5. bX_4 is frequency board of director meeting

6. bX_5 is frequency board commissioner with board of director meeting

7. bX_6 is Investment Opportunity Set_MBVA

8. bX_7 is Investment Opportunity Set_MBVE

9. bX_8 is Investment Opportunity Set_PPEMVA

10. a is contanta

11. ε is error

CHAPTER IV

RESULT AND DISCUSION

4.1 Samples

The main focus of this study is to determine influence of size of board commissioner, Proportion of independent on the board of commissioner, meeting frequency of board commissioner, meeting frequency of board director, meeting frequency between board commissioner and board director, and Investment opportunity set toward banking firm's performance. The analysis is conducted on the samples cover all banking firms that are listed within Indonesia Stock exchange from period 2006-2009. The samples used in this study chosen based on certain criteria (purposive random sampling) which stated in chapter III, based on that so the sample as followed:

Table 4.1
The Description of the Data Set

Data Description	Year of Observations				Total
	2006	2007	2008	2009	
Number of banking Listed in ISX from 2006-2009	26	30	28	29	113
Minus : companies that are either delisted or newly listed during the period i.e. did not exist for the entire period (2006-2009)	1	5	7	9	22
Minus : incomplete annual financial statement from period 2006-2009	12	12	8	7	39
Numbers of Banking that are available for observation.	13	13	13	13	52

Using purposive sampling method, there are 13 banks involved in this research as a subject of analysis for four-years-period starts in 2006 and ends in 2009.

Table 4.2
List Names of Samples

no	Samples name	Short name
1	Bank ICB Bumiputera	BACA
2	Bank Central Asia	BBCA
3	Bank Negara Indonesia	BBNI
4	Bank Rakyat Indonesia	BBRI
5	Bank Danamon	BDMN
6	Bank Kesawan	BKSW
7	Bank Mandiri	BMRI
8	Bank Internasional Indonesia	BNII
9	Bank Permata	BNLI
10	Bank Victoria International	BVIC
11	Bank Mega	MEGA
12	Bank OCBC NISP	NISP
13	Bank Pan Indonesia	PNBN

4.2 Descriptive statistic

The descriptive statistic of the sample is used to explain the sample's characteristic such as means, standard deviation from each variable, which can be seen as follows:

Table 4.3
Descriptive Statistics

	Mean	Std. Deviation	N
Tobin's Q	9.8921	2.26965	52
size board commissioner	5.7692	2.16583	52
proportion of independent board commissioner	.5773	.14336	52
meeting frequency board director	37.4808	24.30968	52
meeting frequency board commissioner	20.1346	18.14649	52
meeting frequency board director& commissioner	13.9615	15.48682	52
IOS MBVA	1.1075	.11191	52
IOS MBVE	.1024	.06960	52
IOS PPEVA	1.1060	.11173	52

Source: data processing result

Table 4.3 shows means, standard deviation from each variable like size of board commissioner, Proportion of independent on the board of commissioner, meeting frequency of board commissioner, meeting frequency of board director, meeting frequency between board commissioner and board director, and Investment opportunity set.

4.3 Results of Hypothesis Testing

4.3.1 Influence of Board Size, Proportion Independence Board, Board Meeting Toward Tobin's Q Indicator

Table 4.4
Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.540(a)	.291	.214	2.01184	1.529

a Predictors: (Constant), meeting frequency board director& commissioner, size of board commissioner, meeting frequency board commissioner, proportion of independence board commissioner, meeting frequency board director
b Dependent Variable: Tobin's Q
Source: data processing result

Table 4.4 presents the correlation coefficient having the values of 0.540 indicate high relationship between the variables. Determination coefficient having the values 0.291 means that the variation of Tobin's Q explained by the existing independent variables is 29.1 percent, while the remaining 70.9% (100% - 29.1%) influenced by other factors that not included in this study.

The Influence of board size, proportion independence board, board meeting toward Tobin's Q Indicator can be formulated based on the coefficient table, as follow:

Table 4.5
Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	B	Std. Error
1 (Constant)	6.916	2.168		3.191	.003
size_BOC	-.212	.165	-.202	-1.281	.207
proportionofindependenceBOC	6.287	2.439	.397	2.578	.013
BOD_meeting	.018	.015	.190	1.150	.256
BOC_meeting	-.021	.021	-.169	-1.027	.310
BOCandBOD_meeting	.023	.022	.160	1.079	.286

a Dependent Variable: Tobin's Q
Source: data processing result

From the result presented in table 4.5, it can be drawn a regression equation:

$$Y = 6.916 - 0.212x_1 + 6.287x_2 + 0.018\ x_3 - 0.021\ x_4 + 0\ .023\ x_5 + \varepsilon$$

This regression model explains that:

1. The above equation shows that the intercept value is 6.916. It indicates with the influence of independent variables, the Tobin's Q has the value of 6.916.

2. Board Size

   Based on statistical test showed that the size of the board of commissioners did not significantly effect and negative relationship banking firm performance as measured by Tobin's Q, this can be seen from sig 0.207 (above 0.05) and b is -0.212. This study rejected the hypothesis 1 because of the size of the board of commissioners of a negative effect on banking firm performance measured by Tobin's Q.

3. Board Independence

    Based on statistical test showed that the proportion of the board of commissioners significantly effect and positive relationship banking firm performance as measured by Tobin's Q, this can be seen from sig 0.013 (below 0.05) and b is 6.287 which supported by the hypothesis 2.

4. Board meeting

    Variables of the meeting frequency of the board of director, meeting frequency of the board of commissioner and meeting frequency of the board of director and board commissioner did not significantly affect the banking firm performance as measured by Tobin's Q, this can be seen from sig 0.256, 0.310 and 0.286 (above 0.05). Based on statistical test showed that meeting frequency of board director have positive (b= 0.018) relationship in banking firm performance measured by Tobin's Q which supported by hypothesis 3, then meeting frequency of board commissioner (b= -0.021) have negative relationship in banking firm performance measured by Tobin's Q which not supported by hypothesis 4 and meeting frequency of the board of director and board commissioner have positive (b= 0.023) relationship in banking firm performance measured by Tobin's Q which supported by hypothesis 5.

These results are produced before the control variables for leverage processed and analyzed. The analysis after leverage used as control variable can be seen as follow:

4.3.1.1 High Leverage Bank

Table 4.6
Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.537(a)	.289	.111	.08294	1.612

a Predictors: (Constant), BOCandBOD_meeting, BOD_meeting, proportionofindependenceBOC, BOC_meeting, size_BOC
b Dependent Variable: Tobin's Q
Source: data processing result

Table 4.6 presents the correlation coefficient having the values of 0.537 indicates a high relationship between the variables. Determination coefficient having the values 0.289 means that the variation of Tobin's Q explained by the existing independent variables is 28.9 percent, while the remaining 71.1% (100% - 28.9%) influenced by other factors that not included in this study.

The Influence of board size, proportion independence board, board meeting toward Tobin's Q Indicator in the high leverage bank can be formulated based on the coefficient table, as follow:

Table 4.7
Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	B	Std. Error
1 (Constant)	1.028	.122		8.392	.000
size_BOC	.007	.011	.162	.624	.540
proportionofindependendenceBOC	.031	.128	.059	.246	.809
BOD_meeting	.000	.001	-.049	-.208	.837
BOC_meeting	.002	.001	.548	2.222	.038
BOCandBOD_meeting	-.003	.001	-.596	-2.567	.018

a Dependent Variable: tobinsQ
Source: data processing result

From the result presented in table 4.7, it can be drawn a regression equation:

$$Y = 1.028 + 0.007x_1 + 0.031x_2 + 0.000\ x_3 + 0.002\ x_4 - 0.003\ x_5 + \varepsilon$$

The regression model explains that:

1. The above equation shows that the intercept value is 1.028. It indicates with the influence of independent variables, the Tobin's Q has the value of 1.028.

2. Board Size

   Based on statistical test showed that the size of the board of commissioners did not significantly affect the banking firm performance as measured by Tobin's Q, this can be seen from sig 0.540 (above 0.05). This study accepted the hypothesis 1 because of the size of the board of commissioners of a positive (b=0.007) relationship on banking firm performance measured by Tobin's Q.

3. Board Independence

   Based on statistical test showed that the proportion of the board of commissioners insignificantly affect banking firm performance as measured by Tobin's Q, this can be seen from sig 0.809 (above 0.05). This study accepted the hypothesis 2 because of the proportion of the board of commissioners of a positive (b=0.031) relationship on banking firm performance measured by Tobin's Q.

4. Board Meeting

   Variables of meeting frequency of the board of director did not significantly affect and have positive relationship banking firm performance as measured by Tobin's Q, this can be seen from 0.837

(above 0.05) and b is 0.000 which supported by the hypothesis 3. Then meeting frequency of the board of commissioner significantly affect and have positive relationship banking firm performance as measured by Tobin's Q, this can be seen from 0.038 (below 0.05) and b is 0.002 which supported by the hypothesis 4. Last, meeting frequency of the board of director and board commissioner significantly affect and have positive relationship banking firm performance as measured by Tobin's Q, this can be seen from 0.018 (below 0.05) and b is -0.003 which not supported by the hypothesis 5.

4.3.1.2 Lower Leverage Bank

Table 4.8
Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.720(a)	.519	.398	.10005	1.497

a Predictors: (Constant), BOCandBOD_meeting, proportionofindependenceBOC, BOD_meeting, size_BOC, BOC_meeting
b Dependent Variable: tobinsQ
Source: data processing result

Table 4.8 presents the correlation coefficient having the values of 0.720 indicates a high relationship between the variables. Determination coefficient having the values 0.519 means that the variation of Tobin's Q explained by the existing independent variables is 51.9 percent, while the remaining 48.1% (100% - 51.9%) influenced by other factors that not included in this study.

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The Influence of board size, proportion independence board, board meeting toward Tobin's Q Indicator in the lower leverage bank can be formulated based on the coefficient table, as follow:

Table 4.9
Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	B	Std. Error
1 (Constant)	1.050	.195		5.384	.000
size_BOC	.008	.011	.128	.692	.497
proportionofindependenceBOC	-.049	.278	-.034	-.175	.862
BOD_meeting	-.001	.001	-.102	-.569	.576
BOC_meeting	.007	.002	.802	4.107	.001
BOCandBOD_meeting	-.004	.002	-.362	-1.986	.061

a Dependent Variable: tobinsQ
Source: data processing result

From the result presented in table 4.9, it can be drawn a regression equation:

$$Y = 1.050 + 0.008x_1 - 0.049x_2 - 0.001x_3 + 0.007x_4 - 0.004x_5 + \varepsilon$$

This regression model explains that:
1. The above equation shows that the intercept value 1.050. It indicates with the influence of independent variables, the Tobin's Q has the value of 1.050.

2. Board Size

   Based on statistical test showed that the size of the board of commissioners did not significantly affect and have positive relationship on banking firm performance as measured by Tobin's Q, this can be seen from sig 0.263 (above 0.05) and b is 0.008 which supported by the hypothesis 1.

3. Board Independence

   Based on statistical test showed that the proportion of the board of commissioners insignificantly affect and have negative relationship on banking firm performance as measured by Tobin's Q, this can be seen from sig 0.385 (above 0.05) and b is -0.049 which not supported by the hypothesis 2.

4. Board Meeting

   Variables of the meeting frequency of the board of director, and meeting frequency of the board of director and board commissioner did not significantly affect and have negative relationship on banking firm performance as measured by Tobin's Q, this can be seen from sig 0.576 and 0.061 (above 0.05) and b number are – 0.001and – 0.004 which not supported by the hypothesis 3&5. Then meeting frequency of the board of commissioner significantly affect and have negative relationship on banking firm performance as measured by Tobin's Q, this can be seen from sig 0.001 (below 0.05) and b is 0.007 which supported by the hypothesis 4.

4.3.2   Influence of Investment Opportunity Set Toward Tobin's Q Indicator

Table 4.10
Model Summary(b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.609(a)	.371	.331	1.85578	1.382

a Predictors: (Constant), IOS PPEVA, IOS MBVE, IOS MBVA
b Dependent Variable: Tobin's Q
Source: data processing result

Table 4.10 presents the correlation coefficient having the values of 0.609 indicate high relationship between the variables. Determination coefficient having the values 0.371 means that the variation of Tobin's Q explained by the existing independent variables is 37.1 percent, while the remaining 62.9% (100%-37.1%) influenced by other factors that not included in this study.

The Influence of investment opportunity set toward Tobin's Q Indicator can be formulated based on the coefficient table, as follow:

Table 4.11
Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	15.003	3.849		3.898	.000
	IOS MBVA	-308.012	70.775	-15.188	-4.352	.000
	IOS MBVE	3.020	5.102	.093	.592	.557
	IOS PPEVA	303.521	70.461	14.941	4.308	.000

a Dependent Variable: Tobin's Q
Source: data processing result

From the result presented in table 4.9, it can be drawn a regression equation:

$Y = 15.003 - 308.012 x_6 + 3.020 x_7 + 303.521 x_8 + \varepsilon$

This regression model explains that

1. The above equation shows that the intercept value 15.003. It indicates with the influence of independent variables, the Tobin's Q has the value of - 15.003.

2. Investment Opportunity Set (IOS)

   Variables of investment opportunity set (IOS) MBVA significantly affect and have negative relationship on banking firm performance as measured by Tobin's Q, this can be seen from sig 0.000 (below 0.05) and b is -

308.012 which not supported by the hypothesis 6. While variable investment opportunity set (IOS) MBVE did not significantly affect and have positive relationship on banking firm performance as measured by Tobin's Q, this can be seen from sig 0.557 (below 0.05) and b is 3.020 which supported by the hypothesis 7). Then investment opportunity set (IOS) PPEMVA significantly affect and have positive relationship on banking firm performance as measured by Tobin's Q, this can be seen from sig 0.000 (below 0.05) and b is 303.521 which supported by the hypothesis 8).

These results are produced before the control variables for leverage processed and analyzed. The analysis after leverage used as control variable can be seen as follow:

4.3.2.1 High Leverage Bank

Table 4.12
Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	1.000(a)	.999	.999	.00288	2.148

a Predictors: (Constant), IOS_PPEVA, IOS_MBVE, IOS_MBVA
b Dependent Variable: tobinsQ
Source: data processing result

Table 4.12 presents the correlation coefficient having the values of 1.000 indicate high relationship between the variables. Determination coefficient having the values 0.999 means that the variation of Tobin's Q explained by the existing independent variables is 99.9 percent, while the remaining 0.1% (100%-99.9%) influenced by other factors that not included in this study.

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The Influence of investment opportunity set toward Tobin's Q Indicator

can be formulated based on the coefficient table, as follow

Table 4.13
Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-.011	.045		-.240	.813
	IOS_MBVA	1.012	.049	1.009	20.536	.000
	IOS_MBVE	-.001	.004	-.009	-.196	.847
	IOS_PPEVA	.001	.010	.001	.066	.948

a Dependent Variable: tobinsQ
Source: data processing result

From the result presented in table 4.13, it can be drawn a regression equation:

$$Y = -0.011 + 1.012x_6 - 0.001x_7 + 0.001x_8 + \varepsilon$$

This regression model explains that

1. The above equation shows that the intercept value -0.011. It indicates with
   the influence of independent variables, the Tobin's Q has the value of -
   0.011.

2. Investment Opportunity Set (IOS)

   Variables of investment opportunity set (IOS) MBVA significantly affect
   and have positive relationship on banking firm performance as measured
   by Tobin's Q, this can be seen from sig 0.000 (below 0.05) and b is 1.012
   which supported by the hypothesis 6. While variable investment
   opportunity set (IOS) MBVE did not significantly affect and have
   negative relationship on banking firm performance as measured by Tobin's
   Q, this can be seen from sig 0.847 (above 0.05) and b is -0.001 which not
   supported by the hypothesis 7. Then investment opportunity set (IOS)

PPEMVA insignificantly affect and have positive relationship on banking firm performance as measured by Tobin's Q, this can be seen from sig 0.948 (above 0.05) and b is 0.001 which supported by the hypothesis 8.

4.3.2.2 Lower Leverage Bank

Table 4.14
Model Summary(b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.999(a)	.999	.998	.00525	1.368

a Predictors: (Constant), IOS_PPEVA, IOS_MBVE, IOS_MBVA
b Dependent Variable: tobinsQ
Source: data processing result

Table 4.14 presents the correlation coefficient having the values of 0.999 indicate high relationship between the variables. Determination coefficient having the values 0.999 means that the variation of Tobin's Q explained by the existing independent variables is 99.9 percent, while the remaining 0.1% (100%-99.9%) influenced by other factors that not included in this study.

The Influence of investment opportunity set toward Tobin's Q Indicator can be formulated based on the coefficient table, as follow

Table 4.15
Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	.021	.039		.531	.601
	IOS_MBVA	.963	.042	.956	22.922	.000
	IOS_MBVE	.006	.004	.059	1.468	.156
	IOS_PPEVA	.039	.025	.019	1.555	.134

a Dependent Variable: tobinsQ
Source: data processing result

From the result presented in table 4.15, it can be drawn a regression equation:

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$$Y = 0.021 + 0.963x_6 + 0.006x_7 + 0.039x_8 + \varepsilon$$

This regression model explains that

1. The above equation shows that the intercept value 0.021. It indicates with the influence of independent variables, the Tobin's Q has the value of -- 0.021.

2. Investment Opportunity Set (IOS)

    Variables of investment opportunity set (IOS) MBVA significantly affect and have positive relationship on banking firm performance as measured by Tobin's Q, this can be seen from sig 0.000 (below 0.05) and b is 0.963 which supported by the hypothesis 6. While variable investment opportunity set (IOS) MBVE and investment opportunity set (IOS) PPEMVA insignificantly affect and have positive relationship on banking firm performance as measured by Tobin's Q, this can be seen from sig 0.156 and 0.134 (above 0.05) and b is 0.006 and 0.039 which supported by hypothesis 7 and 8.

Table 4.16
Summary of the Results of Hypothesis Testing

Hypothesis	Performance indicator Tobin's Q	Results
H1: Size of Board commissioners have positive relationship in banking firm performance	Rejected	Size of the board commissioners have negative effect on banking firm performance measured by Tobin's Q
H2: Proportion of independent on the board of commissioner have positive relationship in banking firm performance	Accepted	Proportions of the board commissioners have positive effect on banking firm performance measured by Tobin's Q
H3: Meeting frequency of board director have positive relationship in banking firm performance	Accepted	Meeting frequency of the board of director have positive relationship in banking firm performance measured by Tobin's Q
H4: Meeting frequency of board commissioners have positive relationship in banking firm performance	Rejected	Meeting frequency of the board of commissioner have negative relationship in banking firm performance measured by Tobin's Q
H5: Meeting frequency of board director and board commissioners have positive relationship in banking firm performance	Accepted	Meeting frequency of the board of director and board commissioner have positive relationship in banking firm performance measured by Tobin's Q

H6: Investment opportunities set (MBVA) have positive relationship in banking firm performance	Rejected	Investment opportunities set (MBVA) have negative relationship in banking firm performance measured by Tobin's Q
H7: Investment opportunities set (MBVE) have positive relationship in banking firm performance	Accepted	Investment opportunities set (MBVE) have positive relationship in banking firm performance measured by Tobin's Q
H8: Investment opportunities set (PPEMVA) have positive relationship in banking firm performance	Accepted	Investment opportunities set (PPEMVA) have positive relationship in banking firm performance measured by Tobin's Q

Table 4.17

Summary of the Results with Control Variable - High Leverage Bank

Hypothesis	Performance indicator Tobin's Q	Results
H1: Size of Board commissioners have positive relationship in banking firm performance	Accepted	Size of the board commissioners have positive effect on banking firm performance measured by Tobin's Q
H2: Proportions of the board commissioners have positive relationship in banking firm performance	Accepted	Proportions of the board commissioners have positive effect on banking firm performance measured by Tobin's Q.
H3: Meeting frequency of board director have positive relationship in banking firm performance	Accepted	Meeting frequency of the board of director have positive relationship in banking firm performance measured by Tobin's Q.
H4: Meeting frequency of board commissioners have positive relationship in banking firm performance	Accepted	Meeting frequency of the board of commissioner have positive relationship in banking firm performance measured by Tobin's Q.
H5: Meeting frequency of board director and board commissioners have positive relationship in banking firm performance	Rejected	Meeting frequency of the board of director and board commissioner have negative relationship in banking firm performance measured by Tobin's Q.

H6: Investment opportunities set (MBVA) have positive relationship in banking firm performance	Accepted	Investment opportunities set (MBVA) have positive relationship in banking firm performance measured by Tobin's Q.
H7: Investment opportunities set (MBVE) have positive relationship in banking firm performance	Accepted	Investment opportunities set (MBVE) have positive relationship in banking firm performance measured by Tobin's Q
H8: Investment opportunities set (PPEMVA) have positive relationship in banking firm performance	Accepted	Investment opportunities set (PPEMVA) have positive relationship in banking firm performance measured by Tobin's Q

Table 4.18

Summary of the Results with Control Variable - Lower Leverage Bank

Hypothesis	Performance indicator Tobin's Q	Results
H1: Size of Board commissioners have positive relationship in banking firm performance	Accepted	Size of the board commissioners have positive effect on banking firm performance measured by Tobin's Q
H2: Proportions of the board commissioners have positive relationship in banking firm performance	Rejected	Proportions of the board commissioners have negative effect on banking firm performance measured by Tobin's Q.
H3: Meeting frequency of board director have positive relationship in banking firm performance	Rejected	Meeting frequency of the board of director have negative relationship in banking firm performance measured by Tobin's Q.
H4: Meeting frequency of board commissioners have positive relationship in banking firm performance	Accepted	Meeting frequency of the board of commissioner have positive relationship in banking firm performance measured by Tobin's Q
H5: Meeting frequency of board director and board commissioners have positive relationship in banking firm performance	Rejected	Meeting frequency of the board of director and board commissioner have negative relationship in banking firm performance measured by Tobin's Q

H6: Investment opportunities set (MBVA) have positive relationship in banking firm performance	Accepted	Investment opportunities set (MBVA) have positive relationship in banking firm performance measured by Tobin's Q
H7: Investment opportunities set (MBVE) have positive relationship in banking firm performance	Accepted	Investment opportunities set (MBVE) have positive relationship in banking firm performance measured by Tobin's Q
H8: Investment opportunities set (PPEMVA) have positive relationship in banking firm performance	Accepted	Investment opportunities set (PPEMVA) have positive relationship in banking firm performance measured by Tobin's Q

4.4 Discussion of the Result

This study has examined the influence between size of board commissioner, proportion of independent on the board of commissioner, meeting frequency of board commissioner, meeting frequency of board director, meeting frequency between board commissioner and board director, and as board governance, market-to-book-value of asset, market-to-book-value of equity and property plant and equipment market value as investment opportunity set and tobin's Q as firm performances measurement.

4.4.1 Size of Board Commissioners
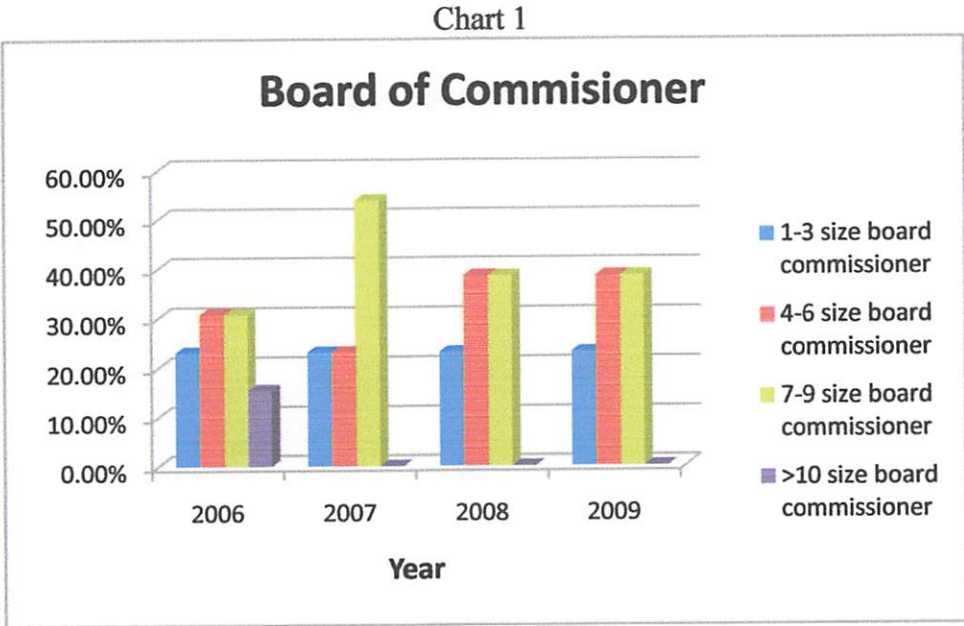
Chart 1

Table 4.19
Number of Board Commissioner

no of board commissioner	2006	2007	2008	2009
1-3	23.08%	23.08%	23.08%	23.08%
4-6	30.77%	23.08%	38.46%	38.46%
7-9	30.77%	53.85%	38.46%	38.46%
>10	15.38%	0.00%	0.00%	0.00%

From the chart above we can see that mostly the banking listed in Indonesia stock exchange from year 2006 until 2009 have one-nine members of board in their firms. Jensen (1993) notes that "when boards get beyond seven or eight people they have less likely to function effectively and are easier for the CEO to control". Based on this finding, size of board commissioner is insignificant above critical number with Jensen stated. The size of board is matter because board is one of the pillars of a company, the decisions that they made will directly give the effect to the company. So, if the size of board is not suitable (too many or too less), it will give impact to board effectiveness, in the end it will impact firm's performance as a whole too.

Based on regression, size board of commissioners found insignificant and has negative relationship toward the Tobin's Q. However, after the high leverage bank and lower leverage bank have been controlled based on leverage analyzed, it is found that size board of commissioners has positive relationship toward Tobin's Q.

In conclusion, The results of the research show the positive relationship between size of board commissioner and company performance, because the numbers gained; b is -0.212 and p is 0.207 for all bank then high leverage bank (b=0.007 and p=0.540) and lower leverage bank (b=0.008 and p=0.497). This result related to Geoffrey (2003), stated board size is positively correlated with firm value and the market-based measure of firm performance. Further this result supported by the empirical findings by Bhagat and Black (1999) found board size has

positive relationship with firm performance as measure by Tobin's Q. This contrast might be caused by different board system are adopted, where this research is using banking listed in IDX as sample that adopt two tier board system, while the previous researches used sample from countries that adopt one tier board system. The different company characteristic, regulation factor and macroeconomic factor also could be considered as the reasons of this different result.

4.4.2 Proportion of Independence on the Board of Commissioner

Proportions of independence on the board of commissioner show the positive relationship in banking firm performance as measured by Tobin's Q. Meanwhile after controlling the result in high leverage bank found positive relationship and lower leverage bank found negative with the result before controlled. On average this result of proportions of independence on the board of commissioner show the positive relationship in banking firm performance as measured by Tobin's Q which supported the hypothesis 2

This result is supported by the empirical findings by Geoffrey (2003) and Bhagat and Black (1999) found positive relationship between the proportion of inside directors and the market-based measure of firm performance.

Based on the regulation of Bank Indonesia number 8/14/pbi/2006 regarding implementation of good corporate governance for commercial

banks, article5 (2) stated independence commissioner should have no less than 50% (fifty percent) of the number of the Board of Commissioners.

Chart 2

Proportion of Independent Commisioner
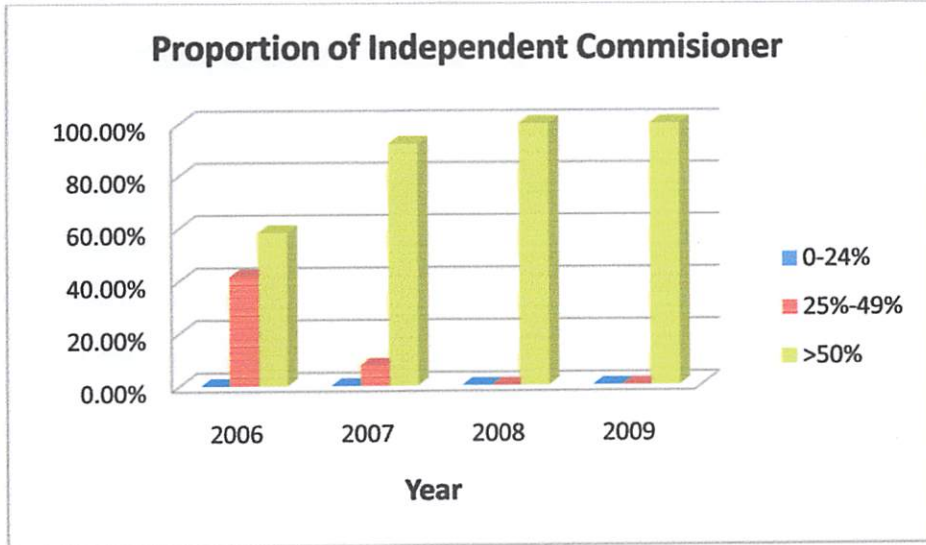
Table 4.20
Proportion of Independent Commissioners

Proportion of Independent Commissioners	2001	2002	2003	2004
0% - 24%	0.00%	0.00%	0.00%	0.00%
25% - 49%	41.67%	7.69%	0.00%	0.00%
> 50%	58.33%	92.31%	100.00%	100.00%

From the chart above, we can see all banking have complied with the code and the laws and regulations.

4.4.3 Board Meeting

4.4.3.1 Meeting Frequency of Board Director

Meeting frequency of the board of director of all bank did not significantly affect and have positive relationship the banking firm performance as measured by Tobin's Q. Meanwhile after controlling the result in high leverage bank found positive relationship and lower leverage

bank found negative relationship. On average Meeting frequency of the board of director have positive relationship the banking firm performance as measured by Tobin's Q which supported by hypothesis 3. This result appropriate with agency theory that board meeting related to company performance.

4.4.3.2 Meeting Frequency of Board Commissioner

Meeting frequency of the board of commissioner did not significantly affect and have negative relationship the banking firm performance as measured by Tobin's Q. Meanwhile after controlling the result in high leverage bank and lower leverage bank found positive relationship. On average, meeting frequency of the board of commissioner did not significantly affect and have negative relationship the banking firm performance as measured by Tobin's Q which supported by hypothesis 4.

4.4.3.3 Meeting Frequency between Board Commissioner and Board Director

Meeting frequency between board commissioner and board director did not significantly affect and have positive relationship the banking firm performance as measured by Tobin's Q (hypothesis5). Meanwhile after controlling the result in high leverage bank and lower leverage bank found negative relationship. On average, meeting frequency between board commissioner and board director have negative relationship the banking firm performance as measured by Tobin's Q which not supported by hypothesis H5.

In conclusion hypothesis 3 and 4 have positive relationship between boards meetings with the company's performance and hypothesis 5 has negative relationship. This result is supported by the empirical findings about influence of board meetings to the company performance conducted by Mehran (2003), He proved the existence of a positive relationship between the number of board meetings to corporate performance as measured by ROA, ROE, Tobin's Q. According to him, a board meeting is one element that supports the analysis oversight board. As the agency theory stated in Fama and Jensen (1983), Jensen (1993) accentuates that board characteristics are essential to manage the agency conflict and that it is not just that a board exercises governance but that specific board constituents are necessary to exercise governance as full board meetings are the only occasions when non-executive directors formally participate in the corporate process and the minutes of such meetings are now generally reported to shareholders. Thus, the number of full board meetings is one measure of non-executive director contribution to the corporate process and certainly one of the most visible measures of monitoring the corporate decisions.

Generally, can be assumed that optimal board structure is still needed to enable companies to have effective board governance to support banking firm performance improvement. It is crucial because corporate board is one of main element in corporate governance (Monks dan Minow, 1995). Overall board governance related to corporate performance. The importance of enforcement

GCG is a reflection of the seriousness of the board in a commitment to the achievement of company objectives that have been determined.

4.4.4   Investment Opportunity Set

4.4.5   Investment Opportunity Set MBVA

Investment Opportunity Set (IOS) MBVA significantly affects and have negative relationship in banking firm performance measured by Tobin's Q for all bank. Meanwhile after controlling toward leverage analyzed; high leverage bank and lower leverage bank found positive relationship. On average it can be concluded that there is a positive relationship between Investment Opportunity Set MBVA with the banking firm performance which supported by the hypothesis 6.

4.4.5.1 Investment Opportunity Set MBVE

Investment Opportunity Set (IOS) MBVE insignificantly affects the banking firm performance as measured by Tobin's Q. Based on statistical test showed that, IOS MBVE have positive relationship in banking firm performance measured by Tobin's Q. Meanwhile after controlling toward leverage analyzed; high leverage bank found negative relationship and lower leverage bank found same result with before control analyze. On average it can be concluded that there is a positive relationship between Investment Opportunity Set MBVE with the banking firm performance which supported by the hypothesis 7.

4.4.5.2 Investment Opportunity Set PPEMVA

Investment Opportunity Set (IOS) PPEMVA significantly affects banking firm performance as measured by Tobin's Q. Based on statistical test showed that IOS PPEMVA has positive relationship in banking firm performance measured by Tobin's Q. Meanwhile after controlling toward leverage analyzed; high leverage bank and lower leverage bank found IOS PPEMVA insignificantly affects and have positive relationship with the banking firm performance as measured by Tobin's Q. In conclusion, there is a positive relationship between investments opportunity set (IOS) PPEMVA with the banking firm performance which supported by the hypothesis 8.

In conclusion hypothesis H6, H7 & H8 have positive relationship between Investment opportunity set with the banking firm performance both before and after control variables were analyze This result is supported by the empirical findings by Adam and Goyal (2007) result shown that the market to book asset ratio (MBA) is the best proxy along several dimension. It has highest information content with respect to investment opportunities and is least affected by other factor and contrast to Hutchinson and Gul (2004), found investment opportunity set is negatively associated with firm performance.

CHAPTER V

CONCLUSION

The preceding chapter has presented the empirical results and this chapter provides conclusions drawn from the findings and discussions presented in the previous chapter, followed by an assessment of the potential limitations present in this study and possible future directions for research.

5.1. Conclusion

The purpose of this research is to determine whether board governance practice, as measure by Size of Board commissioners, proportion of independent board, meeting frequency of board director, meeting frequency of board director and meeting frequency between board director and board commissioner, and investment opportunity set as measure by market-to-book-value of asset, market-to-book-value of equity and property plant and equipment market value influence the banking performance as measured by Tobin's Q.

In this research, the influence of board governance practice and investment opportunity set on banking firm's performance analyzed by using linear regression model. According to the result of data analysis, board governance practice and investment opportunity set have influence in banking firm performance as measured by Tobin's Q.

Based on hypothesis testing result, it can be concluded that:

1. The size of the board commissioners has positive relationship on banking firm performance measured by Tobin's Q.

2. Proportion of independence on the board of commissioner has positive relationship on banking firm performance measured by Tobin's Q.

3. Meeting frequency of the board of director has positive relationship in banking firm performance measured by Tobin's Q.

4. Meeting Frequency of the board of commissioner has positive relationship in banking firm performance measured by Tobin's Q.

5. Meeting frequency of the board of director and board commissioner have negative relationship in banking firm performance measured by Tobin's Q.

6. IOS MBVA has positive relationship in banking firm performance measured by Tobin's Q.

7. IOS MBVE has positive relationship in banking firm performance measured by Tobin's Q

8. IOS PPEMVA has positive relationship in banking firm performance measured by Tobin's Q

In conclusion, there are Size of Board commissioners, proportion of independent board, meeting frequency of board director, meeting frequency of board director and, and investment opportunity set as measure by market-to-

book-value of asset, market-to-book-value of equity and property plant and equipment market value have positive relationship as measured by Tobin's Q, except meeting frequency between board director and board commissioner. Further, thus there is positive relationship to banking performance so there is improving in the company performance.

5.2. Research Limitation

1. Due to data limitation, this research only uses measure by size of board commissioners, proportion of independent board, meeting frequency of board director, meeting frequency of board director and meeting frequency between board director and board commissioner to see the board governance practice, and market-to-book-value of asset, market-to-book-value of equity and property plant and equipment market value to see the investment opportunity set.

2. Performance indicator utilized in this research is limited to market based return (Tobin's Q).

3. This research only uses samples of company in banking firm

5.3.   Areas for Further Research

Further research can be conducted by adding more board governance aspects, like board education, board remuneration, etc. In addition, the next research can add another proxies for calculate investment opportunity set and indicator to measure the firm's performance, not only considering the market return but also including for the accounting return and use wider scope of research, not only in banking firm but also in the whole financial firm that are listed in Indonesia Stock Exchange (IDX). Thus, the further research finding is expected to support the current research findings and can contribute for the governance practice in Indonesia.

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APPENDIX 1   DATA

Name	years	size of BOC	Proportion of independent on the BOC	Frequency meeting			IOS			TOBIN'S Q
				BOD meeting	BOC meeting	BOD & BOC meeting	MBVA	MBVE	PPEMVA	
Bank ICB Bumiputera	2006	5	0.60	35	12	12	0.99	0.87	0.06	0.99
	2007	6	0.50	25	12	12	1.02	1.22	0.08	1.02
	2008	5	0.60	24	11	11	0.97	0.61	0.04	0.97
	2009	5	0.80	26	10	10	1.01	1.11	0.31	1.01
Bank Central Asia	2006	5	0.60	47	50	10	1.26	3.55	0.03	1.26
	2007	5	0.60	48	69	8	1.32	4.40	0.03	1.32
	2008	5	0.60	48	48	11	1.23	3.44	0.03	1.23
	2009	5	0.60	44	43	7	1.32	4.29	0.04	1.32
Bank Negara Indonesia	2006	6	0.50	47	76	14	1.06	1.68	0.12	1.06
	2007	7	0.43	48	40	62	1.07	1.75	0.09	1.07
	2008	7	0.57	48	51	72	0.97	0.67	0.08	0.97
	2009	7	0.57	44	61	76	1.05	1.58	0.16	1.05
Bank Rakyat Indonesia	2006	7	0.43	30	34	12	1.36	4.29	0.04	1.36
	2007	7	0.57	26	35	10	1.35	4.69	0.02	1.35
	2008	7	0.57	21	6	6	1.14	2.52	0.01	1.14
	2009	8	0.50	26	28	11	1.21	3.46	0.02	1.21
Bank Danamon	2006	7	0.57	40	6	6	1.29	3.54	0.01	1.29
	2007	7	0.57	27	30	7	1.33	3.72	0.03	1.33
	2008	8	0.50	8	7	7	1.05	1.48	0.04	1.04
	2009	8	0.50	15	8	8	1.26	2.64	0.05	1.26
Bank Kesawan	2006	3	0.33	10	6	6	1.05	1.83	0.16	1.05
	2007	1	1.00	3	0	3	1.05	1.89	0.16	1.05
	2008	3	1.00	1	3	3	1.09	2.48	0.15	1.09
	2009	3	1.00	2	3	1	1.12	2.60	0.09	1.12
Bank Mandiri	2006	7	0.57	84	27	9	1.12	2.25	0.09	1.12
	2007	7	0.57	81	20	4	1.13	2.47	0.05	1.14
	2008	6	0.67	90	18	4	1.03	1.39	0.05	1.03
	2009	6	0.67	70	18	10	1.16	2.81	0.08	1.16
Bank Internasional Indonesia	2006	10	0.40	39	11	11	1.12	2.18	0.06	1.11
	2007	8	0.50	47	9	9	1.18	2.89	0.04	1.18
	2008	6	0.50	46	10	8	1.24	3.73	0.04	1.24

		2009	6	0.50	43	11	10	1.18	3.14	0.03	1.18
	Bank Permata	2006	8	0.50	50	28	10	1.08	1.79	0.19	1.08
		2007	8	0.50	50	10	13	1.08	1.77	0.14	1.07
		2008	8	0.50	48	12	12	0.99	0.88	0.14	0.99
		2009	8	0.50	46	11	11	1.02	1.28	0.16	1.02
	Bank Victoria International	2006	3	0.33	39	5	27	0.95	0.58	0.25	0.95
		2007	3	0.67	27	4	9	0.99	0.89	0.20	0.99
		2008	3	0.67	20	5	6	0.96	0.62	0.17	0.96
		2009	3	0.67	30	5	11	0.99	0.84	0.21	0.99
	Bank Mega	2006	3	0.67	45	29	29	1.05	1.76	0.18	1.05
		2007	3	0.67	38	27	27	1.06	1.74	0.19	1.06
		2008	3	0.67	23	33	23	1.08	1.98	0.16	1.09
		2009	3	0.67	35	27	27	1.10	2.15	0.11	1.10
	Bank OCBC NISP	2006	11	0.36	12	4	4	0.95	0.54	0.22	0.95
		2007	8	0.50	16	4	4	1.06	1.55	0.11	1.06
		2008	8	0.50	23	4	4	1.01	1.12	0.11	1.01
		2009	8	0.50	25	4	4	1.05	1.41	0.15	1.05
	Bank Pan Indonesia	2006	4	0.50	14	13	9	1.12	1.76	0.09	1.11
		2007	4	0.50	22	13	11	1.12	1.83	0.08	1.10
		2008	4	0.75	24	24	24	1.06	1.49	0.08	1.05
		2009	4	0.50	12	12	11	1.10	1.70	0.08	1.09

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REGRESSION

Descriptive Statistics

	Mean	Std. Deviation	N
Tobin's Q	9.8921	2.26965	52
size board commissioner	5.7692	2.16583	52
proportion of board commissioner	.5773	.14336	52
frequency meeting board director	37.4808	24.30968	52
frequency meeting board commissioner	20.1346	18.14649	52
frequency meeting board director& commissioner	13.9615	15.48682	52
IOS MBVA	1.1075	.11191	52
IOS MBVE	.1024	.06960	52
IOS PPEVA	1.1060	.11173	52

Regression of Board Size, Proportion Independence Board, Board Meeting toward Tobin's Q Indicator

Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.540(a)	.291	.214	2.01184	1.529

a Predictors: (Constant), meeting frequency board director& commissioner, size of board commissioner, meeting frequency board commissioner, proportion of independence board commissioner, meeting frequency board director

b Dependent Variable: Tobin's Q

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	B	Std. Error
1 (Constant)	6.916	2.168		3.191	.003
size_BOC	-.212	.165	-.202	-1.281	.207
proportionofindependence BOC	6.287	2.439	.397	2.578	.013
BOD_meeting	.018	.015	.190	1.150	.256
BOC_meeting	-.021	.021	-.169	-1.027	.310
BOCandBOD_meeting	.023	.022	.160	1.079	.286

a Dependent Variable: Tobin's Q

Regression of Board Size, Proportion Independence Board, Board Meeting Toward Tobin's Q Indicator with High leverage bank

Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.537(a)	.289	.111	.08294	1.612

a Predictors: (Constant), BOCandBOD_meeting, BOD_meeting, proportionofindependenceBOC, BOC_meeting, size_BOC

b Dependent Variable: tobinsQ

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	B	Std. Error
1 (Constant)	1.028	.122		8.392	.000
size_BOC	.007	.011	.162	.624	.540
proportionofindependence BOC	.031	.128	.059	.246	.809
BOD_meeting	.000	.001	-.049	-.208	.837
BOC_meeting	.002	.001	.548	2.222	.038
BOCandBOD_meeting	-.003	.001	-.596	-2.567	.018

a Dependent Variable: tobinsQ

Regression of Board Size, Proportion Independence Board, Board Meeting toward Tobin's Q Indicator with Lower leverage bank

Model Summary(b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.720(a)	.519	.398	.10005	1.497

a Predictors: (Constant), BOCandBOD_meeting, proportionofindepenceBOC, BOD_meeting, size_BOC, BOC_meeting
b Dependent Variable: tobinsQ

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta	B	Std. Error
1 (Constant)	1.050	.195		5.384	.000
size_BOC	.008	.011	.128	.692	.497
proportionofindependenceBOC	-.049	.278	-.034	-.175	.862
BOD_meeting	-.001	.001	-.102	-.569	.576
BOC_meeting	.007	.002	.802	4.107	.001
BOCandBOD_meeting	-.004	.002	-.362	-1.986	.061

a Dependent Variable: tobinsQ

Regression of Investment Opportunity Set toward Tobin's Q Indicator

Model Summary(b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.609(a)	.371	.331	1.85578	1.382

a Predictors: (Constant), IOS PPEVA, IOS MBVE, IOS MBVA
b Dependent Variable: Tobin's Q

Coefficients(a)

Mode l		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	15.003	3.849		3.898	.000
	IOS MBVA	-308.012	70.775	-15.188	-4.352	.000
	IOS MBVE	3.020	5.102	.093	.592	.557
	IOS PPEVA	303.521	70.461	14.941	4.308	.000

a Dependent Variable: Tobin's Q

Regression of Investment Opportunity Set toward Tobin's Q Indicator with High leverage bank

Model Summary(b)

Mode l	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	1.000(a)	.999	.999	.00288	2.148

a Predictors: (Constant), IOS_PPEVA, IOS_MBVE, IOS_MBVA
b Dependent Variable: tobinsQ

Coefficients(a)

Mode l		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-.011	.045		-.240	.813
	IOS_MBVA	1.012	.049	1.009	20.536	.000
	IOS_MBVE	-.001	.004	-.009	-.196	.847
	IOS_PPEVA	.001	.010	.001	.066	.948

a Dependent Variable: tobinsQ

Regression of Investment Opportunity Set Toward Tobin's Q Indicator with Lower leverage bank

Model Summary (b)

Mode l	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.999(a)	.999	.998	.00525	1.368

a Predictors: (Constant), IOS_PPEVA, IOS_MBVE, IOS_MBVA
b Dependent Variable: tobinsQ

Coefficients (a)

Mode l		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	.021	.039		.531	.601
	IOS_MBVA	.963	.042	.956	22.922	.000
	IOS_MBVE	.006	.004	.059	1.468	.156
	IOS_PPEVA	.039	.025	.019	1.555	.134

a Dependent Variable: tobinsQ