

## **CHAPTER V**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

This chapter presents a discussion and summary of the hypothesis results, followed by the research contribution to theory, practice and methodology. The purpose of this chapter is to provide a summary of the research, discussion of the results, research contributions, recommendations for future research, and conclusions.

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

The purpose of this study is to determine the impact of corporate governance mechanisms on firm performance in Indonesia. In addition, there are 3 research questions observed in this study, namely whether board size, board committees and board meetings have a significant relationship with firm performance. In this study, three hypotheses will be associated with the variables generated in this study to test the independent and dependent variables.

The data collection method used in this study is the annual report. Annual reports collected from goods and consumption industry companies listed on the Indonesia Stock Exchange from 2020-2022. Furthermore, the data that has been collected will be analysed and evaluated using the SPSS program. Data analysis in chapter 4 reveals that there is only 1 hypothesis that shows a statistically significant relationship with corporate governance on company performance as assessed in the regression test (Sig <0.05) Based on Table 4.5, it can be seen that only hypothesis 1 has a significant and positive relationship to company performance and hypotheses 2 and 3 do not have a significant relationship to company performance in companies in the goods and consumption industry sector in Indonesia.

**Table 5.1 Summary of the Hypothesis Testing**

<b>Hypothesis</b>	<b>Accepted (Sig &lt; 0.05)</b>	<b>Rejected (Sig &gt; 0.05)</b>
<b>H<sub>1</sub></b> : Board Size has significant relationship on Firm Performance.	√	
<b>H<sub>2</sub></b> : Board Committee has not significant relationship on Firm Performance.		√
<b>H<sub>3</sub></b> : Board Meeting has not significant relationship on Firm Performance.		√

### 5.3 Summary of Research Findings

This study aims to determine the impact of corporate governance mechanisms on company performance in Indonesia in companies engaged in the goods and consumption industry sector listed on the Indonesia Stock Exchange for the period 2020-2022 which is influenced by board size, committee boards and board meetings on company performance. Based on the results of data analysis in the previous chapter, it is concluded that board size has a significant effect on company performance, the committee board has no effect on company performance, and board meetings have no effect on company performance.

**Table 5.2 Hypothesis Testing Result**

<b>IV</b>	<b>Standard</b>	<b>Sig.</b>	<b>VIF</b>
<b>Board Size</b>	0.235	0.030	1.109
<b>Board Committees</b>	-0.180	0.172	1.387
<b>Board Meeting</b>	-0.120	0.358	1.416
<b>R<sup>2</sup></b>	<b>13.4%</b>		

### **5.3.1 The Influence of Board Size on Firm Performance**

Based on Table 4.5, the t value of board size is 2.212 and a significant value of 0.030 which is smaller than 0.05, it can be concluded that board size has a positive and significant effect on firm performance. Therefore the hypothesis (H<sub>1</sub>) is accepted. According to (Puni & Anlesinya, 2020) A larger board size can help the financial performance of the company because, according to agency theory, the board should be made with a sufficient number of members to improve coordination and communication. This research is in accordance with the research (Gaur et al., 2015) argues that a company's performance is positively and significantly impacted by the size of the board (committee and director).

### **5.3.2 The Influence of Board Committee on Firm Performance**

Based on Table 4.5, the t value of the board committee is -1.378 and a significant value of 0.172 which is greater than 0.05, it can be concluded that the board committee has no effect on firm performance. Therefore the hypothesis (H<sub>2</sub>) is rejected. According to (Puni & Anlesinya, 2020) Board committees have a negative impact on company performance, this is due to the contribution of board committees to company performance, the inactivity of board committees and the weakening of responsibility for oversight of corporate governance guidelines, which has the potential to have a negative impact on board committees.

### **5.3.3 The Influence of Board Meeting on Firm Performance**

Based on Table 4.5, the value of the board meeting is -0.924 and a significant value of 0.358 which is greater than 0.05, it can be concluded that the board meeting has no effect on firm performance. Therefore the hypothesis (H<sub>3</sub>) is rejected. According to (Sukmawati et al., 2021) Although the presence of board members highlights the purpose of the meeting, the frequency of board meetings conducted by board members has no real impact on the success of the company. So that if not enough board members are present at the meeting, the purpose of the meeting will hardly be achieved and this will certainly have an impact on the company's performance.

## **5.4 Contribution of Study**

### **5.4.1 Body of Knowledge**

Previous research conducted by (Puni & Anlesinya, 2020) found that board size, board committee and board meeting have a significant on firm performance. Previous research used a sample from company in Ghana listed on Securities and Exchange Commission (SEC). While this research found that board size have a significant on firm performance, while board committee and board meeting has no significant on firm performance. In this research uses sample from sector consumer and goods industry listed on the IDX for period 2020-2022.

## **5.5 Limitation**

This study has several limitations, namely first, the companies sampled in this study were only the goods and consumption industry sector on the Indonesia Stock Exchange for the period 2020-2022, which is not all sectors of the goods and consumption industry listed on the Indonesia Stock Exchange for the period 2020-2022 were sampled due to limited data from the annual report. Second, the limitations in this study provide ad R results of 13.4%, which means that the independent variables used in this study only affect company performance by 16%, while 86.6% of company performance is influenced by other variables outside of the variables that make up the research model.

## **5.6 Suggestions for Future Research**

With these limitations, the suggestion that can be given is that you should increase the population and sample of companies in the consumer goods industry sector in order to analyze other factors that can affect the performance of a company. Future research can add control variables and extend the research year. And further research is expected to investigate the reasons for the negative results of the board committee and board meetings with the aim of overcoming problems when drafting corporate governance guidelines in the future.

## **5.7 Concluding Remarks**

The main objective of this study is to analyze the effect of board size, board committees and board meetings on firm performance. The board size variable has a significant effect on firm performance, which means that the larger the size of the company's board, the more the company's performance increases. The board committee variable has no effect on firm performance, this means that the effect of the board committee is more difficult to measure and may be seen in the long term. The board meeting variable has no effect on firm performance, which means that the frequency of board meetings makes the board's ability to influence operational decisions. Future research should analyze other corporate governance mechanisms that may have an impact on firm performance and apply it to a larger population sample in order to analyze other factors that may influence the development of corporate governance mechanism guidelines.