CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

In the chapter 4 presented the result of the data analysis. For this chapter presents a discussion and summary of the hypotheses results and also summaries the limitations of the current research and suggestion for future research.

5.1 Overview of Study

This study aims to determine the effect of board size, independent board, and audit committee on financial statements in companies engaged in the mining industry sector listed on the Indonesia Stock Exchange(IDX) for the period 2020-2022. There are 6 research questions that will be highlighted in this study, namely whether board size, independent board, and institutional ownership have an effect on ROA and Tobin Q financial statements.

This research uses quantitative methods as an approach to analysing a problem. Data collection is done by obtaining company reports from the Indonesia Stock Exchange (IDX) website for the 2020-2022 period based on criteria (www.idx.co.ic). There are 56 mining industry sector companies listed on the IDX and 15 of them were selected as samples in USD because they met the criteria of the purposive sampling method. Data analysis found that some hypotheses have an effect on financial statements and market value and some have no effect.

Table 5. 1 **Summary of the Hypothesis Testing**

Hypotesis	Accepted	Rejected
H1 : Board Size has significant on ROA		√
H2 : Independnet Board has significant on ROA		√
H3 : Audit Committe has significant on ROA	√	
H4 : Board Size has significant on Tobin’s Q	√	
H5 : Independent Board has significant on Tobin’s Q		√
H6 : Audit Committe has significant on Tobin’s Q	√	

5.2 Summary of The Findings

This study aims to determine the impact of corporate governance mechanisms on financial performance in Indonesia in companies engaged in the mining industry sector listed on the Indonesia Stock Exchange for the period 2020-2022 which is influenced by board size, Independent Board and Audit Committee on Company performance (ROA and Tobin's Q). Based on the results of data analysis in the previous chapter, it is concluded that Board Size has no effect on ROA, Board Size has no effect on Tobin's Q, Independent Board has no effect on ROA, Independent Board has no effect on Tobin's Q, Audit Committee has an effect on ROA, and Audit Committee has no effect on Tobin's Q.

5.1.1 The Influence of Board Size on Financial Performance (ROA)

Based on the results of statistical tests, the calculated standard value for the size of the board of commissioners and directors is 0.349 and an insignificant value of 0.117, which means greater than 0.05, it can be concluded that the size of the board of commissioners and directors has an effect and is not significant on ROA financial performance, so hypothesis one is rejected. This is not in line with research conducted by Anderson et al (2004) where large members will be able to improve financial performance (ROA), but contrary to the opinion Bhagat, S., & Bolton, B (2008) states that beyond a certain point, a larger board can experience coordination problems and a slower decision-making process, which can negatively affect company performance.

5.1.2 The Influence of Independent Board on Financial Performance (ROA)

Based on the statistical test results, the standard deviation value for the calculation of the independent board size is -0.087 and the significance value is 0.694, which is greater than 0.05. The results of this study indicate that the independent board has no significant positive effect on company performance by measuring ROA. This is not in line with research conducted by Acciarini et al. (2021) that companies that have a high proportion of independent boards of directors will achieve high financial performance. But it is in line with research conducted by Uyar et al (2021) that the independence of directors has no significant impact on Return on Assets (ROA). This means that in the context of the study, there is no significant relationship between the presence of independent directors in a company and financial performance as

measured by ROA. This is interesting because it could be expected that the presence of independent directors will increase transparency, accountability, and oversight, which in turn can improve the company's financial performance. Independent directors who are diverse in experience and background can bring diverse views and knowledge into the decision-making process. This can result in better decisions as independent directors tend to bring different viewpoints and can better debate various options. These better decisions can contribute to the long-term performance of the Company.

5.1.3 The Influence of Audit Committe on Financial Performance (ROA)

Based on the results of the statistical test, the beta value for the audit committee size is -0.202 and the significant value is 0.003, which is smaller than 0.05, it can be concluded that the Audit Committee size has a negative and significant effect on ROA financial performance, so the third hypothesis is accepted. This is in line with research conducted by Kent and Stew-art (2008) that the frequency of audit committee meetings does not have predictive ability on financial performance, the less the number of frequencies at audit committee meetings, the better the financial performance of a company.

5.1.4 The Influence of Board Size on Financial Performance (Tobin's Q)

Based on the results of statistical tests, the t value for the size of the board of commissioners is 0.381 and a significant value of 0.036 which means less than 0.05, it can be concluded that the size of the board of commissioners has a positive and significant effect on Tobin's Q financial performance, so the fourth hypothesis is accepted. The board size variable has a positive effect on Tobins'Q. This is consistent with research conducted by Anderson et al (2004) where large members will be able to improve financial performance, a large board can bring more expertise and in-depth knowledge of the industry, which can improve supervision and corporate strategy, and contribute to higher market value. By having an independent and well-functioning board of directors, companies can improve oversight of management, reduce the risk of adverse agency behaviour, and increase firm value Bhagat, S., & Bolton, B, (2008).Other researchers also argue that companies with larger boards tend to have higher market valuations, the size and composition of the board of directors have a significant impact on firm performance, highlighting the importance of effective governance in increasing firm value.

5.1.5 The Influence of Independent Board on Financial Performance (Tobin's Q)

Based on the results of statistical tests, the standard deviation value for the calculation of the size of the independent board is 0.283 and the significance value is 0.120, which is greater than 0.05. The results of this study indicate that the independent board has a positive and insignificant effect on company performance by measuring Tobin Q. This is not in line with Zubeltzu-Jaka et al (2021) who support a high proportion of independent board members and also that companies that have a high proportion of independent boards of directors will achieve high financial performance. However, this study is in line with Uyar et al (2021) that found no strong or significant relationship between board independence (or the presence of an independent board of directors) and Tobin's Q ratio. These results suggest that, in the context of the study, the board independence factor may not have a statistically significant or measurable impact on the relative market value of the Company, so the Company does not need to worry about the characteristics of the board, whether it is an executive or non-executive board. and also in line with the opinion Christensen et al (2010) that a strong independent board is a solution to agency problems and will reduce costs, therefore it will be able to improve financial performance.

5.1.6 The Influence of Audit Committee on Financial Performance (Tobin's Q).

Based on the results of the statistical test, the beta value for the audit committee size is -0.316 and the significant value is 0.006, which is smaller than 0.05, it can be concluded that the Audit Committee size has a negative and significant effect on Tobin's Q financial performance, so hypothesis one is accepted. This is in line with research Weir et al (2002) that the frequency of audit committee meetings has no effect on financial performance, therefore, the number of audit committee meetings will not be a problem and has no effect on financial performance.

5.2 Contribution of Study

This study contributes to understanding the variables that impact financial performance is critical for investors because investors can use the findings of this study to evaluate the quality of corporate governance in mining companies. A strong correlation between good governance practices and financial performance can guide

investors in selecting companies that have better financial performance. By understanding which governance factors (board size, independent board, and audit quality) are most influential in improving financial performance, investors can better manage and mitigate the risks associated with poor governance practices. Engage with company management and boards to advocate for better governance practices. Use study findings to support arguments for changes that can lead to improved financial performance.

For companies, understanding the factors that affect financial performance By establishing a clear link between good governance and financial performance metrics such as return on assets (ROA) and Tobin's Q the study provides companies with a roadmap to achieve better financial results through improved governance while also building strong relationships with minority shareholders and ensuring their voices are heard in corporate governance matters, providing regular and transparent financial and non-financial disclosures to stakeholders. This builds trust and enhances the company's reputation.

5.3 Limitation of The Study

This study has several limitations, namely first, the companies sampled in this study were only mining sectors listed on the Indonesia Stock Exchange for the period 2020-2022, which not all mining sectors listed on the Indonesia Stock Exchange for the period 2020-2022 were sampled due to limited data from the annual report on the Financial Statements of each Company. Second, the limitations in this study provide adj R results on ROA of 10.8%, which means that the independent variables used in this study only affect financial performance by 16%, while 89.2% of company performance is influenced by other variables outside of the variables that make up the research model, this is due to the limited data collected by the Company due to the Covid-19 Pandemic. Thus, future researchers could explore other theories like stakeholder theory, shareholder theory, leadership cycle theory and others in order to introduce other vari ables in the considerations, such as board diligence. In addition, other factors such as global financial crises, economic conditions (booms and recessions), cross shareholdings,can be investi gated, as they might likely have some impact on financial performance. Furthermore, panel data can be employed to test variables over several years with other data sizes. Brexit influence will likely attract new considerations.

5.4 Future Research

Suggestions for future researchers to expand the research population area by using all companies in the mining industry with a larger period of time. Future researchers can measure fraud or manipulation of financial statements other than using F-Score to provide diversity in further research. Future researchers can look for other independent variables that can affect the risk of financial statement fraud.

Given these limitations, the advice that can be given is that you should add other independent variables and control variables that can affect financial performance, as well as increase the number of samples in order to analyze other factors that can affect the performance of a company. And further research is expected to investigate the reasons for the negative results of board size, independent board and audit committee with the aim of overcoming problems when drafting corporate governance guidelines in the future.

5.5 Chapter Summary

This study has examined the impact of corporate governance mechanisms (board size, independent board, and audit committee meetings) on financial performance (ROA and Tobin's Q), taking into account two control variables and using corporate governance theory and agency theory, to form a theoretical framework. The above results explain why there is controversy in this field of study. The statistics obtained provide mixed results, depending on the model. There are corporate governance mechanisms that have no statistical significance; some are positive, and some have negative statistical significance in estimating financial performance, we emphasize, using ROA or Tobin's Q.

One area that remains controversial is board size and its impact on financial performance. The results of this study show a positive statistical significance of board size on the financial performance ratio (Tobin's Q). It is seen that an increase in board size improves financial performance. and independent board has a positive and insignificant effect on financial performance (Tobin's Q).When the high proportion of independent board members in a company does not have a significant or statistically measurable impact on the company's performance. Audit Committee shows negative and significant statistical significance on financial performance (ROA and Tobin's Q) where this indicates that an increase in the frequency of audit committee meetings has

a negative impact on financial performance (ROA). ROA is more influenced by governance that improves internal efficiency of the company, especially through independent boards and audit committees.Tobin's Q is more influenced by governance aspects that affect market perception, such as board size and audit committee, which can increase investor confidence in the company.Thus, the influence of corporate governance on ROA focuses on operational efficiency, while Tobin's Q is more about market perception of good governance and financial transparency.