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BOARD MEETING AND FIRM PERFORMANCE

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ABSTRACT

This study aims to examine the relationship between the number of meetings (board meeting) with the firm performance measured by using Return on Asstes (ROA. This research is motivated by the implementationof corporate governance concepts in Indonesia with the impact on company performance. The sample of this study is the Companies registered in the Jakarta Islamic Index from 2006-2016. The number of observations is 175. Method of sampling by using purposive sampling. The results shows that the number of board meetings does not affect the company's performance.

Keywords: board meeting, firm performance, corporate governance

1. Introduction

Corporate governance (CGC) is closely related to the company's trust and business climate in a country. The application of CGC encourages the creation of healthy competition and a conducive business climate. The objective of GCG mechanism is to improve the effectiveness, efficiency, and sustainability of a company in order to create prosperity between the company and stakeholders. The issue of corporate governance is motivated by agency theory which states that agency issues arise as a result of the separation between company management and owners.

The company's management includes board of commissioners and board of directors. Board structure has a fundamental role in corporate governance, strategic structure, and corporate objectives (Agyemang et al, 2014). According to GCG Guidelines in Indonesia, the functions and responsibilities of corporate organs, namely General Meeting of Shareholders (AGMS), Board of Commissioners and Board of Directors as the front guard in the implementation of GCG. There is a debate over where the council should come from, whether inside (internal) or outside parties (Hermalin and Weisbach 2003, Nicholson and Kiehl 2007). The agency theory argues that the role of independent board of commissioners becomes effective when supervised by the management team, dominated by internal councils, as it is naturally not independent of management (Heravia et al., 2011). In addition, according to the board's internal steward theory is more effective because they have knowledge about the company and industry and are responsible to the company.

According to the 2006 GCG Guidelines, the Board of Commissioners is a group of persons appointed to advise and supervise the directors of the company. The Board of Commissioners consists of two parts, namely non-independent commissioners and independent commissioners. Non-independent commissioners are part of the company as employees and major shareholders. The independent commissioner is not a part of or directly related to the company, but because of its ability which is considered useful for the company, independent commissioners are appointed to represent shareholders to supervise directors, activities in companies and non-independent commissioners.

The work process of the board of commissioners also has a great impact on the performance of the company. Board of Commissioners' meetings are required for the effectiveness of the work of the board of commissioners. If the board of commissioners meet more frequently, they will discuss the issues that are becoming the focus of the company and monitor management more effectively. Therefore, the performance of the board of commissioners will be better with better coordination and in harmony with the interests of shareholders (Lipton and Lorsch, 1992). In line with this, Conger et al (1996) states that board of commissioners meeting is an important part in improving board effectiveness and better decision making. Although there are costs inherent in board of commissioners meeting.

Company performance is the work of a group of people within an organization or company, in accordance with the authority and responsibility of each company in the effort of achieving company goals, legally, not violating the law and not contrary to moral and ethics. Board structures dominated by non-independent commissioners can affect the quality of judgments and decisions of directors, providing strategic direction so as to improve the company's financial performance (Deegan, 2006).

The purpose of this study is to see the practice of corporate governance in Indonesia by looking at its relationship with the financial performance of the company. The specific purpose of this study is to examine the relationship between the board of commissioners meeting with the company's financial performance on the companies that entered the Jakarta Islamic Index in 2010-2016. Several previous studies have shown different results between board meetings and performance meetings. Arora and Sharma (2016) indicate that the board of commissioners meeting positively with the company's performance in Indian manufacturing companies. However Bhattacharya and Bhattacharya (2015) who examine IT companies in India show that board of commissioners meeting is not related to company performance.

2. Literature Review

This section will build on corporate governance, board meetings, and company performance and prior empirical research.

2.1 Corporate Governance

Corporate governance is a term often used to describe the processes and structures used to direct and manage a company's business activities in order to increase shareholder value. Corporate governance has also attracted public interest because it is clearly important for companies and society (Mustapha and Ahmad, 2011).

According to Li, et al (2008) corporate governance is a legal, institutional, and cultural factors that shape patterns and influences that drive stakeholders to make managerial decisions. There are two points emphasized in this concept, namely the importance of shareholder rights to obtain timely and accurate information and the company's obligations to accurately, timely and transparently disclose. According Setiyanto and Rahardja (2012) good coporate governance is a form of good management. By applying good corporate governance, the interests of the owner or shareholder will be aligned with the interests of the manager. According to OECD Business Sector Advisory Group on Corporate Governance (1998) there are four important elements in corporate governance:

1. Fairness (Justice)

Ensure the protection of the rights of shareholders, including the rights of foreign shareholders and ensure the implementation of commitments with investors.
2. Transparency
Requires the existence of an open, timely, clear, and comparable information pertaining to the financial, management, and ownership of the company.
3. Accountability (Accountability)
Describe the roles and responsibilities and support the effort to ensure balancing the interests of management and the Shareholders, as supervised by the Board of Commissioners (in two tiers system).
4. Responsibility (Responsibility)
Ensure compliance with rules and regulations that apply as a reflection of the compliance of social values. (FCGI, 2006)
SOEs add one more principle that is:
5. Independency (Independence)
Ensure no interference outside the company's environment against the decisions taken company.

The essence of corporate governance is a mechanism aimed at improving company performance through supervision or monitoring of management performance and accountability of management to other stakeholders, based on the applicable rules and regulatory framework. The expected form of mechanism by applying good corporare governance is to control agency costs. Dennis and McConnell (2003) distinguish good corporate governance mechanisms into two parts: internal and external. Internal mechanisms are carried out by boards of directors, boards of commissioners, audit committees and ownership structures, whereas external mechanisms are more to the effect of the market for control of the enterprise and the prevailing legal system. This study focuses on internal mechanisms as part of the mechanism. The internal mechanisms in this study consist of board size, ownership structure, audit committee size, and board composition.

2.2 Board Meeting

According to KNKG (2006), the Board of Commissioners is a corporate organ and is collectively responsible for supervising and advising the Board of Directors and ensuring that the Company implements Good Corporate Governance. One way to carry out the task is to have meetings with the board of commissioners. Increased meetings / meetings of the board of commissioners indicate that oversight of management is high, this is because in board of commissioners meeting will discuss the performance of the board of directors. In the GCG implementation guidelines, the company is required to provide reports on the number of meetings conducted by the Board of Commissioners and the attendance of each member of the Board of Commissioners in the meeting. In the Regulation of the Financial Services Authority No.33 / POJK.04 / 214 it is stipulated that the board of commissioners shall hold the most debtor meeting once in 2 months provided that it is attended by a majority of all members of the board of commissioners.

2.3 Company performance

Company performance is the work of a group of people within an organization or company, in accordance with the authority and responsibility of each company in the effort to achieve company goals, legally, not violate the law and not contrary to the moral and ethics

2.4 Board Meeting and Corporate Performance

Can a large number of board meetings improve control for the company and thus improve the performance of the company? In a family company in Europe there is a positive relationship between the

number of board meetings and company performance (Ramos and Olala, 2011). When the board of commissioners meet more often, they will improve the company's performance and perform their duties so that it is in line with the interests of shareholders. If the board of commissioners meet more frequently, they will discuss the issues that are becoming the focus of the company and monitor management more effectively. Therefore, the performance of the board of commissioners will be better with better coordination and in harmony with the interests of shareholders (Lipton and Lorsch, 1992).
H1: There is a positive relationship between the board of commissioners meeting and the company's performance

3. Research Methods

3.1 Population and Sample

Population is a collection of people, events or something interesting and can be used researchers in conducting research (Sekaran, 2006). The population used in this study is a company that entered the Jakarta Islamic Index (JII) during the year 2006-2016. JII is one of the stock indices in Indonesia that calculates the average stock price index for the types of stocks that meet the criteria of sharia. By using the criteria of sharia, the companies in this index are considered to have a more adequate corporate governance structure because there are several additional criteria that are established.

The sample is part of the population that is expected to be able to draw conclusions (Sekaran, 2006). The sampling technique is the process of selecting a number of elements from the population to be sampled (now, 2006). The sample selection in this research was done randomly using purposive sampling method toward company in JII. Purposive sampling method is a sampling method based on certain criteria, which aims to provide the required information (Sekaran, 2006). The sample selection criteria in the study is as follows.

1. Companies entered in the list of JII in 2006-2016 (272)
2. The Company has information on the data required in the study (175)

3.2 Types and Data Sources

In general, the research data consists of primary data and secondary data. Primary data is data obtained directly from respondents. Secondary data is data obtained indirectly from respondent (Sekaran, 2006). The data in this study is secondary data taken from the annual report (annual report) on companies that entered at the Jakarta Islamic Index in 2006-2016. Data is obtained by collecting all annual reports required from the Indonesia Stock Exchange through the website of www.idx.co.id and on the company website.

3.3 Research Variables and Operational Definition

3.3.1 Board Meeting

Board Meeting is the number of meetings / meetings conducted by the board of commissioners to carry out the control function on management. This variable is measured by the number of meetings held by the board of commissioners. This data is derived from the disclosure the company does in its annual report.

3.3.2 Company performance

In this study the company's performance is measured by using accounting prgg that is with mneggunakan Return on Assets (ROA). The ratio is to assess the company's ability to generate profits.

3.3.3 Control Variables

Control variables in this study are company size, sales growth, leverage and age of the company. Company size is measured using total assets. Sales growth is measured by (Sales t - Sales t-1) / Sales t-1. Leverage is measured using the percentage of liabilities and equity. Then the age of the company used in this study is the establishment of the company until the year carried out research (2017).

4. Data Analysis

The purpose of the analysis is to place the data, test the data, and test the hypothesis (now, 2006). Data analysis in this study include descriptive statistical test, and hypothesis test using multiple regression analysis. The statistic tool used to test the hypothesis in this research is to use Eviews.

4.1 Results

Table 1.
Descriptive Statistics

	ROA	MEETING_KOM	SIZE__LN_ASSET_	SALES_GROWTH	LEV	FIRM_AGE
Mean	0.135173	8.382857	30.49012	0.125765	0.966381	50.63429
Median	0.115649	5.000000	30.54891	0.096044	0.722784	38.00000
Maximum	0.596921	30.00000	33.40495	2.176004	6.741184	160.0000
Minimum	0.000856	2.000000	21.75980	-0.278034	0.063594	7.000000
Std. Dev.	0.113845	6.859572	1.575629	0.246525	0.823441	39.20962
Skewness	1.689220	1.532891	-2.556310	3.621227	2.709568	1.765395
Kurtosis	6.024858	4.478269	14.63033	29.28732	16.39187	5.090635
Jarque-Bera	149.9431	84.46881	1176.900	5421.182	1521.838	122.7714
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	23.65529	1467.000	5335.771	22.00879	169.1166	8861.000
Sum Sq. Dev.	2.255143	8187.349	431.9734	10.57482	117.9816	267506.6
Observations	175	175	175	175	175	175

4.2 Descriptive Statistic

The board of commissioner meeting variables have a minimum value of 2, maximum 30 and with an average of 8.38. This indicates the existence of a very long range and still few meetings held by the board of commissioners While the variable Return on Assets minimum is 0.0008, maximum 0,597 and average 0,135.

4.3 F Test (Model Eligibility)

Model affirmation test or model feasibility test is the preliminary step to identify the estimated or inappropriate feasible regression model.

Table 2.
Uji Hipotesis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.411231	0.870878	2.768736	0.0065
MEETING_KOM	0.001849	0.001381	1.339162	0.1830
SIZE__LN_ASSET_	-0.088606	0.036732	-2.412225	0.0174
SALES_GROWTH	0.101186	0.017332	5.838141	0.0000
LEV	-0.010310	0.009351	-1.102606	0.2724
FIRM_AGE	0.008044	0.006645	1.210555	0.2284
R-squared	0.809309	Mean dependent var		0.135173
Adjusted R-squared	0.725783	S.D. dependent var		0.113845
S.E. of regression	0.059616	Akaike info criterion		-2.553653
Sum squared resid	0.430036	Schwarz criterion		-1.577091
Log likelihood	277.4447	Hannan-Quinn criter.		-2.157532
F-statistic	9.689325	Durbin-Watson stat		2.121457
Prob(F-statistic)	0.000000			

In table 2, the result of simultaneous testing of Test F significant at 0.00, so it can be concluded that the variable board meeting, company size, sales growth, age of the company and leverage simultaneously have an influence on company performance.

4.4 Test t (Regression Coefficient Test)

Based on Table 2. Variable board meeting shows a significance value of 0.18. Because the value of significance greater than 0.05 then show the variable board meeting does not affect the company performance. In addition the test coefficient of determination can be seen from the value of Adjusted R-squared is equal to 72.5%. This value indicates that 72.5% variation of company performance can be explained by the board meeting of 72.5%.

5. Discussion

From the results of hypothesis testing showed that the hypothesis in the study rejected. Board meeting has no effect on company performance. This supports the research of Bhatt and Bhattacharya (2015) which shows that the board of commissioners' meeting has no effect on the performance of the company. This is because it leads more to the presence of the board of commissioners at the scheduled meeting. This is because the effective meeting occurs when attended by most of the board of commissioners. Furthermore, Lipton and Lorsch (1992) argue that the limited time that the denominators have for running meetings is unlikely to be enough to discuss substantial issues within the company. Jensen (1993) also revealed that the board of commissioners is relatively inactive under normal company conditions and is required to become active if management is in trouble.

In addition, based on the results of descriptive statistics indicate that board of commissioners meeting on the sample of this study still shows an average of 8.39. This shows that many companies still do not meet the requirements of the OJK to hold monthly board meetings and meetings with directors. In addition there are companies that only meet 2 times and at most 30 times. It may be that the hypotheses in this study may not be supported.

6. Conclusions and Recommendations

The conclusion of this research is board meeting has no effect on company performance. This indicates that the number of meetings held by the board of commissioners has no effect on the performance of the company. The results of this study do not support the research of Arora and Sharma (2016) which found that board of commissioners meeting affect the company performance. The results of this study also indicate that the lack of board of commissioners meeting conducted in companies in Indonesia. It is also presumed that the board of commissioners may hold the board of commissioners' positions at several companies or other occupations. Therefore, the board of commissioners has a limited time to perform the monitoring function at the company.

Limitations in this study is the interpretation does not consider the type of industry and the ability of each industry in the performance of the company. This can lead to a selection bias due to some industries that have profitability that is significantly different from other industries. There are also many factors that affect the performance of the company from the side of the board structure or company performance. Therefore, subsequent research data using other variables such as audit committee, remuneration and other committees in the board of commissioners. It also can see other aspects such as requirements board of commissioners, age in memprediaksi company performance.

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