

## **CHAPTER V**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

In chapter 4, the results of data analysis are presented. This chapter presents a discussion and summary of the hypothesis results as well as summarizing the limitations of current research and suggestions for further research.

#### **5.2 Overview of Study**

This research aims to determine the effect of corporate governance and risk disclosure on financial performance in non-financial companies listed on the Indonesia Stock Exchange for the 2020-2023 period. This research only applies three independent variables in determining the results, namely board independent. Further research can add more independent variables to the regression model. Many factors that influence financial performance have been proven by previous literature apart from this research, such as the size of the board of directors and board independence.

In addition, data was collected from the annual financial reports of non-financial companies listed on the Indonesia Stock Exchange during the 2020-2023 period. Future researchers are advised to collect data from larger samples or longer time periods to increase generalizability. Therefore, future research may prioritize these variables considering their influence on company financial performance.

As a result, the collected data was analyzed and evaluated using the SPSS program. Analysis of the data findings in Chapter 4 revealed that only one hypothesis showed a statistically significant relationship with financial performance in the regression test (Sig < 0.01). Based on Table 5.1, it can be seen that only hypothesis 3 has a significant and positive correlation with financial performance.

**Table 5.1 Summary of the Hypothesis Testing**

Hypothesis	Accepted (Sig < 0.01)	Rejected (Sig > 0.01)
H1 : Board Independence effect on Financial Performance		√
H2 : Board Size effect on Financial Performance		√
H3 : Risk Disclosure effect on Financial Performance	√	

### 5.3 Summary of Research Findings

The objective of this research is to determine whether the financial performance of companies listed on the Indonesia Stock Exchange can be affected by corporate governance and risk disclosure. Based on the data analysis results in the previous chapter, it can be concluded that corporate governance has an insignificant effect on financial performance, while risk disclosure has a significant effect on financial performance.

**Table 5.2 Hypothesis Testing Result**

IV	Standard	Sig.	VIF
Board Independence	-0.195	0.375	5.996
Boar Size	-0.006	0.977	6.056
Risk Disclosure	-0.317	0.001	1.029
<b>R<sup>2</sup></b>	89%		

### **5.3.1 The Influence of Board Independence on Financial Performance**

Based on Table 4.5, the t value for Board Independence (Bid) is -0.892 with a significance value of 0.375, which is greater than 0.05. This indicates that Board Independence does not have a statistically significant effect on financial performance. Therefore, the hypothesis (H1) is not supported. This is consistent with the findings of Tajuddin et al., 2023, who found a significant negative association between board independence and triple bottom line reporting.

### **5.3.2 The Influence of Board Size on Financial Performance**

Based on Table 4.5, the t value for Board Size (BSize) is -0.029 with a significance value of 0.977, which is much greater than 0.05. This suggests that Board Size does not have a statistically significant influence on financial performance. This aligns with the study by Shah et al., 2024, which found that board size exerts a negative effect on the association between intellectual capital and return on equity.

### **5.3.3 The Influence of Risk Disclosure on Financial Performance**

Based on Table 4.5, the t value for Risk Disclosure (Risk) is 3.496 with a significance value of less than 0.001, which is significantly smaller than 0.05. This indicates that Risk Disclosure has a statistically significant positive effect on financial performance. This is in line with the study by Arora et al., 2023, which found that risk disclosure has a significant impact on the financial performance of firms.

## **5.4 Contribution of Study**

### **5.4.1 Body of Knowledge**

This study contributes to the existing literature on corporate governance and financial performance by providing empirical evidence from non-financial companies listed on the Indonesia Stock Exchange for the period 2020-2023. Previous research by Tajuddin et al. (2023) and Shah et al. (2024) found that board independence and board size have varying impacts on financial performance, often negative or insignificant. This research corroborates these findings, showing that both board independence and board size do not significantly influence financial performance in the context of Indonesian non-financial firms. Additionally, this study highlights the

significant positive effect of risk disclosure on financial performance, aligning with the findings of Arora et al. (2023). By focusing on the Indonesian market, this research adds a regional perspective to the global discourse on corporate governance and risk management, emphasizing the importance of risk disclosure for enhancing financial outcomes. Future research could expand on these findings by incorporating more variables and broader datasets to further explore these relationships.

### **5.5 Limitation**

This study has several limitations. First, the companies sampled in this study were only non-financial sectors listed on the IDX for the 2020-2023 period. Not all non-financial sectors listed on the IDX for the 2020-2023 period were included in the sample due to limited data from financial statements. Second, the dependent variable in this study used Return on Assets (ROA) and Return on Investment (ROI) to measure financial performance, but this metric may not capture all aspects of financial performance, necessitating further research.

### **5.6 Suggestions for Future Research**

This study aims to determine the effect of corporate governance and risk disclosure on the financial performance of non-financial companies listed on the Indonesia Stock Exchange for the period 2020-2023. This study only employs three independent variables to determine the results: board independence, board size, and risk disclosure. Future research may add more independent variables to the regression model.

Additionally, data was collected from the annual financial reports of non-financial companies listed on the Indonesia Stock Exchange during the period 2020-2023. Future researchers are encouraged to gather data from a larger sample or over a longer time period to enhance generalizability. Therefore, future studies may prioritize these variables given their impact on the financial performance of companies.

### **5.7 Concluding Remarks**

The main objective of this research is to analyze the influence of corporate governance and risk disclosure on financial performance in companies listed in Indonesia. Based on the test results in the previous chapter, there is an influence

between the variables board independence, board size, and risk disclosure on the financial performance of company  $i$  in year  $t$  (ROA) and Return on Investment (ROI)

Board independence has no significant effect on financial performance. Companies with lower levels of board independence tend to have lower financial performance. Board size has no significant effect on financial performance. Companies with larger board sizes do not show significant differences in financial performance. Risk disclosure has a significant effect on financial performance; Companies with higher levels of risk disclosure tend to have higher financial performance.