eksis
jurnal riset ekonomi & bisnis
E-ISSN : 2549-6018
P-ISSN : 1907-7513

EFFECT OF THE NUMBER OF COMMISSIONERS AND PROPORTION OF INDEPENDENT COMMISSIONERS ON PUBLIC COMPANY PERFORMANCE

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Submitted: 17September 2022, Revised: 10 November 2022, Published: 22 November 2022

Abstract

This study examines whether the size of the board of commissioners and the proportion of independent commissioners affect the company's financial performance. This study uses a quantitative method with econometric calculations. Data were obtained from 236 companies listed on the Indonesia Stock Exchange in 2015-2019. The data were analyzed using panel data regression using three variables: the dependent variable (dependent), the independent variable (independent), and moderating variable. This research uses MRA (Moderated Regression Analysis) analysis technique which will be processed using STATA. This study proves that the size of the board of commissioners and the proportion of independent commissioners positively affect the company's financial performance. The test also involves a moderating variable in the form of government ownership. It results that the government ownership variable has no significant effect on the relationship between commissioners and financial performance. The findings of this study contribute as recommendations to stakeholders involved in the management of the company, especially public companies

Keywords: Number Of Commissioners, Proportion Of Independent Commissioners, Public Company, Performance

A. INTRODUCTION

A commissioner in the company's ownership structure is a mandatory component. This condition is based on the theory of Jensen & Meckling (2019), which states that there is a potential conflict between *agents* and *principles* in managing the company. *The agent* is the party that manages the company, and *Principles* is the party that owns the company. The instinctive human condition filled with lust causes both parties to seek personal gain. *Agents* will benefit if they have high income (salary, honorarium, allowances, and others), while the *Principles* benefit from the company's profit sharing. The problem is that every rupiah the agent receives will reduce the income from the *principles* because the salary is a burden for the company. Therefore, the potential for each benefit is what underlies the *agency theory.*

However, why should commissioners be in the company? The position of the commissioner acts as an extension of the *principles. The commissioners* monitor agent performance and protect the company from potential *fraud.* Kocmanova & Nemecek (2012) and Suhada & Kurniati (2019) mention that commissioners will increase the value of the company because they can supervise directors (*agents*) from the possibility of committing fraud.

The company's value is measured by the stock price using a valuation ratio. According to Sudana (2011), the valuation ratio is a ratio related to assessing the performance of the company's shares that have been traded in the capital market (*go public*). This ratio is usually called the *Price Earning Ratio* (PER), which divides the stock market price (*Market Price*) from the earnings per share distributed by the company (*Earning Per Share*). Companies usually distribute income to *principles in*

earnings per share if the company earns net profit after tax and interest (*Earning Before Interest and Tax / EBIT*). The EBIT component is one form of the company's financial performance

The existence of commissioners positively impacts the company's financial performance. Abidin & Kamal (2009) and Rahmadianti & Iswajuni (2021) show a positive relationship between the board of commissioners and financial performance. However, the existence of the board of commissioners must be in an ideal composition. It is evidenced by Dewi, Sari, & Abaharis (2018) and Utama & Utama (2019) stating that too many boards of commissioners harm company performance because it will increase the incentive burden that must be issued every month.

The position of the commissioner only protects the interests of shareholders. However, in the company management process, several aspects affect the company's value, such as (1) Corporate Reporting Process, (3) External Factors (Social, Environmental, and Institutional), Board Governance, (4) ESG Risks and Opportunities, and (5) Corporate Strategic Plan (Adam, 2017). It is necessary to have an independent commissioner whose task is to (1) protect the rights and obligations of minority shareholders, (2) ensure the company's reporting process has been carried out properly, (3) ensure the company runs with the concept of good corporate governance, (4) ensure that the company applies ESG principles, and (5) ensure that the company can face any risks that might destroy itself.

However, do corporate governance principles through the commissioners apply in Indonesia? The phenomenon of conflict between the board of commissioners and the board of directors often occurs in Indonesia. For example, when Pertamina experienced a conflict between the Board of Commissioners and the Board of Directors. Differences in interests and political maneuvers have caused some of the theories tested to be irrelevant to be applied in Indonesia. The impact is Pertamina's poor financial performance, which has been going on for years. It is sad, considering that Pertamina is a company mandated by the state to generate state foreign exchange, not drain it. Therefore, this study aims to examine whether the size of the board of commissioners and the proportion of independent commissioners affect the company's financial performance.

The company's financial performance can be seen in the financial statements to measure how a company's performance is said to be good (Lee, 2007). Company performance is a description of a company's financial condition, which is analyzed with financial analysis tools so that it can be known about the good and bad financial condition of a company reflects work performance in a certain period. One type of financial report that measures the success of a company's operations for a certain period is the income statement and statement of financial position (Kieso and Weygandt, 2007). The income statement reflects the company's activities in a certain period. At the same time, the statement of financial position is a reflection of the company's wealth (assets), debt, and net model. These two reports serve as a reference in compiling the company's financial performance. Most research used *Return on Assets* (ROA), Cash Flow Return on Assets (CFROA), and TobinsQ to measures financial performance.

Based on previous phenomena and research, the formulation of the problem in this study focuses on "Does the Size of the Board of Commissioners have an impact on the Company's Financial Performance ?" and "Does the proportion of the Board of Commissioners have an impact on the company's financial performance?". This research recommends to *stakeholders* involved in the company's management,

especially public companies. The study results indicate a positive relationship and influence of the size of the board of commissioners and the proportion of independent commissioners on the company's financial performance. The results of this study are consistent with research from Abidin & Kamal (2009) and Rahmadianti & Iswajuni (2021), which state that there is a relationship between the size of the board of commissioners and the proportion of independent commissioners on the company's financial performance.

B. LITERATURE REVIEW

1. Corporate Governance

The discussion on *corporate governance* is closely related to how well the company's mechanisms are in fulfilling obligations, how the board of commissioners supervises companies run by managers, and how members of the board of directors will be responsible to shareholders and the company (Ghillyer, 2011). Therefore, *corporate governance* has implications for the company's behavior towards employees, shareholders, customers, and everyone involved in business operations. In essence, *corporate governance* concerns how companies identify and ensure that strategic decisions are made effectively (Hitt et al., 2011).

The company has several parties so these parties may have conflicting interests. Hitt et al. (2011) stated that *corporate governance* is part of a set of mechanisms used to manage the relationship between stakeholders and determine and control the strategic direction and performance of the company. *Corporate governance* was formed to build harmony between parties within the company, such as company owners, top-level managers, and shareholders (Hitt et al. 2011).

Every company has a stakeholder group that can influence the company. When people are dissatisfied with the company's operations, they will react negatively to the company and may even boycott the company's products. The company's shareholders certainly have ideas to improve public discontent. If the company focuses on maximizing shareholder goals, then stakeholders in the company will change *corporate governance* to focus on issues that are the ideas of shareholders (Rodriguez-Fernandez, 2016). In addition, investors are willing to pay a high premium for shares of companies that are considered to have a good *corporate governance structure* (Clarke, 2007). This condition confirms that the *corporate governance mechanism* relates to company performance (Kyere and Ausloos, 2020).

Good corporate governance or *good corporate governance* is essential in sustaining the company's integrity. Poor corporate governance weakens the company's potential, even causing financial difficulties. Suppose the company is regulated with good corporate governance. In that case, the company has the potential to outperform other companies so that it can attract investors who can later provide support to finance the company's further growth.

The company needs investor funds to carry out expansion projects. Companies that improve suitable *corporate governance* mechanisms can increase company value by 10-12% because investors will invest in companies with strong *corporate governance* (Stanwick and Stanwick, 2002). Mallin (2016) shows that before investors disburse their funds for investment activities, they consider indicators such as *insider shareholding*, audit committee, board independence, board size, CEO duality, and others related to company structure. Therefore, companies are starting to design good *corporate governance* to attract investors.

Referring to Kyere and Ausloos (2020), two proxy measures of corporate governance affect company performance, namely the proportion of independent commissioners and the size of the board of commissioners. Therefore, this study uses the proportion of independent commissioners and the size of the board of commissioners as *proxies for* measuring a company's *corporate governance*. The proportion of independent commissioners is the proportion of the board of commissioners who are not affiliated with the company's executive management (Fama and Jensen, 1983). Meanwhile, the size of the board of commissioners is the number of members on the company's board of commissioners (Kyere and Ausloos, 2020). The proportion of independent commissioners and the size of the board of commissioners in this study were measured using the following equation:

$$IB = \frac{Number\ of\ independent\ commissioner}{Total\ number\ of\ board\ of\ commissioner} \times 100 \text{.....(1)}$$

Information:

$\boldsymbol{IB}$: Proportion of independent commissioners in company i

$\boldsymbol{Number\ of\ independent\ commissioner}$**:** Total proportion of independent commissioners in company

$\boldsymbol{Total\ number\ of\ board\ of\ commissioner}$: Total number of commissioners in company

2. Company Performance

Company performance is the achievement of the company's operational activities during a specific period. Company performance is the company's ability to manage its resources optimally to provide value to the company. Company performance can also be an indicator or benchmark in assessing management's success and evaluating the company's achievements in a certain period. This study will use *Return on Assets* ROA and *Tobin's Q* as *proxies* to measure company performance.

Return on Assets (ROA) is a fundamental measure of company profitability that reflects how effectively and efficiently a company uses its assets to earn net income (Jones, 2012). The higher the net income for a certain number of assets, the better the company's return level. According to Core et al. (2006), ROA is an appropriate measure to identify the relationship between corporate performance and *corporate governance* because ROA is not affected by *leverage* and other *discretionary items*. In addition, other researchers (Brown and Caylor, 2009; Muth and Donaldson, 1998) also use ROA as an accounting measurement that reflects company performance. Based on these factors, this study will use ROA to measure company performance on an accounting basis. The formula for calculating ROA is as follows:

$$ROA = \frac{Net\ income}{Total\ assets} \times 100 \text{ .....(2)}$$

Information:

$\boldsymbol{ROA}$: *Return on Assets* of the company

$\boldsymbol{Net\ income}$: Net income of the company

$\boldsymbol{Total\ assets}$: Total assets of the company

The company's performance can also be done using the company's stock performance measurement. Stock performance describes the stock's ability to increase or decrease the wealth of its shareholders. *Tobin's Q is* considered an appropriate proxy for measuring the performance of a company's stock's performance because it can provide an overview of the current assets and the company's growth potential in the future (Malkiel and Fama, 1970). Following the research of Kyere and Ausloos (2020), *Tobin's Q* in this study will be measured using the following formula:

$$Q\ Ratio = \frac{Total\ market\ value\ of\ firm}{Total\ assets} \quad \text{.....(3)}$$

Information :

Q Ratio	*Tobin's Q* ratio of the company
Total market value of firm	: The result of multiplying the number of outstanding shares with the current share price
Total assets	: Total assets of the company

3. Hypothesis Framework

This study includes estimating the relationship between the variables of the proportion of independent commissioners and the size of the board of commissioners on the company's financial performance, in addition to estimating the moderation of family ownership and state ownership on the company's financial performance.

Several researchers, among others, Pratama research (2011), Abbasi et al. (2012), Kumaat (2013), Widyati (2013), Victor (2014), Liu et al. (2015), and Abdullah (2016), stated that the proportion of Independent Commissioners has a significant and positive effect on financial performance as measured by ROA. By increasing the board size and hiring professional Independent Commissioners, the company will benefit from their expertise and experience. Based on the arguments and results of previous research, it can be concluded that independent commissioners should positively influence the company's financial performance and market performance.

H1 : The proportion of independent commissioners has a significant positive effect on the company's financial performance

The main concern for shareholders is whether the board of commissioners can monitor and control managers to act in the owners' interests. According to Kathuria et al. (1999), the larger the board of directors, the more profitable the company is because the board has various responsibilities that require a variety of talents to fulfill. Any increase in board size can result in the availability of a wider talent pool which the company can use, leading to improved performance. The above assumption can be verified by looking at the proportion of the board. The positive influence caused by the size of the board of commissioners on the company's financial performance is also proven by several studies, including Adams and Mehran (2005), Zubaidah et al. (2009), Dewi and Widagdo (2012), and Elsayed (2011), especially in companies with non-duality CEO. So that the hypothesis can be formulated as follows:

H2 : The size of the board of commissioners has a significant positive effect on the company's financial performance

Cuervo-Cazurra et al. (2014) stated that state-owned companies are more likely to invest in large projects. State-owned companies are considered to have more financial resources (Wang et al., 2012b). The government can further improve the performance of state-owned enterprises by providing the capital needed for investment and creating market demand through public procurement. They can improve performance by establishing an institutional environment and supporting organizations that aim to enable state-owned enterprises to achieve higher performance levels (Hsu, 2000; Luo et al., 2010; Mathews and Cho, 2000; Peng, 2012; Weiss, 2010). State-owned enterprises can gain access to knowledge and technology that is not available to private companies,

for example, publicly funded (government) research and development (Wang et al., 2012b).

H3: State ownership moderates the causal relationship between the proportion of independent commissioners on the company's financial performance

The advantages received by state-owned companies will increasingly attract external investors to invest, primarily if they are supported by *good corporate governance*. Companies with good governance are more trusted to produce better company performance. When coupled with optimal resources and support from the government, the company's performance will be easier to improve.

Companies with state ownership will prefer to use a large board size because the composition of the board members is also still interrelated. The large *board of commissioners* shows that the company has a lot of human resources to carry out supervision. It will make the supervision of managers more stringent, and the allocation of work will also become more optimal (Anderson et al., 2004; Kyere and Ausloos, 2020).

H4: State ownership moderates the causal relationship between the size of the board of commissioners on the company's financial performance

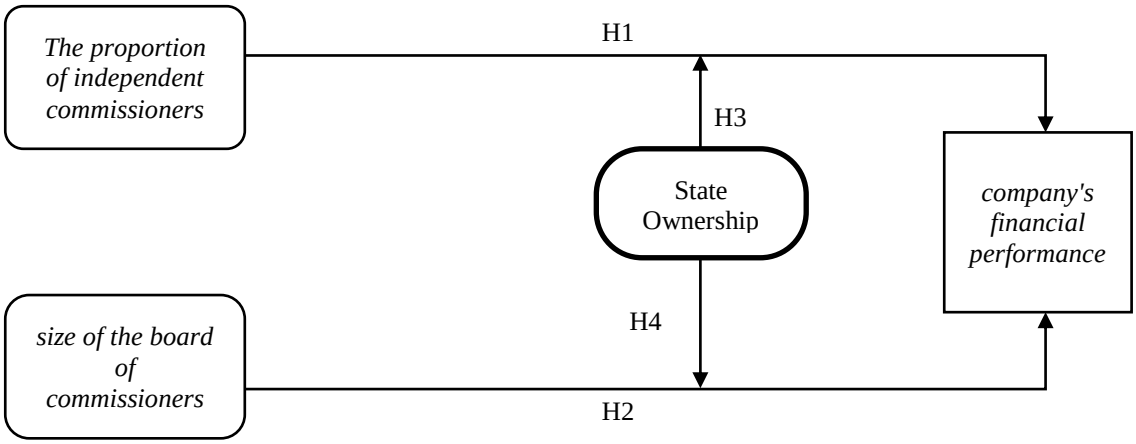


Figure 1 : Research Framework

D. RESEARCH METHOD

This study uses econometric calculations by using panel data regression. This study will use three types of variables, namely the dependent variable (*dependent*), independent variables (*independent*), and moderating variables. This study uses the MRA (*Moderated Regression Analysis*) analysis technique which will be processed using STATA.

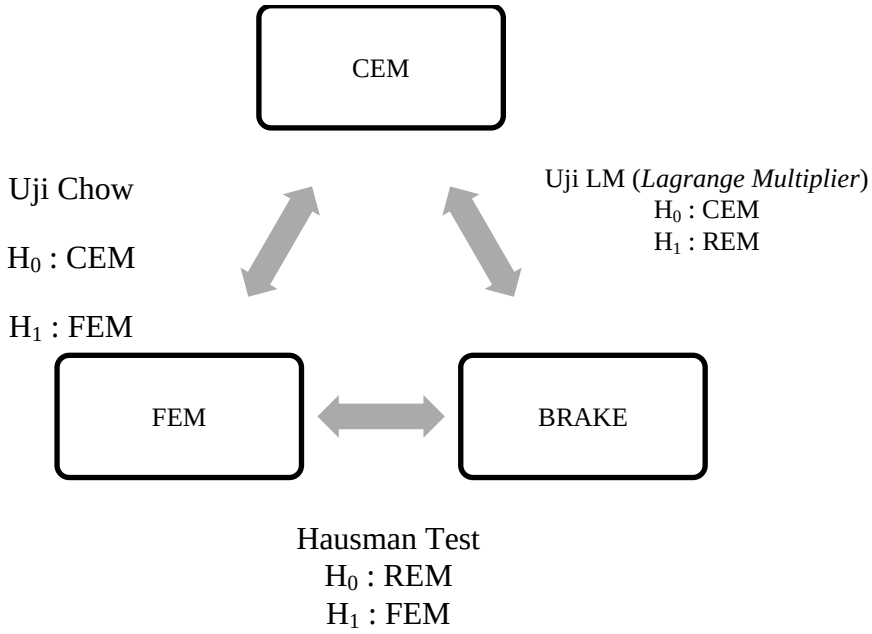
The company's financial performance will describe the dependent variable, the independent variable will be described by the proportion of independent commissioners and the size of the board of commissioners, and the moderating variable will be described by three types of company ownership, such as state ownership. The panel data regression econometric model used in this study is as follows:

1. $KP_{it} = \beta_0 + \beta_1 PK_{it} + \beta_2 UP_{it} + \beta_3 LP_{it} + \beta_4 PP_{it} + \varepsilon_{it}$ .....(3)
2. $KP_{it} = \beta_0 + \beta_1 UK_{it} + \beta_2 UP_{it} + \beta_3 LP_{it} + \beta_4 PP_{it} + \varepsilon_{it}$ .....(4)
3. $KP_{it} = \beta_0 + \beta_1 PK_{it} + \beta_3 KN_{it} + \beta_4 (PKxKN)_{it} + \beta_5 UP_{it} + \beta_6 LP_{it} + \beta_7 PP_{it} + \varepsilon_{it}$ .....(5)

4. $KP_{it} = \beta_0 + \beta_1 UK_{it} + \beta_3 KN_{it} + \beta_4 (UKxKN)_{it} + \beta_5 UP_{it} + \beta_6 LP_{it} + \beta_7 PP_{it} + \varepsilon_{it}$ .....(6)

This study use the IDX (Indonesian Stock Exchange) secondary data. The required data is obtained from the financial statements and ownership data of companies listed on the IDX for the 2015-2019 period. The data collection technique used the *purposive sampling method.*

Types of data are divided into three, namely *cross-section* data, *time-series* data, and panel data. This study will use panel data to estimate statistical parameters. Panel data is a combination of *cross-section* data and *time-series data* (Gujarati, 2009). Panel data has three types of analysis techniques, such as CEM (*Common Effect Model*), FEM (*Fixed Effect Model*), and REM (*Random Effect Model*). The analysis technique will be tested, and the best one will be selected.



1. Chow Test

Chow test is used to test the best model between the CEM model (*Common Effect Model*) and the FEM model (*Fixed Effect Model*). If the alpha value in this test is 5% or 0.05, then CEM is the best model for this study. However, if the alpha value is below 5%, the FEM model is the best.

2. Hausman test

Hausman test is used to test the best model between the FEM model (*Fixed Effect Model*) and the REM model (*Random Effect Model*). If the alpha value is 5% or 0.05, then the FEM model is the best for this type of research. However, if the alpha value is below 5%, the FEM model is the best.

3. LM (*Langrange Multiplier*) test

The LM (*Lagrange Multiplier*) test was used to test the best model between the CEM (*Common Effect Model*) model and the REM (*Random Effect Model*) model. The CEM model is the best if the alpha value is below 5% or 0.05. However, the REM model is the best if it is below 5%.

4. Statistical Test

Statistical testing in panel data uses F-stat and t-stat values. F-stat is the test value between the independent and dependent variables simultaneously. The F-stat test has the following equation:

$$H_0 : \beta_1 = \beta_2 = \beta_3 = 0$$

H1: There is at least one that is not equal to zero

The F-stat test has calculation criteria with the calculated F value < F table. H_0 will be rejected or can also be seen from the value of F < alpha value (5%) then it can be stated that H_0 is rejected. Furthermore, vice versa, if the F value > alpha value (5%) it can be stated that H_0 is not rejected.

In addition to doing the F test, this research will also look at the t-stat value. The t-stat value is a statistical estimation value to partially see the level of significance of the variable. The t-stat value can be measured using P>| t |. The t-stat test has the following research hypotheses:

$$H_0 : \beta_1 = 0$$
$$H_1 : \beta_1 \neq 0$$

Partial testing criteria in this t-stat were measured using the *p-value*. When *the p-value of* a variable is below the alpha value (5%), then H0 is rejected. Vice versa, if *the p-value* of a variable is above the alpha value (5%), then H0 is accepted.

There is also a coefficient of determination test, which can be called R-squared (R2). This coefficient of determination can be used to see a model's ability to explain the independent variable to the dependent variable. The limit value of R2 is from a value of 0 to a value of 1. The higher the value of R2, it can be concluded that the better the model to explain the independent variable to the dependent variable (Gujarati, 2009).

D. RESULT AND DISCUSSION

This study uses data from 226 companies *listed* on the Indonesia Stock Exchange (IDX) in the 2015-2019 period. The data processing results show that the data is typically distributed except for the *Return on Assets* (ROA) and Company Growth variables. Details of descriptive statistics in this study can be seen in Table 1.

Table 1: Descriptive Statistics

Variable	Observation	mean	Std. Dev.	Min	Max
Return On Assets	1130	3,671	9,633	-65.91	60.7
Q- *Ratio*	1130	1.095	1,981	0	22.56
Board of Commissioners Size	1130	4,578	1,813	2	12
The proportion of Independent Commissioners	1130	0.405	0.115	0	1
Company Size	1130	9.767	0.619	8.13	11.55
Company *Leverage*	1130	0.493	0.252	0.04	2.9
Company Growth	1130	6,349	29,412	-98.42	378.62
State Ownership	1130	0.102	0.303	0	1
State Ownership x Size of the Board of Commissioners	1130	0.571	1,771	0	10
State Ownership x Proportion of Independent Commissioners	1130	0.038	0.117	0	0.63

Table one shows the descriptive statistics for 1130 observations (226 firms x 5 years). The results show that the processed data has a long range. Therefore, the data is ready to be processed using *the Fix Effect Model* (FEM). They were testing the effect of the size of the board of commissioners (X1) and the proportion of independent commissioners (X2) on the company's performance (Y) moderated by government ownership (Z) seen in 2 perspectives, ROA and TobinsQ. It refers to previous research that measures financial performance in the form of ROA and TobinsQ. Analysis of the influence of X1 and X2 on Y with ROA size can be seen in table 2, while Y with TobinsQ size can be seen in table 3.

Table 2: *Fix Effect Model* results using ROA

Variable (ROA)	Model 1 (FEM)	Model 2 (FEM)	Model 3 (FEM)	Model 4 (FEM)
Board of Commissioners Size	-	-0.0301 _	-	-0.0081
The proportion of Independent Commissioners	3,519	-	3.1039	-
Company Size	- 4,605***	- 4,515***	-4,637***	-4,500***
Company *Leverage*	-13,796***	-13,624***	-13,773***	-13,583***
Company Growth	0.0345***	0.0339***	0.0346***	0.0341***
State Ownership	-	-	3.5972	6,2052
State Ownership x Size of the Board of Commissioners	-	-	-	-0.2724
State Ownership x Proportion of Independent Commissioners	-	-	4.1391	-
R-Square	0.0583	0.0554	0.0610	0.0588
Observation	1130	1130	1130	1130

*Note: * p < 0.1 ; ** p < 0.05 ; *** p < 0.01*

Table 2 shows the effect of variables X1 (Size of the Board of Commissioners) and X2 (Proportion of Independent Commissioners) on Y (Financial Performance/ROA), which is moderated by Z (State Ownership). The 4 Fix Effect Model (FEM) models explain the influence between variables.

Model 1

The results show that the Independent Commissioner Proportion Variable has a value of 6.634 with an alpha value of 5%. This result means that when the proportion of Independent Commissioners increases by one unit, ROA will increase by 6.634 units, and other variables are considered constant. This result is consistent with the test of the Firm Size variable, which has a value of 1.852 and means that when Firm Size increases by one unit it will increase ROA by 1.852 . On the other hand, the Company 's *Leverage* variable has a value of -14,247 and means that when the Company's *Leverage* increases by one unit, it will reduce ROA by 14,247 units and other variables are considered constant. The Company Growth variable has a value of 0.039 and means that when the Company's Growth increases by one unit, it will increase the ROA by 0.039 units and other variables are considered constant.

Model 2

Model 2 testing focuses on testing the variable Size of the Board of Commissioners and has a value of 0.200 and a significant significance value of 5 %

alpha, indicated by a p - *value* of less than 0.1 or 10%, meaning that when the size of the Board of Commissioners increases by one units, it will increase ROA by 0.200 units and other variables are considered constant.

The Firm Size variable has a value of 1.555 and means that when the Firm Size increases by one unit, it will increase the ROA by 1.555 units and other variables are considered constant. The Company's *Leverage* variable has a value of -13.930 and means that when the Company's *Leverage* increases by one unit, it will reduce ROA by 13.930 units and other variables are considered constant. While the Company Growth Variable has a value of 0.040 and means that when the Company's Growth increases by one unit, it will increase ROA by 0.040 units and other variables are considered constant.

Model 3

Fix Effect Model test in model 3 focuses on how the influence of the proportion of independent commissioners on the company's financial performance is moderated by state ownership. The test results show that the Proportion of Independent Commissioners variable has a value of 6.596 and a statistically significant significance value, indicated by a p-*value* of less than 0.05 or 5%, meaning that when the Proportion of Independent Commissioners increases by one unit, it will increase ROA by 6.596. units and other variables are considered constant.

The Firm Size variable has a value of 1.818, which means that when the Firm Size increases by one unit, it will increase the ROA by 2.003 units, and other variables are considered constant. The Company's *Leverage* variable has a value of 14.260, which means that when the Company's *Leverage* increases by one unit, it will reduce ROA by 14.260 units, and other variables are considered constant. The Company Growth variable has a value of 0.039 which means that when the Company's Growth increases by one unit, it will increase the ROA by 0.039 units, and other variables are considered constant.

The moderating variable, *State Ownership*, has a value of -0.499 and a statistically insignificant significance value, indicated by a p-*value* of more than 0.05 or 5%, which means that when the state owns the company, it does not affect the performance of the company finances.

The State Ownership variable, which is interacted with the Proportion of Independent Commissioners, has a value of 2.124. It was a statistically insignificant significance value, indicated by a p-*value* of more than 0.05 or 5%, which means that State Ownership will not significantly strengthen the influence of the Proportion Independent Commissioner on ROA value.

Model 4

Fix Effect Model test in model 4 focuses on how the size of the Board of Commissioners affects the Company's Financial Performance, which Government Ownership moderates. The variable Size of the Board of Commissioners has a value of 0.220 and a statistically significant significance value, indicated by a p-*value* of less than 0.05 or 5%, meaning that when the Size of the Board of Commissioners increases by one unit, it will increase ROA by 0.220 units and other variables considered constant.

The Firm Size variable has a value of 1.569, which means that when the Firm Size increases by one unit, it will increase the ROA by 1.569 units, and other variables

are considered constant. The Company's *Leverage* variable has a value of -13,902. It means that when the Company's *Leverage* increases by one unit, it will reduce ROA by 13,902 units, and other variables are considered constant. The Company Growth variable has a value of 1.569. It means that when the Company's Growth increases by one unit, it will increase the ROA by 1.569 units, and other variables are considered constant.

The moderating variable or *State Ownership* has a value of 1.386 and a statistically insignificant significance value, indicated by a p-*value* of more than 0.05 or 5%, meaning that when the state owns the company, it will not significantly increase ROA. by 1.386 times higher when compared to companies that are not owned by the state.

The State Ownership variable, which is interacted with the Size of the Board of Commissioners, has a value of -0.255. It is a statistically insignificant significance value, indicated by a p-*value* of more than 0.05 or 5%, which means that State Ownership will not significantly weaken the influence of The size of the Board of Commissioners on the ROA value.

The study results indicate a positive relationship and influence of the size of the board of commissioners and the proportion of independent commissioners on the company's financial performance. The results of this study are consistent with research from Abidin & Kamal (2009) and Rahmadianti & Iswajuni (2021), which state that there is a relationship between the size of the board of commissioners and the proportion of independent commissioners on the company's financial performance.

In practice, the commissioner's role as an extension of the company's holder is mandatory for companies that *go public.* The commissioner resolves potential conflicts between *agents* (directors) and *principles* (shareholders). The size of the board of commissioners focuses on the number of supervisors for all operational activities. The more people who supervise, the smaller the potential for *fraud* in the company, which will improve its performance in the long term.

Meanwhile, the role of the independent commissioner -as a representative of other *stakeholders*-outside of the interests of shareholders. Usually, independent commissioners represent the interests of minority shareholders, the government, and the public. The more significant the proportion of independent commissioners in a company, the more votes will be represented by parties whom other commissioners do not accommodate. Embracing various *stakeholders* will increase the image or value of the company in society. The long-term impact of the company's good image is an increase in sales and profits, which will improve its performance in the long term.

Meanwhile, if it is associated and moderated with state ownership, there is no significant relationship between state-owned or private companies. It proves that all companies, regardless of state or private ownership, must present commissioners in the corporate governance process. The larger the board of commissioners, the better the company's financial performance. Likewise with the proportion of independent commissioners, the higher the proportion of independent commissioners, the better the company's financial performance.

E. CONCLUSION

Good Corporate Governance or good corporate governance is a standard that regulates how to organize and manage a company. To realize GCG and avoid *agency*

problems, companies need to place commissioners as a bridge between *agents* (directors) and *principals* (shareholders). In addition, to meet the needs of other *stakeholders*, the company needs to appoint an independent commissioner who protects the needs of *stakeholders* whom other commissioners do not accommodate.

This study proves that the size of the board of commissioners and the proportion of independent commissioners positively affect the company's financial performance. The test also involves a moderating variable in the form of government ownership. It results that the government ownership variable has no significant effect on the relationship between commissioners and financial performance. It shows that both government and non-government companies need the role of independent commissioners and commissioners to improve the company's financial performance.

This research is limited to testing data from the IDX from 2015-2019. Further research can re-examine the moderation of government ownership juxtaposed with *institutional ownership*. The result of the study contributes to shareholders and company managers realizing the importance of the role of commissioners in the company.

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