Research article

The Influence of Good Corporate Governance on Financial Stability

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Abstract.
This study investigated the influence of good corporate governance, in terms of the size of the board of commissioners, the size of the board of directors, and the firm size, on corporate financial stability using total assets. The sample of this study consisted of 11 companies listed in the Jakarta Islamic Index in 2016-2018. The samples were selected using purposive sampling with a period of three years. Multiple linear regression was used for data analysis. The findings showed that the size of the board of commissioners and the size of the firm did not significantly influence corporate financial stability (p > 0.05). However, the size of the board of directors did have a significant influence on financial stability (p = 0.03). It was found that the size of the firm, board of commissioners and board of directors contributed to 7.5% of the change in total assets, while the remaining 92.5% was due to other variables not studied in this research.

Keywords: good corporate governance, board of commissioners, board of directors, firm size, change in total assets

1. Introduction

Current development increases business competitiveness. Companies compete in innovating and creating a competitive strategy to avoid losing and prevent bankruptcy. The most common strategy used by the company to avoid bankruptcy is by improving corporate governance. According to [1], GCG (Good Corporate Governance) is needed by a company to encourage an efficient and transparent market that is consistent with statutory regulations. Good Corporate Governance is expected to attract investors to invest their shares in the company. Good governance in a company will foster welfare of stakeholders and employees who are directly involved in the company. This is intended to create a profitable company. Hence, the company will get added value from high profits.

However, the application of Good Corporate Governance in Indonesia is weak. This is congruent with [2] that the survey results from ACGA (Asian Corporate Governance Association) showed that Indonesia is at the lowest rank after China and Korea.
corporate governance problems were caused by the economic crisis in some countries in Asia, including Indonesia.

The economic crisis in Indonesia disclosed various cases regarding the manipulation of the financial statements in companies. According to Bordiono in [3], there are several manipulations of financial statements in Indonesia, such as PT. Lippo Tbk and PT Kereta Api Indonesia Tbk. This supports research conducted by Chehaat et al. in [4] that the GCG in a company requires transparency. This is because transparency greatly influences the company’s performance. Therefore, a company establishing GCG and transparency will prevent fraud in its financial statements.

The cause of the poor GCG in a company is usually due to a lack of understanding on how to carry out GCG practices in business activities and a lack of understanding of the value obtained by the company. According to [3], due to poor corporate governance, some companies experience losses and bankruptcy. It is usually caused by poor relations between stakeholders and investors, inefficient financial reporting, and weak law enforcement in a company. Good governance in a company will lead to more effective and efficient financial performance.

In developing countries like Indonesia, there are two government mechanisms of external government and internal government. In the case of ineffective external government and lack of legal protection for investors, the mechanism used in the company is an internal governance mechanism to reduce problems among stakeholders [5].

Financial performance is an indicator of the financial condition of a company. It describes the company's achievements in a certain period. Therefore, the measurement of GCG in this study used the internal governance mechanism of the board of commissioners, the board of directors, and the firm size. This is in line with Zulfikar's research in [6] that the financial performance of a company is influenced by the policies taken by the directors and the supervision carried out by the board of commissioners.

The board of commissioners is responsible as a supervisor and advisor in the company. The board of directors is responsible for running the operations and management of the company to achieve the goals of the company, which is profit. In addition, the firm size is important in the company, that is, the management department. Firm size also describes the size of the assets owned by the company such as capital and the rights and obligations of the company.

The stability of corporate financial performance is crucial as the instability will disrupt financial intermediation within the company. Corporate financial stability is a state in the economic mechanism that includes pricing, allocating, and managing financial risks to function properly supporting the company’s economic growth. In a company, one of
the important aspects in examining a company's performance is through a company's financial statements, which is called financial performance. The financial statements in the company contain the company's performance such as revenues, costs, and profits, or in a certain period. The stability of financial performance can be seen from its volatility. In companies, financial instability is caused by, among others, external and external sources including credit, liquidity, market, and operational risks [7].

Therefore, financial system instability will endanger and hinder economic activities within the company and lead to a crisis or lack of funds. In this case, the company will need a fairly distributed cost to save the company from losses due to financial system instability. Thus, financial instability in the company will have an impact on investor confidence. The instability of the company's financial system can make investors withdraw their funds and cause liquidity problems in the company.

This study investigated the influence of GCG in terms of the size of the board of commissioners, the board of directors, and the firm size. GCG will improve financial performance to be more effective and efficient. In addition, GCG can also lead to better decision-making within the company. Financial stability in a company can also increase investor confidence to invest their shares, thus, the company will increase its liquidity. Referring to the introduction, this study explored the influence of GCG (Good Corporate Governance) on corporate financial stability.

1.1. GCG (Good Corporate Governance)

According to [2], good corporate governance is a governance system in decision-making used to control and regulate the company. GCG in a company aims to manage risk in the interests of stakeholders as well as to earn profits. Therefore, GCG can encourage transparent, clean, and professional corporate management. Thus, GCG will attract investors to invest in their shares.

According to Arguden in [4], there are six main concepts in corporate governance, including consistency, responsibility, accountability, fairness, transparency, and effectiveness. According to [8], corporate governance describes the relationship among all parties in determining the direction and performance of the company. Good corporate governance provides benefits such as good performance, meeting compliance, managing risks, and good relationships. The basic principles of corporate governance are:

1. Responsibility, describes that the company is responsible for the rights of all stakeholders as determined by the law and also responsible for improving performance
between the company and stakeholders to achieve a profitable and sustainable business [9]. The responsibility relates to the importance of good cooperation between the company and its stakeholders in the long term between the company and stakeholders.

2. Accountability, refers to the company's explanations and support to decisions and actions made by management to stakeholders [10]. Accountability explains that a company must provide extensive information to all stakeholders about all decisions made by management.

3. Fairness, the company will make fair decisions for shareholders in the form of other stakeholders such as resource providers [11]. Fairness means that stakeholders must be fair to shareholders, suppliers and consumers when conducting company business.

4. Transparency means that the company must also be transparent to stakeholders in the process of providing information promptly, including the processes implemented by the company and all activities carried out in the company [12]. Transparency is very important for all companies since it can influence corporate performance. The company must also be transparent to stakeholders regarding operational information and all activities that the company conducts within the specified period.

Good corporate governance is based on a regulatory mechanism. Good procedures and relationships with all existing and related parties in a company to properly perform their respective duties. There are three important elements of the corporate governance mechanism. The first is a company structure in the form of an organizational structure. The structure is included in the mechanism because changes in the company structure will influence existing financial performance. The second is in the form of systems run within the company and processes carried out by the company. Systems and processes become mechanisms because a company must have a good system and a good process. In addition, the company's systems and processes must be transparent during implementation. The third is the process of entering the mechanism because it can be used to control and guide the operation of the company so that it can proceed smoothly as expected.

In developing countries, including Indonesia, there are two government mechanisms of external and internal government. When the efficiency of the external government is low and the legal protection of investors is weak, the mechanism adopted by the
company is an internal governance mechanism to reduce conflicts among stakeholders [5].

According to [14], agency theory is a relationship between the principal and the agent where the principal gives authority to the agent in making decisions for the interest of the principal. The agent performs services on behalf of the principal and for the benefit of the principal. It can be said that the principal has the same goal as the agent, so the agent will always support and do whatever is ordered by the principal. Actions taken by an agent will get a reward. Such a relationship is called a contract. In agency theory, an agent is seen as a party who wants to maximize itself to fulfill the contract. However, in the agency, conflicts arise due to conflict of interests between the principal and the agent as both principal and the agent want the advantages.

In this case, Corporate governance also has a corporate governance structure that is divided into two. The first is the company's external control consisting of interested parties outside the company such as the money market, capital market, regulators, and so on. The second is internal control which is also the focus of this study consisting of the board of commissioners and the board of directors [13].

1.2. Board of Commissioners

According to the Law of the Republic of Indonesia. No. 40 of 2007 concerning Limited Liability Company, Article 108 Paragraph (5), a company in the form of a limited liability company is required to have at least two members of the board of commissioners. The number of members of the board of commissioners is adjusted to the complexity of the company without compromising effectiveness in making appropriate decisions within the company. This is in line with Sembiring's opinion in [13], that the greater the number of commissioners, the easier it is to control the CEO (Chief Executives Officer) and the more effective it is to monitor the management.

Thus, it can be concluded that a wage on the structure of the board of commissioners can influence the financial performance of the company. In addition, the board of commissioners in the company is very important because the more members of the board of commissioners, the easier it is to control the CEO. In addition, the number of commissioners can make it more effective in monitoring the management activities in the company.

According to the National Committee of Policy Governance [13], the board of commissioners is a mechanism in corporate governance in the highest internal control that is responsible for monitoring and providing input to the board of directors, as
well as ensuring that the company has implemented GCG appropriately. Thus, it can be concluded that the board of commissioners serves as a guarantor of the company strategy implementation in order to carry out its work according to the company’s goals. In addition, the supervision of directors must be responsible for assessing whether the company has fulfilled its responsibilities in managing and developing the company.

1.3. Board of Directors

The board of directors is involved in the entity of a company whose task is to carry out and manage the company [13]. Therefore, it can be concluded that the role of the board of directors is to be fully responsible for the operation and management of the company in order to safeguard its interests and enable the company to operate as expected. The board of directors has the authority to make decisions to manage resources in the company and funds from investors.

Therefore, it can be concluded that one of the important things in the organizational structure of the company is the board of directors. The board of directors is involved in performing all duties required by the company and is related to the management of the company. The number of boards of directors influences the financial performance of the company. More members of the board of directors will make it easier to run and take care of the management of the company.

1.4. Firm Size

Firm size is important in the management of a company. Firm size is determined by the size of the total assets, total sales, market capitalization, and the number of employees. If the items owned by the company are of large value, the firm size will also be large [15]. The size of the can be seen from the total assets owned, total product sales, market capitalization, the number of employees. If the firm size is large, the total assets, sales, market capitalization, and workforce are also large that these items follow the firm size.

The results of research conducted by Darmawati in [13] showed that a large company has more financial strength to support its performance. In another study conducted by Hesti and Uyun in [13], the firm size has a significant influence on corporate financial performance. From the results of previous research, it can be concluded that the firm size has an influence on corporate financial performance. This is because the firm size can describe the size of the corporate assets or finances.
It can be summarized that to see the firm size, you can look at the total assets divided by the total equity in the company’s financial statements. The firm size can be seen from the assets owned by the company. The larger the assets, the larger the firm size. The company’s assets have been included in the financial statements. Thus, it is easier for investors to choose a good company to invest their shares in.

1.5. Financial Stability

According to [16], financial statements are part of the financial reporting process. Financial statements consisting of balance sheets, income statements, cash flow statements, statements of changes in capital, and notes to financial statements that describe the company’s achievements within a certain period of time. Corporate financial statements are said to be good when they are stable. A financial sector can be said to be stable if there is no excessive volatility in a company and there is no measure to see excessive volatility. However, a company usually looks at excessive volatility by observing volatility moves that are very far from the established average trend. Financial stability consists of financial institutions, financial markets, and financial infrastructure that is able to withstand stress, so as not to interfere with financial intermediaries [17].

Financial system stability in a company is influenced by several factors such as external factors (international) and internal factors (domestic). In the financial system, several risks often emerge including credit risk, liquidity risk, market risk, and operational risk [18].

1. Credit risk here occurs when the debtor fails to fulfill his obligations in paying the principal or interest payment that has been agreed upon by both parties. Credit risk is the main risk.

2. Liquidity risk is the company’s inability to pay the debtor’s requested funds in a short period of time.

3. Market risk is a loss on the balance sheet caused by changes in interest rates, foreign exchange rates, stocks, and commodities.

4. Operational risk is a risk that cannot be carried out normally due to natural disasters, one example is a fire that burns all important company data.

These risks occur due to management failure of the lack of liquidity. Therefore, the company cannot fulfill its financial obligations at the specified time. Another thing that
causes these risks is errors, one of which is in the internal control structure or problems in the company’s management information system.

1.6. JII (Jakarta Islamic Index)

JII (Jakarta Islamic Index) is calculated using the stock average with the criteria that the shares meet sharia principles in Indonesia. Since the JII was developed in 2000, there has been the formation of sharia instruments that can support the establishment of a sharia capital market, which was then launched in Jakarta in 2003. JII was formed as a result of cooperation between the Indonesian capital markets with PT. Danareksa Investment Management. However, the Islamic capital market in Indonesia still imitates the Islamic capital market in Malaysia, that is, by combining conventional exchanges. The shares that are included in the JII in Indonesia are 30 shares, meeting the predetermined sharia criteria [18].

2. method

This research used a descriptive quantitative approach. The type of this research is evaluation research. The population of this study was 30 companies registered in JII (Jakarta Islamic Index) that have met the specified sharia criteria. This study took samples from 2016 to 2018 using variables on the board of commissioners, board of directors, and firm size. The sampling in this study was not listed in 2016-2018, as well as the selection of companies that presented financial statements in rupiah. The sampling technique in this study used a purposive sampling. The selection of samples used certain targets or considerations [19].

The source of data used in this research was secondary data. The data was collected by other people and has been documented. The data source in this study is in the form of an annual report of all companies listed on the JII (Jakarta Islamic Index) from 2016 to 2018. The data analysis method used in this study is multiple linear regression by performing descriptive statistical tests and classical assumption tests to see the influence of GCG in terms of the board of commissioners, board of directors, and firm size on the corporate financial stability with changes in total assets. The analytical model used in this study are:

\[ \text{ACHANGE} = \alpha + \beta_1 \text{BCOM} + \beta_2 \text{BDIR} + \beta_3 \text{FSIZE} + \epsilon \]

Description:
\text{ACHANGE} = \text{Change in Total Assets}
This study explains that good corporate governance can improve effective and efficient financial performance, thus creating better decision-making in the company. Effective and efficient financial performance is seen from the financial stability of a company. This is because financial stability in the company will increase investor confidence in investing their shares that increase the company’s liquidity. Therefore, the company will get a bigger profit. Hence, based on the description, the hypotheses formulated in this study are:

- **H<sub>1</sub>**: The size of the board of commissioners influences corporate financial stability.
- **H<sub>2</sub>**: The size of the board of directors influences corporate financial stability.
- **H<sub>3</sub>**: The firm size influences corporate financial stability.

### 3. Results and Discussion

#### 3.1. Result

Samples were taken from companies registered at JII (Jakarta Islamic Index) for three years, from 2016 to 2018. In this study, researchers took 11 companies with 33 samples for three years. Companies listed on JII were 30 companies. However, only 11 companies were taken, the rest were eliminated because the sampling in this study was not listed in 2016-2018 and the selection of companies that presented financial statements in rupiah. There were 19 companies eliminated. Table 1 presents descriptive statistics in this research model.

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCOM</td>
<td>33</td>
<td>3.00</td>
<td>12.00</td>
<td>6.4545</td>
<td>2.26510</td>
</tr>
<tr>
<td>BDIR</td>
<td>33</td>
<td>5.00</td>
<td>11.00</td>
<td>7.8182</td>
<td>1.64800</td>
</tr>
<tr>
<td>FSIZE</td>
<td>33</td>
<td>.00</td>
<td>1.00</td>
<td>.4697</td>
<td>.21015</td>
</tr>
<tr>
<td>ACHANGE</td>
<td>33</td>
<td>-.11</td>
<td>.59</td>
<td>.1448</td>
<td>.16213</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 1 explains the results of the descriptive statistics employing SPSS as follows:

1. The descriptive test on the variable of the size of the board of commissioners shows an average value of 6.4545 which indicates that the company is supervised by the board of commissioners of more than six people. Thus, it can be concluded that the company has an adequate board of commissioners in providing oversight to the board of directors in achieving the desired company performance.

2. Results of the variable of the size of the board of directors show an average value of 7.8182, which indicates that the company is supervised by the board of directors consisting of more than seven people. Therefore, the company has a sufficient board of directors to defend its interests in conducting business and management, so that it can be managed following the company’s expectations.

3. The descriptive test on the firm size variable explains that the minimum value is 0.00 and is added to the maximum value of 1.00 then divided by 2, the result is 0.5. From these calculations, the average value of the variable of the firm size is smaller than the median value (0.4 < 0.5). This shows that the small firm size of total assets owned by companies.

3.1.1. Classical Assumption Test

Table 2 delineates the result of the normality test, which is 0.320. This shows that the residual in multiple regression analysis has a normal distribution since it is more than 0.05.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Profitability</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residual</td>
<td>0.320</td>
<td>Normal</td>
</tr>
</tbody>
</table>

Source: Secondary Data, 2019

The multicollinearity test described in Table 3 shows that all the independent variables in this study have no multicollinearity. It can be seen in the table that the tolerance value is greater than 0.1 and the VIP is less than 10.

The autocorrelation test described in Table 4 shows the Durbin-Watson value is 0.779. This Autocorrelation Test used a significant value of 5% (0.05). Hence, it can be concluded that in this study, there is no autocorrelation, because the Durbin-Watson value is greater than the significant value of 0.05.
### 3.1.2. Multiple Linear Regression

The coefficient of determination test results described in Table 5 shows that the value of the Adjusted R2 is 0.075. The contribution of the variable to the ACHANGE variable

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**Table 3: Multicollinearity Test Results.**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Tolerance</th>
<th>VIF</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>The size of the board of commissioners</td>
<td>0.985</td>
<td>1.016</td>
<td>There is no Multicollinearity</td>
</tr>
<tr>
<td>The size of the board of directors</td>
<td>0.941</td>
<td>1.063</td>
<td>There is no Multicollinearity</td>
</tr>
<tr>
<td>Firm size</td>
<td>0.947</td>
<td>1.056</td>
<td>There is no Multicollinearity</td>
</tr>
</tbody>
</table>

Source: Secondary data in 2019

**Table 4: Autocorrelation Test Results.**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.402²</td>
<td>.161</td>
<td>.075</td>
<td>.96201359</td>
<td>.779</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), FSIZE x3), BCOM x1), BDIR x2)

b. Dependent Variable: ACHANGE

The Heteroscedasticity Test depicted in Figure 1 shows that the points spread above and below the number 0 on the Y axis. Hence, this study does not indicate the Heteroscedasticity.

![Scatterplot](source: Data processed by SPSS, 2019)

**Figure 1: Scatterplot. (Source: Data processed by SPSS, 2019).**

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3.1.2. Multiple Linear Regression

The coefficient of determination test results described in Table 5 shows that the value of the Adjusted R2 is 0.075. The contribution of the variable to the ACHANGE variable
is influenced by the BCOM, BDIR, and FSIZE variables by 0.075 (7.5%). While the rest 92.5% is influenced by other variables outside the study.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.402</td>
<td>.161</td>
<td>.075</td>
<td>96201359</td>
<td>.779</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), FSIZE(x3), BCOM(x1), BDIR(x2)

b. Dependent Variable: ACHANGE

Partial test (t-test) in Table 6 shows:

1. The value of t on the variable of the Size of the Board of Commissioners (BCOM) in this study is 0.537 with a significant p-value of 0.595. The value is greater than α, which is 0.05. Thus, it can be concluded that there is no significant relationship between BCOM and ACHANGE.

2. The value of t on the variable of the Size of the Board of Directors (BDIR) in this study is -2.261 with a significant p-value of 0.031. The significant value is smaller than α, which is 0.05. Thus, there is a significant relationship between BDIR and ACHANGE.

3. The t value of the variable of Firm Size (FSIZE) in this study is -0.081 with a significant p-value of 0.936. It shows that the value is greater than α, which is 0.05. Thus, there is no significant relationship between FSIZE and ACHANGE.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-.2120E-16</td>
<td>.167</td>
<td>-.167</td>
<td>1.000</td>
</tr>
<tr>
<td>BCOM (x1)</td>
<td>.092</td>
<td>.171</td>
<td>.092</td>
<td>5.37</td>
<td>595</td>
</tr>
<tr>
<td>BDIR(x2)</td>
<td>-.397</td>
<td>.175</td>
<td>-.397</td>
<td>2.61</td>
<td>.031</td>
</tr>
<tr>
<td>FSIZE(x3)</td>
<td>-.014</td>
<td>.175</td>
<td>-.014</td>
<td>-.081</td>
<td>936</td>
</tr>
</tbody>
</table>

a. Dependent Variable: ACHANGE(y)

The F test described in Table 7 shows the significant value of F is 0.159. It is greater than 0.05. Thus, H₀ is rejected. In other words, the size of the board of commissioners, the size of the board of directors, and the firm size simultaneously have no significant influence on changes in total assets.
TABLE 7: F test.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>5.161</td>
<td>3</td>
<td>1.720</td>
<td>1.859</td>
<td>.159</td>
</tr>
<tr>
<td>Residual</td>
<td>26.839</td>
<td>29</td>
<td>.925</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>32.000</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), FSIZE(x3), BCOM(x1), BDIR(x2)
b. Dependent Variable: ACHANGE(y)

4. Discussion

The results in this study indicate that the variable of the size of the board of commissioners has no significant influence on corporate financial stability. The more people who work in a company, the more opportunities for job specialization [20]. Each worker will focus more on the field according to his specialization and expertise. It will make increase the opportunities to have more experts with various expertises. However, in this case, increase the number of people on the board of commissioners there will be more opinions to consider. This will certainly slow down the decision-making process. This is in line with the research conducted by Yermack et al. in [2] that more personnel on the board of commissioners can have a negative impact on company performance. In this case, the increasing number of members of the board of commissioners makes it difficult for the company to create coordination among the board of commissioners.

On the other side, the existence of distribution or diversity on board members is considered to have an effect on the value of the company [21], but in this study did not trace to the background of the board of commissioners. What is their educational background, experience, and abilities. these variables may give different results to the sample in the company at other times. this means, we also need to pay attention to these various factors as material for a deeper study. Based on research results on varied group behavior will result in innovative business performance and decisions compared to homogeneous teams [21]. This is happen if the diversity is managed properly. In this description, the diverse distribution of the board is expected to have a positive influence on the company's performance which ultimately leads to financial stability. The bigger the spread on the board members can cause more conflict, however such deployment can provide an alternative solution to more diverse problems than homogeneous board members.

The results in this study indicate that the variable size of the board of directors has a significant influence on the corporate financial stability. This is congruent with the results of research from Darmawati et al. in [22] explain that the size of the board of directors...
influences corporate financial stability. [21] also have the same result that the size of the board of directors have a significant effect on the return on assets of banks. Santoso in [23] confirm that boards of directors in a company have the authority to regulate the running of the company. In another study by Wardhani in [22], the size of the board of directors increases the possibility of financial distress. Quantitative increase in the number of directors will help the company profit, especially when viewed from the resources dependency. In the other hand, the need to improve effective relations with external parties will also have an effect to the increasing need for directors. However, the large number of councils members can lead to long decision making due to difficulties in coordination. however, the amount even the slightest member doesn’t necessarily have negative impact on the company. This is due to fewer board members it will be easy and speed up decision making to make time efficient.

The results in this study indicate that the variable of the firm size has no significant influence on corporate financial stability. This confirms research conducted by [24] that company size does not influence corporate financial performance. This is due to the high market capitalization and the growth in book value, followed by an increase in profit. This is due to the large firm size, so the costs incurred by the company also increase. Therefore, the size of a company has no influence on corporate financial stability.

5. Conclusions

Based on the results of the analysis on the hypothesis formulated in this study, it can be concluded that there is no significant influence of the size of the board of commissioners on the corporate financial stability. the more members of the board of commissioners it turns out that it does not have a significant effect on financial stability. In this study, it is only limited to taking from the number of the board of commissioners, but not to see the diversity of the board, both from their background or managerial ability. On the other hand, there is a significant influence of the size of the board of directors on corporate financial stability. the larger the members of the board of directors will affect financial performance of the company. The larger the members of the board of directors will affect financial performance of the company. The size of the board of directors allows for improving the quality of the company's decisions. This is because in decision making does not only focus on one aspect. And this will result in effective decisions that will ultimately improve company’s financial performance. There is no significant influence of the firm size on corporate financial stability. Firm size does not have a significant effect
on earnings growth. In this case, companies prefer to maintain rather than increase their ability to generate profits.

From the discussion and conclusions obtained in this study, the researchers provide suggestions for further research that this study used data from JII with a period of 3 years. For further research, it is better to extend the period by more than 3 years and take samples other than companies listed in JII such as BEI, ISSI. This study examined the financial stability of the company using the variable of changes in total assets. Further research is recommended to use ROA, ROE, or so on related to the corporate financial performance. This study used three variables to measure corporate financial stability. Further research is recommended to add more variables in measuring the corporate financial stability to see which variables with more significant influence on corporate financial stability.

References


