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The Influence of Directors on Financial Performance with Independent Commissioners as a Moderating Variable

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ABSTRACT.

Researchers believe that a leader, in this case the Board of Directors, can have a significant influence on the success or failure of a company because it is a leader who plays a big role in the formation of company regulations, the direction of the company, and a leader also oversees these policies so that they can run well and in the desired path including the Financial Performance of a company. Therefore, the research aims to analyze the influence of directors on financial performance. Different from previous research, this research adds the Independent Commissioner variable as a moderating variable which researchers can strengthen the relationship between the Directors variable and Financial Performance. This variable uses 1 Independent variable, namely Directors, one Dependent variable, namely Financial Performance, and 1 moderating variable, namely Independent Commissioner. This research is quantitative with an explanatory approach. The data used in this research is primary data that researchers obtained from distributing online questionnaires to 50 directors, 150 employees and 100 commissioners of private companies spread throughout Indonesia. The results in this article show a positive relationship direction and a significant influence on the Company's Financial Performance because the results are positive and below the significance level of 0.05, namely 0.014..Apart from that, researchers also believe, which is also the second hypothesis in this research, that Independent Commissioners who uphold fundamental principles in the company can moderate the influence of Directors on Financial Performance because the Directors are their subordinates and are under their control. If directors can influence financial performance, then independent commissioners can influence it more significantly because of this structural order. Based on this, the results of the third table of path coefficients show that the Independent Commissioner variable can moderate the influence of the Directors variable on the company's financial performance because it has a positive relationship direction and is below the 0.05 significance level, namely 0.000. More significant than direct testing 0.014. Thus, the first and second hypotheses that the researcher believes can be proven and accepted. ***Keywords:** Directors, Financial performance, Independent Commisioners*

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INTRODUCTION

Improving company performance with the aim of increasing the owner's welfare or maximizing shareholder value is a common motivation for starting a business. The willingness of a person or group to carry out an activity perfectly in accordance with their obligations and the anticipated results is the etymological root of the word "performance", as stated by (Febriany, 2019). The financial results of a company are an indication of its success. Financial performance includes indicators of company success and determines the survival of a company (Tunggal, 2014). Capital adequacy, liquidity and income are benchmarks used in assessing a company's financial health over a certain period of time. Investors need information related to the company's financial performance in order to consider decisions about which capital to invest. Good financial performance can be initial capital for a company to gain investors' trust that the funds they invest will provide returns as expected.

Company performance is a measuring tool to determine company success (Martsila, 2013). Financial performance is the company's achievements in a certain time unit as outlined in the financial reports. A company as an organization definitely has a goal to achieve and the company definitely wants to fulfill the interests of all company members. The success of this achievement is usually measured by the company's financial performance. By (Rashid, 2016) financial performance analysis can be divided into accounting-based and market-based. Accounting-based financial performance is proxied by ROA, ROE. Meanwhile, market-based financial performance can be proxied by Tobin's Q and the market to book ratio. Return on Assets (ROA) and return on equity (ROE) are financial ratios based on an accounting approach by comparing net profit with assets or company equity. while Tobin's Q and market to book are market-based financial performance measurements that directly assess market capitalization. In this research, researchers will use Tobin's Q as a company financial performance variable because Tobin's Q is considered more objective than performance ratios using an accounting basis because it relates to investors directly. Tobin's Q is considered more thorough in looking at a company's financial performance because it not only looks at the fundamental side but also the market side (Hariati, 2015).

There are a number of factors that can influence the Company's Financial Performance, including the Board of Directors. The board of directors is the main component of implementing company management. According to POJK Number 33 of 2014, the board of directors is an organizational organ that has full authority and responsibility for managing the organization for the purposes of the organization itself. The Board of Directors is directly involved in ensuring the success of corporate governance and improving the company's financial performance. Based on the articles

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of association, the board of commissioners provides advice to the directors to supervise as well as possible in general and specifically (POJK Number 33 of 2014). The board of commissioners acts to prevent conflicts between management and stakeholders. The board of commissioners has the obligation to form an audit committee to support effectiveness in carrying out its duties and responsibilities. One of the functions of the audit committee is to examine in depth the financial information contained in the financial reports. It is hoped that the existence of an audit committee can bring positive changes, especially to the company's internal supervision (Wardani, 2017).

According to agency theory, management or the board of directors is an agent for stakeholders. The role and function of the board of directors in a company is very important. The board of directors is tasked with determining company policy both in the long and short term, and is responsible for the company's development. In addition, the board of directors is the company's representative inside or outside the company. The large number of members improves relations with parties from outside the company, which also improves the company's performance (Rahmawati et al, 2017). The board of directors who serve as leaders play an active role in ensuring that management or parties under it carry out their duties based on the goals set out in the company's plans. Therefore, the board of directors has a crucial role in company performance. The existence of a board of directors can also reduce the possibility of agency problems occurring within the company (Sari, 2020).

There are a number of studies (Pramudityo & Sofie, 2023); (Widyati & Maria, 1 C.E.) ; (Sukandar, 2014) & (Maulana, 2020) show a positive relationship and significant influence on financial performance. Research by found that the size of the board of directors has a significant effect on the company's financial performance (Sukandar, 2014). The relatively large number can cause the decision to not only focus on one side. So this allows for an increase in the company's financial performance. However, research by (Situmorang, 2019) shows different results. The composition of the board of directors does not have a significant effect on financial performance. This shows that the size of the board of directors does not necessarily provide benefits to the company. In contrast to previous research, this research uses the Independent Commissioner variable as a moderating variable which researchers believe can strengthen the direction of the relationship between the Directors variable and Financial Performance.

RESEARCH METHODS

Researchers believe that a leader, in this case the Board of Directors, can have a significant influence on the success or failure of a company because it is a leader who plays a big role in the formation of company regulations, the direction of the company, and a leader also oversees these policies so that they can run well and in the desired

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path including the Financial Performance of a company (Sugiyono, 2019). Therefore, the research aims to analyze the influence of directors on financial performance (Subarno, 2021). Different from previous research, this research adds the Independent Commissioner variable as a moderating variable which researchers can strengthen the relationship between the Directors variable and Financial Performance(Wijaya, 2021). This variable uses 1 Independent variable, namely Directors, one Dependent variable, namely Financial Performance, and 1 moderating variable, namely Independent Commissioner (Wardianda & Slamet Wiyono, 2023). This research is quantitative with an explanatory approach. The data used in this research is primary data that researchers obtained from distributing online questionnaires to 50 directors, 150 employees and 100 commissioners of private companies spread throughout Indonesia (Hair, 2010). These data were analyzed using the smart PLS 4.0 analysis tool:

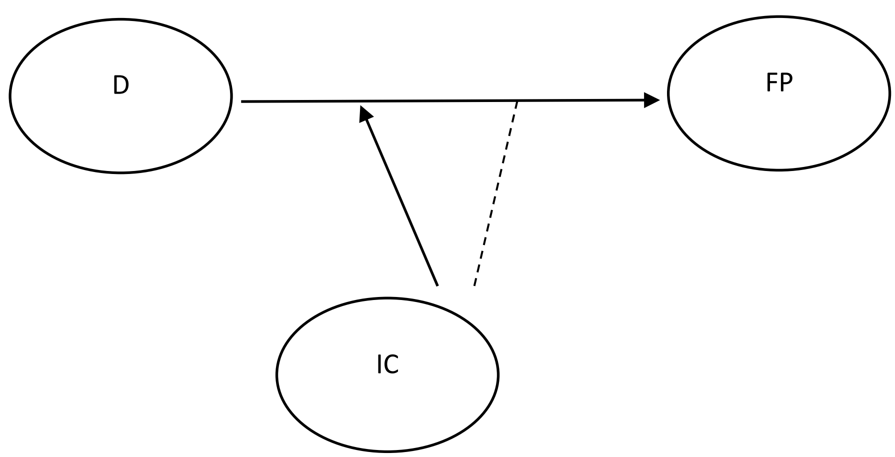

Figure 1: Model

Noted:
D: Directors
FP: Financial Performance
IC: Independent Commissioner

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Hypothesis:
H1: The Influence of Directors on Financial Performance
H2: Independent Commissioner can Moderated The Influence of Directors on Financial Performance

RESULT AND DISCUSSION

Validity Test

50 directors, 150 employees, and 100 commissioners who have a strong independent attitude within themselves, the researchers distributed 14 question items consisting of 6 question items relating to the Board of Directors, 4 question items relating to the Company's Financial Performance, and 4 question items for the Commissioner variable. Independence has been answered comprehensively. However, this answer needs to be validated first with the following Validity Test results (Sarstedt et al., 2014):

Table 1
Validity Test

Variable	Question Item	Loading Factor
Directors (X1)	Good directors can produce good policies	0.821
	Good directors can improve employee performance	0.814
	Good directors can achieve company targets	0.829
	Good directors can improve the company's financial performance	0.819
	Good directors can improve company performance	0.811
	Good directors can make employees prosperous	0.821
	Financial performance can be influenced by decisions from good directors	0.845
	Financial performance can be influenced by	0.851

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	Independent Commissioners	
Financial Performance (Y)	The company's financial performance can be influenced by the results of policies originating from good directors	0.859
	The company's financial performance can be influenced by the results of policies originating from the Independent Commissioner	0.868
Independent Commissioner (Z)	Independent Commissioners can influence good Directors	0.889
	Independent Commissioners can influence the company's Financial Performance	0.922
	Independent Commissioners can influence the policies issued	0.931
	Independent Commissioners can make the company work according to the desired targets	0.941

Valid : > 0.70

Reliability Test

50 directors, 150 employees, and 100 commissioners of private companies who have answered 14 questions consisting of 6 question items regarding Directors, 4 question items asked by researchers have been declared valid. The next stage is to test the reliability of each variable by knowing the Composite Reliability and Cronbach Alpha values as follows (Ghozali, 2016):

Table 2

Reliability Test

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Variable	Composite Reliability	Cronbach Alfa	Noted
Directors	0.868	0.827	Reliable
Financial Performance	0.895	0.845	Reliable
Independent Commissioner	0.951	0.910	Reliable

Reliable > 0.70

Path Coefisien

The final stage is to find out the direction of the relationship and whether or not the influence of the Independent variable is significant on the Dependent variable and the strength of the moderating variable in strengthening the influence of the Independent variable on the Dependent variable in this case the Directors variable on Financial Performance with the path efficiency results as follows (Gujarati, 2013):

Table 3

Path Coefisien

	Variable	P-Values	Noted
Direct Influence	D->FP	0.014	Accepted
	IC*D->FP	0.000	Accepted

Significant Level > 0.05

Researchers have a number of beliefs that a good Board of Directors will produce good policies, make employees comfortable at work, the targets set can be easily achieved, and ultimately will improve the Company's Financial Performance. In line with this statement, the results of table 3 of the path coefficient show a positive relationship direction and a significant influence on the Company's Financial Performance because the results are positive and below the significance level of 0.05, namely 0.014. These results are in line with research (Pramudityo & Sofie, 2023); (Widyati & Maria, 1 C.E.) ; (Sukandar, 2014) & (Maulana, 2020) which shows a positive relationship and significant influence. However, the results of this research are not in line with research (Situmorang, 2019) which shows the opposite direction.

Apart from that, researchers also believe, which is also the second hypothesis in this research, that Independent Commissioners who uphold fundamental principles in the company can moderate the influence of Directors on Financial Performance because the Directors are their subordinates and are under their control. If directors can influence financial performance, then independent commissioners can influence it more significantly because of this structural order. Based on this, the results of the third table of path coefficients show that the Independent Commissioner variable can moderate the

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influence of the Directors variable on the company's financial performance because it has a positive relationship direction and is below the 0.05 significance level, namely 0.000. More significant than direct testing 0.014. Thus, the first and second hypotheses that the researcher believes can be proven and accepted.

CONCLUSION

Researchers have a number of beliefs that a good Board of Directors will produce good policies, make employees comfortable at work, the targets set can be easily achieved, and ultimately will improve the Company's Financial Performance. In line with this statement, the results of table 3 of the path coefficient show a positive relationship direction and a significant influence on the Company's Financial Performance because the results are positive and below the significance level of 0.05, namely 0.014. These results are in line with research (Pramudityo & Sofie, 2023); (Widyati & Maria, 1 C.E.) ; (Sukandar, 2014) & (Maulana, 2020) which shows a positive relationship and significant influence. However, the results of this research are not in line with research (Situmorang, 2019) which shows the opposite direction.

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