

CHAPTER V

CONCLUSIONS AND SUGGESTIONS

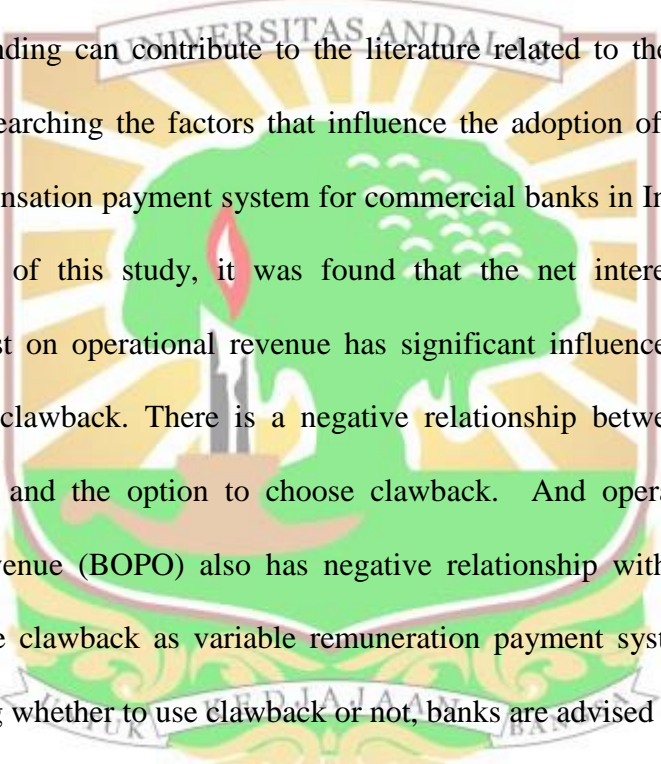
5.1 Conclusions

The purpose of this research was to examine whether firm performance and corporate governance influence a company's option to choose clawback. Based on data from commercial banks listed on the Indonesian Stock Exchange and using purposive sampling as a sampling method, 105 data were gathered and processed from 35 commercial banks. All obtained sample data is analyzed using basic statistics in Microsoft Excel and subsequently in the SPSS 21 program. The findings revealed that, firm performance measure using the indicator of net interest margin (NIM) and operational cost to operational revenue ratio (BOPO) had a significant influence on the option of the company to choose clawback. Following conclusions can be reached based on the findings of research and discussion given in previous chapters:

1. There are six indicators in firm performance and corporate governance. Those variables are net interest margin, operating cost on operating revenue, net nonperforming loan, capital adequacy ratio, remuneration of the board of commissioners, and female member on board of commissioners. Among these indicators, only net interest margin and operational cost on operational revenue have a negative significant effect to the option of banks to choose clawback. Meanwhile, the other factors do not have a significant effect on the option of banks to choose clawback.

2. In this study, it was found that banks with lower or minimal net interest margin (NIM) value use clawback as a variable remuneration payment system. In this study, it was also found that banks that have higher value of operational cost on operational revenue (BOPO) did not use clawback as their variable remuneration payment system.

5.2 Implication of Research Results



This finding can contribute to the literature related to the compensation scheme by researching the factors that influence the adoption of clawback as a variable compensation payment system for commercial banks in Indonesia. Based on the results of this study, it was found that the net interest margin and operational cost on operational revenue has significant influence on the bank's choice to use clawback. There is a negative relationship between net interest margin (NIM) and the option to choose clawback. And operational cost on operational revenue (BOPO) also has negative relationship with the option of bank to choose clawback as variable remuneration payment system. Therefore, before deciding whether to use clawback or not, banks are advised to pay attention to their net interest margin (NIM) and operational cost on operational revenue (BOPO) ratios.

5.3 Limitations of Research and Suggestions

This research has some limitations that need improvement and development to get better results. These limitations are:

1. This study only has a small number of samples since the regulation was just mandated in 2016 to 2017.
2. The quality of the disclosure of remuneration paid to material risk taker, at least to top executives and commissioners, is low. If the banks reports both cash and non cash compensation and fixed and variable compensation, a better study can be conducted.

Based on the limitations of this research, the suggestions that can be given for further research are:

1. Further study should investigate with wider period.
2. Further research can investigated non-public private bank and local government owned banks.

