

# The Effect Of Board Of Commissioners Ethnic, Family

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## The Effect Of Board Of Commissioners Ethnic, Family Ownership And The Age Of The Company Towards The Performance Of The Company LQ45 Company Listed In Indonesia Stock Exchange

AJRI



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### Abstract

*This study aims to examine how the ethnic influence of the board of commissioners (Chinese) on company performance, family ownership of company performance and company age on company performance. And the effect of all independent variables on dependent. The population of this study is the LQ45 company listed on the Indonesia Stock Exchange from 2013-2017. The sampling technique in this study is Purposive Sampling. Based on observations from 2013-2017 the samples in this study were 23 companies from the LQ45 company. This study uses panel data and the method used is the Hausman Test using Random Effect Model.*

*The results of this study indicate that the Ethnic Board of Commissioners and family ownership do not affect the Company Performance while the Company Age has a positive effect on Company Performance. Taken together, it turns out that Ethnic Board of Commissioners, Family and Company Ownership have a negative influence on the Company's Performance in LQ45 Companies that are listed on the Indonesia Stock Exchange in 2013-2017. Finally, the authors suggest that the performance of the company increases the company must increase the Age of the Company by continuing to carry out or run company activities so that they have more experience and the authors also suggest that further research add variable size companies to get better research results.*

*Keywords: Ethnic Board of Commissioners, Family ownership, Company Age and Company Performance*

## 1. INTRODUCTION

Company progress is determined by how the company's performance is able to maximize the profitability of the company. The company's performance increases from time to time, meaning the company can be said to be good or advanced. Company performance is a company's achievement that results from processes originating from the company's operational activities, namely the work that has been done in a certain period in accordance with the standards that have been applied, (Amadhani & Pustikaningsih, 2017). Savira and Rohman (2016), Financial performance (Company Performance) is a picture of the overall financial condition of a company in a certain period concerning aspects of funding, measured by indicators of capital adequacy, liquidity, and profitability. The company's performance in utilizing assets to generate profits can be seen from the financial statements presented by management. Management will show the best performance of the company through financial statements that contain financial information and will later be useful for information users for economic and business decision making. Investors are more directed towards stable company shares compared to companies with high profit fluctuations.

Since the monetary crisis that occurred in Asian countries in the late 1990s, there was an idea to improve the corporate governance framework at the national and regional level. Jiang and Kim (2015), argued that in Corporate Governance Theory, the structure of the board has a strong influence on the actions taken by the board and top management which can ultimately affect the company's performance. Company performance is a measure of the level of management's success in managing the company's financial resources, especially in managing investments as an effort to create value for shareholders, (Sari & Usman, 2014). Company performance can be measured by profitability to the company's equity ratio. The following is profitability data to equity ratio per period for 10 LQ45 companies listed on Bursa Efek Indonesia (BEI) :

Table. 1  
LQ 45 Company Performance

Kode perusahaan	ROE (RETURN ON EQUITY)				
	2013	2014	2015	2016	2017
AALI	18,55	22,16	5,95	12,02	6,10
ADRO	7,18	5,62	4,50	9,00	2,88
AKRA	11,48	13,26	14,53	12,97	7,94
ASII	21,00	18,39	12,34	13,89	15,00
BBCA	22,29	21,19	20,12	18,30	17,75
BBNI	19,00	17,75	11,65	12,78	13,65
BMRI	21,21	19,70	17,70	9,55	12,61
BSDE	21,66	21,63	10,64	5,56	17,70
GGRM	14,90	16,24	16,98	12,23	18,38
ICBP	16,85	16,83	17,84	16,56	17,43

Source: [WWW.idx.co.id](http://WWW.idx.co.id)

Based on the table above we can see that the performance of the LQ45 company sample above that the company performance in the LQ45 company from 2013-2017 is unstable or fluctuating. An example is seen from companies with the company code AKRA in 2013 its ROE was 11.48 and in 2015 it increased by 14.53 and in 2017 it decreased by 7.94. And there are many more companies whose company performance has fluctuated. Based on the

performance condition of the LQ45 company above, the researcher wants to find out the factors that cause the LQ45 company's performance that has fluctuated. This study tries to measure the performance of the LQ45 company by making the ethnic board of commissioners, family ownership and company age the dominant factors that influence it.

Based on the phenomenon of the problem above, it can be formulated the problem of this study is whether the ethnic board of commissioners, family ownership and age of the company can affect the performance of LQ45 companies listed on the Bursa Efek Indonesia (BEI) throughout 2013 until 2017.

## 2. THEORETICAL BASIS

### Company performance

Company performance is a complete view of the state of the company for a certain period of time and is a result or achievement that is influenced by the company's operational activities in utilizing the resources owned, (Helfert, 2003). Company performance shows the achievements of company employees in achieving company goals optimally. Company performance is the ability of employees to carry out the company's operational activities in achieving targets, standards and performance that have been set. Performance is an important thing that must be achieved by every company everywhere, because performance is a reflection of the company's ability to allocate resources (Aini & Nur, 2013). Company performance is a measure of the success of managers in running a company. This information is very useful for interested parties in the company such as the government, the public, creditors and shareholders.

### Ethnic Board of Commissioners

According to Aulia, Budi, and SEI (2017), the board of commissioners is the organ of the company that is tasked with conducting general and / or specific supervision in accordance with the articles of association and providing advice to directors. Rørbæk and Knudsen (2017), Ethnicity is defined as groups with shared beliefs in shared descent which can be distinguished by descriptive differences such as language, race, religion, or place of origin. According to international meetings about the challenges in measuring the ethnic world, "ethnicity is a fundamental factor in human life. This is a symptom contained in human experience although this definition is often easily altered by others such as anthropologists Fredrik Barth and Eric Wolf, considering ethnicity as a result of interaction, and not the intrinsic nature of a group.

### Family Ownership

According to La Porta, Lopez-de-Silanes, and Shleifer (1999) family ownership is the ownership of individuals and ownership of private companies (above 5%) that are not public, state, or financial institutions. Thus family ownership is not limited to companies that place their family members in CEO, commissioner or other management positions. Companies with family ownership constitute the majority of types of companies in Indonesia. This company is generally owned in majority by certain families or the ownership of shares is concentrated in certain families, (Job, 2008).

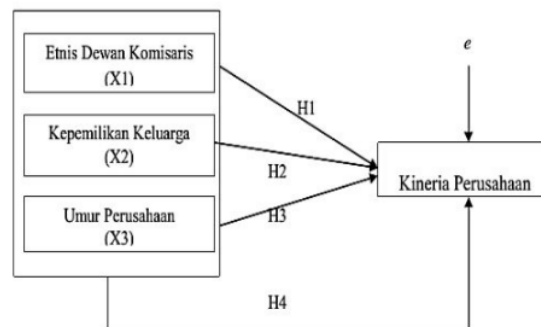
A company can be said to be family owned if the family is a controlling shareholder, or has a share of at least 20% of voting rights and is the highest shareholder compared to other shareholders (Hazrin et al., 2013).

#### Company Age

According to Syafi'i (2013), the age of a company is how long a company is able to survive, compete, and take business opportunities that exist in the economy. The age of the company is very influential on whether or not the company also affects the capital structure, especially related to the ability to get a loan. Older companies are more likely to get loans because they have been operating or operating for longer guarantees and have a higher level of trust. The assets pledged can be in the form of tangible fixed assets and other assets such as trade receivables and inventories.

Untari and Wahyuati (2014), the age of the company is also a factor that influences the company's performance in expressing its social responsibilities. The age of the company can show the ability to overcome difficulties and obstacles that can threaten the life of the company and show the ability of the company to take the opportunity in its environment to develop the business. Besides that the age of the company shows the ability in competence excellence.

Based on the description and theoretical study, the conceptual framework of this research can be presented :



### 3. METODE

#### Population and sample

The population in this study were all LQ45 companies listed on the Indonesia Stock Exchange in the period 2013-2017. The choice of a five-year time span aims to focus on the research only so that the results obtained will be maximal. The sample used in this study is LQ45 companies listed on the Indonesia Stock Exchange. The sampling technique in this study is purposive sampling meaning that the sample is chosen based on subjective considerations.

Where the requirements made as criteria must be met as a sample. As for the criteria for sample selection are as follows:

1. LQ45 group of companies listed on the Indonesia stock exchange.
2. LQ45 companies that survive in LQ45 companies from 2013-2017
3. The financial statements contain all data on ownership structure, total assets, ROA, ROE and company history.

From the sampling criteria after being reduced by the number of existing population, we get the number of samples that have met the criteria, as follows:

Table 2.  
Sample Selection Process

No	Keterangan	Jumlah
1	Perusahaan LQ45 yang terdaftar di bursa efek Indonesia	45
2	Perusahaan yang tidak menetap pada perusahaan LQ45 dari tahun 2013-2017	(22)
3	Jumlah sampel perusahaan yang memenuhi kriteria	23

The operational and measurement of research variables

Performance of the company is the achievement of company work, (Fachrudin, 2011). The measuring instrument used is ROE (return on equity) with the formula:

$$ROE = \frac{\text{laba bersih}}{\text{total modal}}$$

Ethnicity is the backdrop of a person's origin with different characteristics and behavioural patterns. In the study, (Suhardjanto & Permatasari, 2010) Ethnic benchmark of the Board of Commissioners are :

$$\text{Etnis dewan komisaris} = \frac{\text{dewan komisaris keturunan Tionghoa}}{\text{jumlah Dewan Komisaris}}$$

According to Harijono (2013), the search for family ownership is done by looking at the name of the Board of Directors and Board of Commissioners. If the name of the Board of directors and the Board of Commissioners tend to be equal in a few years and have a stake in the ownership of the company, it could be included in family ownership. With the formula as follows:

$$\text{kepemilikan keluarga} = \frac{\text{jumlah saham pihak keluarga}}{\text{total saham beredar}}$$

Variable age companies are calculated starting from the listed company (listings) in the Indonesia Stock Exchange until the research is conducted. The company's age calculation is done by using formula:

$$\text{umur perusahaan} = \text{tahun ke } - n - (\text{tahun first issue di BEI})$$

#### DATA ANALYSIS TECHNIQUES

Data analysis techniques using the Panel data regression analysis with the Eviews 9 tool. Where the testing phase begins with the selection of feasibility model through the test Chow

test, Hausman Test and test LM (leverage multiple). Afterwards followed by the classic assumption Test and a new research hypothesis test through the chosen eligibility model.

#### 4. RESULT

Based on the selection of Model Y has been done, the model that should be used is a Random Effect model. Then before the model selection, the data was declared to have escaped the classic assumption Test, so that the estimation results are consistent and unusual. The result of the model data regression panel estimation as follows:

Table 3  
Random Effect Model Estimation Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	35.56592	7.390950	4.812090	0.0000
ETNIS	-8.089797	14.66037	-0.551814	0.5822
KEPEMILIKAN_KEL				
UARGA	0.051543	6.718452	0.007672	0.9939
UMUR	-0.836266	0.345765	-2.418600	0.0173

Source: Data Processing result Panel 2019.

Based on the model estimation selected, the equation obtained the model of data regression panel as follows:

$$ROE_{it} = 35,565 - 8,089 ETNIS_{it} + 0,051 KEPEMILIKAN KELUARGA_{it} - 0,836 UMUR$$

##### 1. Ethnic influence of the Board of Commissioners to company performance

The results of the analysis showed that the ethnic Board of Commissioners had a regression coefficient value of -8.089 and T-statistic of -0.551 with a probability value of 0.5822 > 0.05 then it could be concluded that the ethnic variable of the Board of Commissioners in Parsia L has no effect on the company's performance in the LQ45 company listed on the Indonesia Stock Exchange in 2013-2017. Until  $H_0$  was accepted and  $H_a$  was rejected.

The results of this study were not in line with the research results of Yulianti (2018), which concluded there was a negative influence of ethnic Chinese to the company's performance in a conventional bank company registered at IDX in 2014-2016. Further research (Ramadhani & Pustikaningsih, 2017) results of his research showing the existence of the Foreign Board of Commissioners has a significant influence on the company's performance.

##### 2. Influence of family ownership on company performance

The results of the analysis show that family ownership has a regression coefficient value of 0.0515 and T Statistica of 0.0076 with a probability value of 0.993 > 0.05 It can be concluded that the family ownership variable is partially significant It has significant effect on the company's performance in the LQ45 company listed on the Indonesia Stock Exchange in 2013-2017. Until  $H_0$  was accepted and  $H_a$  was rejected.

The results of this study differ from the research (Kausari, 2014) The results of his research mention that the family ownership is positively influential, significant to the company's performance as measured by ROA and ROE. Furthermore, the results of the research of Arahap and Wardhani (2012) that the results of the study stated that the family ownership has a positive effect on the account performance.

### 3. Company's age impact on company performance

The results of the analysis show that the examination age has a regression coefficient value of -0.8362 and T statistic of -2.4186 with a probability value of 0.017 < 0.05 so that it can be concluded that the company's age variable in P The partial effect positively on the company's performance in LQ45 companies listed on the Indonesia Stock Exchange in the year 2013-2017. So  $H_0$  was rejected and  $H_a$  accepted.

This research is in line with the research findings of Apriliani and DEWAYANTO (2017) which mentions that there is a positive influence between the company's age with the company's performance. Similarly, the results of Putra and Chabachib's Research (2013), which concluded that the company's age was positively influential, but not significant to the company's financial performance (ROE).

## 5. CONCLUSION

The test results of the hypothesis of the research concluded: that the ethnic board of Commissioners is partially negative and insignificant to the company's performance in the LQ45 company. While the family ownership has been partially negatively influential and insignificant to the company's performance in the LQ45 company and the company's age was partially influential positively and significantly towards the company's performance in the company LQ45 y Listed on the Indonesia Stock Exchange in 2013-2017.

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