International Journal of Business and Management Invention
ISSN (Online): 2319 – 8028, ISSN (Print): 2319 – 801X
www.ijbmi.org Volume 3 Issue 4‖ April. 2014‖ PP.32-41

The Effect Of Board Diversity Towards The Company Value Of Financial Institutions In Indonesia

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***ABSTRACT**: Board diversity is one issue related to corporate governance, so the objective of this research is to examine the effect of board diversity towards the company value of financial institutions in Indonesia. Board diversity was measured by five variables, i.e. women in board, competence in economics and bussiness, age, outsite directors, and nationality. Company value was measured by Tobin's Q ratio. Research samples consisted of 57 financial institutions listed in Indonesian Stock Exchange period 2011. This research used Mann Whitney test. The result found that the more the outsider directors in board (especially the board of commissioner) and bussiness competence of board of commissioner in the company, the higher the company value. On the other side, when the companies have more young directors and women directors, the company value will be lower.*

***KEYWORDS** : Corporate governance, Board diversity, Company value, Tobin's Q.*

I. INTRODUCTION

Current developments prove that management's duty is not only to make sure that the management processes run efficiently, but it need a new instrument to ensure that the management has performed well as Good Corporate Gorvenance (GCG) (Kaihatu, 2006). Unfortunately, according to the Chairman of the National Committee on Governance (NCG) in June 2012, the implementation of GCG Indonesia when compared to ASEAN countries was remained at 10th position, while the last position was occupied by Philippines as the 11th position (http://www.neraca.co.id). Yet the existing researches suggest that good practice of corporate governance may lead to the increased company value then it will give a positive signal to the investors, as well as companies with high market value (for any reasons) tend to implement better corporate governance (Black et al. 2002). The existence of good corporate governance also makes investors feel a sense of safety in investing because investors believe that management can manage and run the company well, while the application of corporate governance can be reflected in the company value of the company shares price (Kusumastuti et al. 2007).The existence of company organs (the board of commissioners and directors) is an evidence of the application of good corporate governance principles (Surya and Yustiavandana, 2006). In Indonesia, the adopted type of board structure is a two-tier board structure, this board structure type is also adopted in countries such as Germany, the Netherlands and Japan (Weimerand Pape, 1999). Existing regulations require companies to have two board structures in the company those are board of commissioners and board of directors. Members of the board of commissioners and the board of directors are elected by the shareholders in a shareholders general meeting. Commissioners, led by a chairman, have to perform the monitoring function towards the management. Unlike the commissioners, board of directors is led by a president who serves as executive director at the company who will be responsible to the shareholders and the board of commissioners (Darmadi, 2011).

The existence of board members distribution (board diversity) is believed to affect the company value, both in the short term and long term (Cox and Blake, 1991, Robinson and Dechant, 1997, in Carter et al. 2003). The board distribution (board diversity) is allegedly have positive impact. The greater the board members diversity can lead to more conflict, but the diversity can provide an alternative solution to more diverse problem than the homogenous board members. In addition, the diversity of board of directors provides unique characteristics for companies that can create extra value.Carter et al. (2003), Carter et al. (2007), Kusumastuti et al. (2007), Darmadi (2011), Atahau and Supatmi (2011) examined the impact of board diversity towards the company value. Carter et al. (2003) and Carter et al. (2007) found that board diversity had a positive impact towards the company value. The study results by Kusumastuti et al. (2007), Atahau and Supatmi (2011), showed the simultaneous effect of board diversity on company value. Partially Kusumastuti et al. (2007) found that the variable of Chinese ethnic presence in the board had negative impact to the company performance while the presence of women in board of directors, educational background, age and proportion of outsider directors had no effect towards the company value. Darmadi (2011) found results that the presence of women directors had negative effect on the company financial performance, then the nationality diversity did not affect company financial performance and the presence of young directors (aged less than 50 years) had positive impact towards company financial performance. Atahau and Supatmi (2011), partially also found the results that the presence of women and economic educational background of the board of directors on the pension fund actually had negative impact towards company financial performance, while the presence of duality had positive impact on company financial performance.Based on the inconsistencies of the previous study results, this study will examine differences of the company value based on in the board members diversity of the women variable, the proportion of board members who are competent in the economics and business fields, council members aged less than 50 years, the proportion of outsider directors and foreign people in the board. If any differences are found, it means that the member diversity of the board have an impact towards the company value. The samples used in this study were the financial institution listed on the Stock Exchange in 2011. Strict regulation in determining the board of commissioners and directors in financial institutions are expected to produce research results that differ from previous studies.This study will be able to see the diversity practices of the board members in financial institutions, and also provide additional information related to the board members diversity in financial institutions. On the other hand, for companies that were included in financial institutions, this study may become an input in the determination of commissioners and directors.

II. LITERATURE REVIEW AND HYPOTHESIS FORMULATION

According to Milliken and Martins (1996) in Kang et al. (2007), board diversity can be defined as the variation in the composition of the board. There are two categories of diversity, the diversity that can be observed directly and diversity that cannot be observed directly. The diversity that can be observed directly include age, ethnicity and sex (gender). Meanwhile, the diversity that cannot be observed directly includes educational background, work experience and membership in an organization.The existence of distribution and diversity in the board members are believed to affect the company value, both in the short and long term (Cox and Blake, 1991, Robinson and Dechant, 1997, in Carter et al. 2003). According to Carter et al. (2007), the diversity of the board of directors had a variety of unique characteristics that can make your business become more profitable and provide more value for the shareholders. Robinson and Dechant (1997) in Carter et al. (2003) also provided some propositions and empirical evidence related to the diversity in the board. First, the diversity of the broad provided a better understanding of the marketplace, where it was associated with various company supplier and customer demographics. Second, the diversity could improve creativity and innovation. Third, the diversity created effective alternative solutions. Heterogeneity in the board can lead to more conflict, but there will be more alternative solutions to such problems and can establish accuracy in assessing the possible consequences of the alternatives taken. The fourth, the diversity can increase the effectiveness of the company leadership. This is related to the viewpoint of the board members, where homogeneous members will lead to narrow perspective of something when compared with diverse board members. The fifth, diversity can lead to more effective global relationships.

According to Hermalin and Weisbach (2000), agency theory cannot simply provide a clear prediction about the correlation between board diversity and the company value. This poses a dilemma, the existing theories cannot provide a clear prediction on board diversity regulation within the company value, but on the other hand there is a belief that the correlation between the two is positive correlation. This research examine differences of the company value based on in the board members diversity of the women variable, competence in the economics and business fields, age, outsider directors and nationality, here is the hypothesis formulation:

2.1 Woman

According to a study reported by Catalyst in September 2010, it was shown that there was still a gap between men and women at CEO level across the world. Equality of women and men in top-level corporate executives in the 500 Fortune list (the list of 500 companies reported by Fortune magazine) predicted that it would have a balanced proportion in 2064 (http://www.seputar-indonesia.com). The small number of women who are placed in the peak position may be caused by the existence of different views about the causes of the success achieved by men and women. The success of the man considered to be due to high ability (in terms of talent or intelligence), while women are considered successful due to luck (Deaux and Ernswiller in Crawford, 2006).Women have a very high prudence, tend to avoid risk and more thoroughly than men. This side makes a woman will not in a hurry to take a decision (Kusumastuti et al., 2007). Cautious attitude and meticulous in women board members will affect any decision to be taken. With the caution a women has, it will minimize the risk of failures and mistakes in any decision for the company, so it can affect the company performance. On the other hand, with the growing gender diversity in the board members, then it will allow the emergence of conflict (Richard et al, 2004), which can lead to slow decision-making process (Goodstein et al, 1994).Carter et al. (2003) and Carter et al. (2007) found a positive effect of the proportion of women board members towards company value.

Kusumastuti et.al (2007) stated that there was no influence of the presence of women directors on company value. Darmadi (2011) found a negative correlation between the proportions of women with market performance. Meanwhile, Atahau and Supatmi (2011) found a negative effect of the presence of female directors on the company financial performance. Therefore, the research hypothesis can be formulated as follow:H_1: There is a company value difference between the company with female board members and those which do not have.

2.2 Competence in the Economics and Business Fields

Simons and Pelled (1999) in Mahadeo (2011) stated that various knowledge in work dimension was an important thing because the board of directors would face important decisions in such business decisions in finance, human resources, legal, taxation, ethics, environment and operations. While Kusumastuti et al. (2007) argued that it was not a coumpulsion for someone who would come to the business world to have business education, but it would be better if the board members have a background of business and economics education. In contrast to previous studies, if the board diversity was observed based on educational background in economics and business, this study used the competence of board members in the economics and business fields. Competencies owned by the board members were viewed based on experience and knowledge in economics and business.With the experience and knowledge in economics and business fields, at least the board members have the ability and competence to better manage the business and make business decisions rather than no experience and knowledge in of economics and business fields. Therefore, with greater proportion of board members who are competent then it may be possible that most of the decisions to be taken for the company are also based on the consideration of the people with competence. The company with the greater proportion of competent board members in economics and business fields is alleged to have higher company value compared to the company with less proportion of competent board members.In pension fund, Atahau and Supatmi (2011) found that economic and business educational background influences financial performance of the company's. While Kusumastuti et al. (2007) found that educational background had no effect on company value. Based on the findings above, a hypothesis can be formulated as follow:

H_2: There is a company value difference between the company with the proportion of competent board members in the economics and business fields over the average value of samples and below the average value of samples

2.3 Age

Age can be considered as a proxy to see the level of experience and one's risk taking way (Herrmann and Datta, 2005). Houle (1990) in Kang et al. (2007) stated that the board of directors with the older age group had more experience, maturity and usually also have economic resources. Middle age groups had a major role and were actively responsible in the company and the community, while the younger age groups had the energy and courage to succeed and had plans for the future. Levinson and Peskin (1981) in Santrock (1995) stated that the 34-50 years old age group was the most healthy, the most calm, can control themselves, and most responsible.

Barker and Mueller (2002) found that older managers tend to be less like risk (risk averse), while younger managers tend to have a higher ability to process new ideas (Cheng et al. 2010). Less like risk attitude, experience and more wisdom held by board members in the older age group can give the effect on company value. Someone with more experience and wisdom tend to be more cautious in making any decisions because they can learn from past experience. In addition, the presence of board members from younger age groups may also affect the company value. The courage to succeed that is supported by their abilities, make them try to do their job as good as possible so as to increase the company value. But on the other hand, young board member who generally does not have enough experience and wisdom, can degrade the company performance by their risk taker nature.Previous research conducted by Darmadi (2011) showed that the existence of positive correlation between board members under the age of 50 years with the market performance. On the other hand Cheng et al. (2010), Kusumastuti et al (2007) argued that age had no effect on company value. From the discussion above, it is shown that age can affect a person's actions within the company which will then affect the company value. Based on that, hypothesis can be formulated as follow:

H_3: There is a company value difference between the company with proportion of board members who are aged less than 50 years over the average value of samples and below the average value of samples

2.4 Outsider Directors

The proportion of outsider directors is the ratio of independent directors (outsider director) with the total number of board of directors (Kohlbeck and Mayhew, 2004, Belkir 2008, Chien and Hsu, 2010). According to national committee task force, the proportion of independent directors in corporate gorvenance policy is set at least 30% of the total number of directors or at least 1 (one) person. The independence required by the Capital Market Supervisory Agency (Bapepam regulation number IX.15) for the commissioner post that

(1) originate from outside or issuer or public company, (2) do not have share either directly or indirectly to the issuer or public company, (3) has no affiliation with the issuer or public company, (4) do not have a business relationship, either directly or indirectly related to the business activities of the issuer or public company. While the independence required by Bank Indonesia for commercial bank (Bank Indonesia Circular Letter Number 9/12/DPNP) for the president post is do not have (1) financial relationship, (2) management relationship, and (3) ownership relationship With independent party in the board, then any decision to be taken will be more objective because the decision is taken based on the interests of the company. If there are no independent directors on the board of directors composition, then there will be no possibility of the objectivity of decisions taken and thus the board of directors independence can be no doubt. In addition, the existence of independent party can also give more confidence on the results of the financial reports because it is considered more objective so that the financial reports produced will be more qualified and far from the possibility of fraud than no independent party. With greater the outsider proportion in the board members, the company is expected to generate better value than smaller outsider proportion.

Beasley (1996) found that the presence of independent directors is correlated with less possibility of fraud cases in financial reports. Hermalin and Weisbach (2000) found that the impact of independent directors (outside directors) was quite strong and significant towards company performance. The presence of independent directors was also considered to contribute positively to the supervision functions and good company performance (Kang et al, 2007). From these explanations, a hypothesis can be formulated as follow:

H_4: There is a difference in the company values between company with outsider proportion over the average value of samples and below the average value of samples

2.5 Nationality Diversity

Nationality and cultural diversity of the management team members can increase the cross-cultural communication issues (Lehman and Dufrene 2008 in Darmadi, 2011) and the existence of personal conflict (Cox, 1991). On the other hand, the presence of foreign people in the board structure is expected to bring competitive advantage for the company, those are the existence of international network, more commitment to the rights of shareholders, and the avoidance of certain groupings in management (managerial entrenchment) (Oxelheim and Randøy, 2003).The presence of business globalization increasing, foreign investors have the opportunity to buy more shares in the company (Oxelheim and Randøy, 2003). According to Darmadi (2011), companies with foreign ownership are more likely to have a more heterogeneous board in terms of nationality. With the presence of foreign people in the board composition, can also add network or business relationships globally. Besides the presence of foreign peopele in the board composition can provide a better understanding of the marketplace, where it is associated with various supplier and customer demographics (Robinson and Dechant 1997 in Carter et al., 2003). Of those opinions, greater proportion of foreign people is suspected to give a better company value. However, previous research carried out by Darmadi (2011) in Indonesia found that nationality diversity had no effect on company performance. Then a hypothesis can be formulated as follow:

H_5: There is a company value difference between the companies with foreign nationality board members than those which don't have

III. RESEARCH METHODS

The population of this study was the financial institutions listed in the Indonesia Stock Exchange (IDX) in 2011, while the samples were taken by purposive sampling method with the following criteria:

[1] Financial institutions listed on the Indonesia Stock Exchange (IDX) in 2011.
[2] Financial institutions that published annual reports in 2011.
[3] Financial institutions that had the necessary data for this study.

The data used here were secondary data derived from the annual report and financial statements in 2011 of each company that were obtained from the Indonesia Stock Exchange website (www.idx.co.id) and the website of the company concerned. The variables used in this study were as follow:

a. **WOMEN,** measured by classifying into two, 0 indicated no female board member and 1 if there was any female board member

b. **COMPETENCE**, measured by classifying into two, 0 indicated the proportion the proportion of competent board members below the average value of sampels and1 indicated the proportion of competent board members over the average value of samples. Competence was measured from the knowledge and experience of the board members in the economics and business fields.

c. **AGE**, measured by classifying into two, where 0 indicated the proportion of board members who were younger than 50 years old below the average value of sampels and 1 indicated the proportion of board members who were younger than 50 years old over the average value of samples.

d. **Outsider directors** (OUTSIDER), measured by classifying into two, 0 indicated the proportion of outsider board members below the average value of sampels and 1 indicated the proportion of outsider board members over the average value of sampels.

e. **Nationality diversity (NATION),** measured by classifying into two, 0 indicated no foreign nationals in board members and 1 if there were foreign nationals in board members.

f. **Company value (TOBIN),** measured by Tobin 's Q ratio, the following Tobin 's Q ratio formula (Widiastuti and Usmara, 2005):

$$Q = \frac{EMV + D}{EBV + D}$$

Description:

Q : Company value

EMV : The equity market value (year-end closing price x number of circulated shares at the end of year)

D : The book value of total debt

EBV : The book value of total equity

In this study, techniques and stages of data analysis used descriptive statistics to determine the average value, minimum, maximum and standard deviation of the variables. Before performing the hypothesis test, the normality test had been performed, normality test used Kolmogorov - Smirnov test. Normality occurs when the result of Kolmogrov-Smirnov test is more than 0.05. Hypothesis test is performed by using the Mann Whitney test if the data distribution is not normal. If the distribution of data is normal, then the test will use different test t-test Pooled or Separate Variance, with statistical hypothesis as follow:

$H_o : \mu_i \leq \mu_{ni}$ $\qquad$ $H_a : \mu_i > \mu_{ni}$

IV. RESULTS AND DISCUSSION

4.1 Research Sample Description

Based on predetermined sample criteria, we obtained samples of 57 companies as outlined in the table below.

Tabel 1. Research Samples

	The Criteria Used	Number of Companies
1.	Financial institutions listed on the Stock Exchange in 2011	72
2.	Companies that did not publish an annual report in 2011	(1)
3.	Companies that did not have the required data for this study	(14)
	The number of samples used	**57**

From the table above it can be seen that from 72 financial institutions listed on Indonesia Stock Exchange, a company did not publish an annual report and the remaining 14 companies did not have the required data, i.e. data related to the board members age.

4.2 Descriptive Statistics

A general description of research data on each variable used in this study can be seen in table 2. Table 2 is the result of Tobin's Q ratio descriptive statistics and a descriptive statistic results based on data from the board of commissioners (BOC), the board of directors (BOD) and total existing board members (BOARD).

Table 2. Summary of Descriptive Statistics

Research Variable	Min	Max	Mean	Std. Dev.
Tobin's Q	0.29	3.50	1.0202	4.4070

Research Variable	BOC		BOD		BOARD	
	Number	%	Number	%	Number	%
Women						
Yes (1)	25	43.9%	23	40.4%	27	47.4%
No (0)	32	56.1%	34	59.6%	30	52.6%
Competence						
Over the average (1)	31	54.4%	32	56.1%	32	56.1%
Below the average (0)	26	45.6%	25	43.9%	25	43.9%
Age (<50 years old)						
Over the average (1)	24	42.1%	24	42.1%	27	47.4%
Below the average (0)	33	57.9%	33	57.9%	30	52.6%
Outsider						
Over the average (1)	34	59.6%	45	78.9%	34	59.6%
Below the average (0)	23	40.4%	12	21.1%	23	40.4%
Nation						
Yes (1)	12	21.1%	10	17.5%	13	22.8%
No (0)	45	78.9%	47	82.5%	44	77.2%
Total	**57**	**100%**	**57**	**100%**	**57**	**100%**

Source: Processed data, 2013

Based on the data presented in Table 2, it can be seen that the average value of Tobin 's Q of 1.0202 indicated that the average sample company had a Tobin 's Q value more than one. Of the 57 sample companies, there were 22 companies that had Tobin's Q value lower than one and 35 companies had Tobin's Q value higher than one. When the Tobin's Q value is higher than the one it indicates that the company value is valued higher by the market, while the Tobin's Q value lower than one indicates that the company will be the target of attractive acquisition both to be combined with other companies or for liquidation (Widjaja et al., 2011).Table 2 also shows that from overall (BOARD) 27 companies had female board members. Furthermore, 25 companies had female members in the board of commissioners (BOC) and as many as 23 companies had female members in the board of directors (BOD). This suggests that more female members who sits on the board of commissioners than in the board of directors. There is possibility that woman has a very high attitude of prudence, tend to avoid risk and more thoroughly than men, and it would be helpful for better process control. On the other hand, the nature of prudence to avoid risk (risk averse) can make a company lose the opportunity to get high returns, high risk high return, so it can affect the company performance.

For BOARD competence variable, a 57 sample companies, there were 32 companies or 56.1% had proportion of board members over the average value of samples (0.82). For BOC competence variables, as many as 31 companies had proportion of board members over the average value of samples (0.78) and for BOD as many as 32 companies had commissioners proportion over the average value of samples (0.86). Those results indicated that in terms of competence, most companies have proportion over the average value of samples. That is, the majority of board members at financial institutions already had competence in economics and business fields. This is possible because in financial institutions, the competencies board members are considered important. Indonesian Bank Regulation Number 14/9 / PBI/2012 about Fit and Proper Test also regulates the competency requirements of the board members related to knowledge and experience in financial management.
For board members aged less than 50 years, in general (BOARD) there were 47.4 % of sample companies had proportion of board members less than 50 years over than the average value of samples (0.39). At BOC 24 companies had proportion of board members less than 50 years over than the average value of samples (0.25). In BOD there were 24 companies that had proportion of board members less than 50 years over than the average value of samples (0.53). The average value of gretarer proportion was found on board, when regarded as an executive in the company, the presence of board members younger than 50 years tend to have energy and courage to succeed and plan for the future (Houle, 1990 in Kang et al.2007) and it can make a positive contribution to the company.

At outsider BOARD variable it can be seen that 34 companies had proportion of board members over than the average value of samples (0.69). As for the BOC and BOD, as many as 34 companies had independent commissioners proportion over than the average value of samples (0.47) and as many as 45 companies had proportion of independent board over than the average value of samples (0.90).

Regulation of Indonesian Bank number 8/4/PBI/2006 on the implementation of good corporate governance for banks stated that at least 50% of board members are independent directors. Furthermore, the average value for the independent directors proportion of 47 % indicated that there was still a company with proportion of independent directors less than 50 % and it is not in line with the rules established by Indonesian Bank.Based on the presence of foreign nationals in the board members, whole (BOARD) of 57 sample companies there were only 13 companies with foreign national board members. In BOC there were only 12 companies with foreign nationals and in BOD, there were 10 companies. Darmadi (2011) argued that companies with foreign ownership are more likely to have a board that is more heterogeneous in terms of nationality. Less company with no foreign nationals in board members could also be caused by the majority of the sample companies in a financial institution were national companies that does not have a large amount of foreign ownership, so the heterogeneity in terms of nationality was still rare.

4.3 Normality test

Here are the results of normality test using Kolmogorov - Smirnov Test against the variables in the research.

Table 3. Normality test

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Tobin's Q	0.215	57	0.000	0.623	57	0.000

a. Lilliefors Significance Correction

Source: Processed data, 2013

From the normality test results it is shown that Sig. KS value for Tobin's Q variable is 0.000 which was far below the value of $\alpha = 0.005$ it proved that the Tobin's Q variable was not normal. Thus, Mann Whitney test is used for the hypothesis test in this research.

4.4 Hypothesis Test

Hypothesis test in this research used Mann Whitney test and the hypothesis test results can be seen in Table 4.

Table 4. Summary of Hypothesis Test Results

Research Variable	Tobin's Q		
	BOC	BOD	BOARD
Women	-0.780	-0.862	-1.847*
Competence	-1.419*	-0.877	-0.635
Age	-0.598	-1.447*	-1.039
Outsider	-1.424*	-0.059	-1.888*
Nation	-0.685	-0.178	-0.675

* Significant at the 0.10 level

Source: Processed data, 2013

Based on the Mann Whitney test results above, it was found that companies with outsider proportion over the average value in the samples in BOARD and BOC, will have different company value with the company with the outsider proportion below the average value of samples. It is also shown that the average company value for companies with outsider proportion over the average value of samples is higher (1.079) compared with the average company value for companies with outsider proportion below the average value of samples (0.934). This means that the more outsider directors, the higher the company value. Based on the monitoring function performed by the board of commissioners, it may be indicated that the presence of higher independent board proportion will make better company value. The more the independent board proportion, the more objective the monitoring performed because every monitoring aspect was carried out by company interests. Hermalin and Weisbach (2000) found that the effect of independent board members was quite strong and significant towards performance. The presence of independent board members also considered to contribute positively to the monitoring functions and good company performance (Kang et al, 2007).Based on tests performed on the financial institutions, it was found that separately, from the BOC and BOD did not show any difference in the company value as seen from the presence of female board members. However, the results could also indicate that the proportion of women in the board of commissioners and directors (BOARD), could make a difference on the company value.

The average company value for companies with female board member was lower (0.976) compared with the average value of companies with no female board members (1.116). Thus there was negative correlation between the presence of female board members with the company value. This is in line with Darmadi (2011) and Atahau and Supatmi (2011) who found negative impact of the presence of female directors on the company's financial performance. Cautious and meticulous attitude in women board members will affect that any decision to be taken tend to be risk averse, so that it can make a company lose the opportunity to get high returns, high risk high return, so it can affect the company performance.For the competence variable in the board of commissioners (BOC), it was found company value difference between companies with larger competent commissioners' proportion in economics and business over the average value of samples and below the average value. The results also showed that the average company value for the company with the proportion of competent board of commissioners in economics and business over the average of samples was higher (1.088) than the average company value below the average of samples (0,939). This means that the more board of commissioner members who were competent in the economics and business fields, the higher the company value. It indicates that competence in economics and business fields is important to be owned by a board member. Indonesian Bank Regulation Number 8/4/PBI/2006 on the implementation of good corporate governance explained that not only as a supervisor, the task of the commissioners is to advise, direct, monitor and evaluate the performance of the board of directors. Given these duties, the commissioners are required to have better competence in the execution of their duties, so the commissioner may provide advice and appropriate referrals and can evaluate which later can bring the company to a better direction and increase the company value.

Furthermore it can be seen that for the board of directors (BOD), the companies with the proportion of board members aged less than 50 years over the average value of samples had different company value with those below the average value of samples. However, the average company value with proportion of board members aged less than 50 years above the average samples were found to be low (0.939) compared to the other groups (1.079). Thus there was negative correlation between the age of board of directors and company value. It does not in line with the opinion of Hambrick and Mason (1984) which argued that younger managers were more likely to take risky strategy, and the company with young managers will experience higher growth than their counterparts with older managers. But on the other hand, generally, young board members do not have enough experience and wisdom, can degrade the company performance with the risk taker nature. From implementation functions performed by the board of directors, board members aged less than 50 years will be more willing to make decisions, sometimes without regard to the status quo and stability of their career (Cheng et al., 2010), so without enough experience it can lead to unwise decisions that will ultimately affect the company value.In financial institutions, the value of the companies which have foreign board members and the companies which do not have them were not found different. This is possible because the proportion of their existence was not large, so that their presence in the board members did not have a significant impact on decision making. The absence of difference in the company value by foreigners in the board members distribution may also due to the majority of the sample companies in financial institutions were national companies that did not have a large amount of foreign ownership, so the heterogeneity was still rare in terms of nationality. On the other hand these results also supports the theory that agency theory is simply can not provide a clear prediction about the correlation between board diversity and company value (Hermalin and Weisbach, 2000).

V. CONCLUSION AND RECOMMENDATIONS

Based on the research results and analysis described before, it can be concluded that the presence of female board members and the proportion of outsider directors on the board of commissioners and directors, will affect the company value. The more the female board members, the lower the company value, otherwise the higher proportion of outsider directors, particularly in the board of commissioners, the higher the company value. The results also found that the more competent commissioners in economics and business, the higher will be the company value. On the other hand, the more board of directors members who are less than 50 years, the lower the company value. In financial institutions, foreign national variables in board members were proved to have no effect on company value.The research results obtained were in line with researches by Hermalin and Weisbach (2000) which found that the effect of independent directors (outside directors) were quite strong and significant towards the company performance. However, the study results did not support the previous research results by Darmadi (2011) which stated that there was positive correlation between board members who were younger than 50 years with the performance of the market, and Carter et al. 2003, which suggested a positive impact between the proportion of women with the presence of the company value. On the other hand, this study was not in line with Kusumastuti et.al (2007) which stated that economic and educational background of the business as well as the proportion of outsider directors were proved to have no effect towards company value.

The research results are expected to provide benefits for companies, especially companies that are included in the financial institutions, in the determination of the commissioners and directors. Based on these results, the financial institution is advisable to increase the proportion of independent directors, increase the competence of board members in economics and business fields, to increase the company value. On the other hand, it is also advisable to consider the presence of female director and young board member (less than 50 years) in line with the directors, as the research found that the variable had negative effect on the company value. Then it's good for regulators to improve monitoring against financial institutions. It is based on the findings which indicated that especially in banks there were independent directors whose values were less than the minimum standards that have been set by the Bank, as much as 50 % of the existing commissioners.This study has limitations, those are (a) Analysis of the female and foreign nationality variables which were only dummy measured. The proportion of shares ownership and women competence might be other factors that affected the value of women in the company, (b) in outsider board of directors variable, independence was only measured by whether the name of a board member was stated in the company's share ownership or not. Limitations are also derived from the absence of full information of shareholders under 5 %, so it could not be further identified on the ownership of shares under 5% by the board of director.Future research is expected to not only assess the company in terms of market alone (company value was measured by Tobin's Q ratio), but can also judge a company based on other financial ratios. In addition to the women variables, it can be added measuring based on share ownership and women competence. If women calculated in terms of number, the proportion of women is not great. But if the small proportion of women has a significant share ownership in the decision-making then it can be expected to produce different study results. Furthermore, future researchers can add other variables such as the existence of a family relationship, the annual meeting and the presence of minorities so that the research will be expected to obtain better results.

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