



Diversity of The Board of Directors and Company Financial Performance in The Perspective of Good Corporate Governance

Siti Ridloah[✉], Vitradesie Noekent, Vini Wiratno Putri, Achmad Nauval Waliuddin

Departement of Management, Faculty of Economics, Universitas Negeri Semarang, Indonesia

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Abstract

Companies with diverse boards provide various resources to the organization. The existence of good governance will result in good decisions as well, thus directing the company in generating high profits. This study aims to analyze the effect of board of directors diversity on the company's financial performance (ROA). This study develops and focuses on the variables of gender, nationality, age, education, and independent commissioner as variables that describe the diversity of the board. This study uses a quantitative approach with secondary data sources. The population used is banking sector companies listed on the Indonesia Stock Exchange for the 2009-2019 period. The sampling technique used purposive sampling method. The data analysis used is multiple linear regression. Based on data analysis, the results obtained that national diversity and educational diversity have a significant effect on the company's financial performance. Meanwhile, gender diversity, age diversity and the existence of independent commissioners have no significant effect on financial performance. Simultaneously, gender diversity, nationality diversity, age diversity, education diversity and the existence of independent commissioners have a significant effect on the company's financial performance

INTRODUCTION

Financial performance is very important because it is an indicator for company owners to know the financial condition of their company and it is important for prospective shareholders as one of the eligibility requirements to invest their money in the company as a form of investment. Good corporate financial performance cannot be produced without good corporate governance. The importance of corporate governance is closely related to company performance and shareholder value. Bad corporate governance can be said

to have implications for the financial crisis that hit countries in the world. The global monetary crisis in 2008 had an impact on the Indonesian economy. The bankruptcy of Lehman Brothers, the fourth largest investment bank in the United States, triggered the collapse of the United States economy, resulting in the monetary crisis that hit countries around the world (Prasetyo & Dewayanto, 2019).

The implementation of GCG has a vital and strategic role in maintaining the credibility of the company's business processes and company supervision. By having GCG and opera-

ting functional advisory companies, financial performance can be improved (Wahyudin & Solikhah, 2017). The implementation of GCG can be driven from two things. First, the encouragement of business ethics that demands awareness to maintain the survival of the company and the interests of stakeholders. Second, there is a compelling push from the laws and regulations on GCG to business people to implement good corporate governance (Veronica & Wardoyo, 2013). One of the mechanisms of good corporate governance (GCG) that can regulate functions in the company's organs is the composition of the company's board, namely the board of directors and the board of commissioners.

One of the important things related to the structure of the board is the diversity of the board of directors and commissioners (Dewi & Dewi, 2016). The explanation is consistent with (Smith, Smith, & Verner, 2006), which is one of good corporate governance, namely regarding diversity in management. Companies with diverse boards provide various resources to the organization (Kagzi & Guha, 2018). The existence of good governance will result in good decisions as well, thus directing the company in generating high profits (Kesaulya & Febriany, 2018). Diversity helps companies identify opportunities to improve production, provide services, use human resources effectively, improve decision-making processes, and other benefits because they are considered as organizations that have social awareness. (Wicaksana, 2010).

Furthermore, based on a review of previous research, there are several proxies of board diversity that have been proven to have high explanatory power. According to (Aggarwal, Jindal, & Seth, 2018), diversity within the board was measured using demographic diversity variables and structural diversity. Other research by (Van Diepen, 2015) using diversity of gender, nationality, and age as a measure of diversity. As for research (Dewi & Dewi, 2016) using gender diversity, education, and independent commissioners to measure diversity on the board. Based on several

previous studies, this research develops and focuses on the variables of gender, nationality, age, education, and independent commissioners as variables that describe the diversity of the board.

Research on the impact of board diversity on financial performance has been widely developed in developing countries such as Indonesia. However, inconsistencies are still found in several previous studies. Therefore, based on the literature review, it is necessary to conduct further research related to the theme of corporate board diversity with the addition of several variables related to diversity that are thought to have an effect on the company's financial performance. From the description above, this study aims to analyze the effect of the diversity of the board of directors on the company's financial performance

LITERATURE REVIEW

Financial performance is a measure of achievement that has been achieved by the company in a certain period which is manifested in the company's financial statements (Rahmawati & Khoiruddin, 2017). Financial performance describes the financial condition of a period and is measured using financial analysis tools to determine the reflection of a company's work performance (Safitri & Yulianto, 2015).

There are two measures of a company's financial performance, namely performance based on accounting and market. Market performance is measured using Tobin's Q. Tobin's Q is used to measure market performance because it reflects investors' expectations of the profits generated by the company in the future. (Maghfiroh & Utomo, 2019). To measure accounting performance, financial ratios are used in the form of Return on Assets (ROA) and Return on Equity (ROE). ROA and ROE show the company's ability to generate profits by using assets or equity owned. Performance measurement based on accounting is often used using financial ratios ROA or ROE because financial ratios can help companies identify strengths and weaknesses and can be used to measure company performance going forward.

(Amin & Sunarjanto, 2016).

Gender is a status that arises from social, cultural and psychological based on personal characteristics. Where the growing perception of gender is that there are differences between men and women even though they are starting to decrease (Hassan & Marimuthu, 2014). Based on the view of the theory of nature, there are biological differences between men and women. This theory explains that naturally, the characteristics possessed by women and men are different.

Women have more ethical traits than men in behavior (Maghfiroh & Utomo, 2019). In leading the company, the characteristics of the two are also different. The results of research conducted by Grant Thornton stated that women's boards in companies have advantages that are not possessed by men, namely the nature of nurturing employees, keen sense of business management, and more detail in conducting business impact and risk analysis. This is considered capable of complementing the shortcomings of the male leadership style which is more likely to be risky and able to encourage a diversity of perspectives in considering wider inputs to deal with strategic issues.

Viewed from the concept of GCG, the Board's gender composition is part of the concept of good corporate governance. If the concept of governance is implemented properly, it will indirectly improve the company's performance. In the concept of GCG, the existence of male and female boards is considered to have different characteristics in carrying out an innovation and making decisions due to differences in thoughts, points of view, knowledge, experience, and ways of solving problems.

The female board of directors and commissioners are able to improve function and efficiency, so as to improve company performance (Adams & Ferreira, 2009). Based on this explanation, companies with various gender variations, in this case represented by the presence of female boards of directors and commissioners in top management positions, if managed properly, will

produce more diverse, innovative decisions and be able to improve company performance.

H1 : Gender diversity has a significant effect on financial performance.

National diversity is a form of diversity that occurs in the company's board. National diversity that occurs in the board is measured by using the proportion of the board of directors and commissioners who are foreign nationals to the board of directors and commissioners (Darmadi, 2011). The difference in nationality of the company's board indicates that there are differences in character in carrying out the authority of each board of directors and commissioners.

Differences in professionalism, settlement perspectives, languages, and more diverse beliefs between foreign and non-foreign national boards will increase business knowledge and solve more complex problems (Astuti, 2017). Foreign boards of directors bring diverse opinions and perspectives, languages, religions, lives, and professional experiences that differ from country to country. In addition, foreign boards may represent different ideas about the role of the board with respect to its control role especially if they come from countries with stronger shareholder rights. (Arahat, Aksu, & Tansel Cetin, 2010).

H2 : National diversity has a significant effect on financial performance.

Age diversity on the company's board of directors is one of the company's commitments in implementing the concept of GCG. Age diversity describes how big the distribution or age range is owned by the board of directors and the board of commissioners in the company (Anggraeni, Kristanti, & Muslih, 2016). Based on Upper Echelon Theory developed by (Hambrick & Mason, 1984), The company's performance achieved by the company results from the selection of strategies carried out by top management. The choice of strategy adopted by top management reflects the characteristics possessed by them. There are

several characters according to upper echelon theory that can influence the behavior and values of top management, one of which is age. In this theory, it is explained that managers at a young age are able to learn new ideas and new behaviors, while older executives are more likely to be psychologically committed to the company's status quo and are more concerned with the security of their careers.

However, in the learning curve concept, the older you get, the more you get used to it and you can get things done quickly and can generate economic benefits. The older the manager, the higher his performance (Supriyono, 2006). So, the more diverse the ages on the board, the better for the company.

H3 : Age diversity has a significant effect on financial performance.

Educational diversity is a form of diversity in educational backgrounds owned by the board of the company. The educational background of the company's board members can influence the strategic decisions taken by the board of directors (Kusumatuti, Supatmi, & Sastra, 2007). In the Upper Echelon theory, it is explained that different types of education taken by a person will produce different cognitive values and knowledge. The mindset resulting from education can be used by the board as a reference for strategic decision making (Puji et al., 2017).

In the company's board, there are directors who are in charge of their respective fields. Educational diversity indicates that the board of directors makes strategic decisions according to the field of knowledge they have in accordance with their educational background. In addition, the educational background of the board of commissioners also functions as monitoring and providing advice to the directors according to their field of knowledge.

H4 : Educational diversity has a significant effect on financial performance.

Based on the Financial Services Authority Regulation Number 57/2017, the board of commissioners is a member of a company or securities that has general or specific supervisory duties based on the articles of association and provides advice to members of the board of directors. In the board of commissioners, there are commissioners who are not affiliated with the company, namely independent commissioners. As stated in article 22/POJK/2017, an independent commissioner is not a person or party who works or has the authority to plan, control and make decisions, does not have a proportion of shares in related securities, has no affiliation with the board of directors, commissioners, and others, and has no business relationship with related securities.

To realize corporate governance, a company or securities must have independent commissioners of at least 30% of the total board of commissioners. Independent commissioners and the board of commissioners have differences, namely the existence of affiliation and unaffiliated. With no affiliation, it is easier to realize the truth of the company's financial information and help management to make the right decisions so that it will improve performance. From the perspective of Agency Theory, independent commissioners have the authority to supervise and evaluate managers' decisions through their expertise so as to reduce agency costs and prioritize the interests of shareholders. (Tertius & Christiawan, 2015).

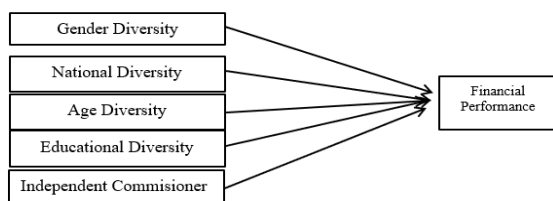
H5 : The proportion of independent commissioners has a significant effect on financial performance.

Researchers are interested in further research on the effect of demographic diversity within the company on financial performance. Previous research that examines related problems there are still many inconsistencies in research results. The following are the results of previous research on board diversity on financial performance.

Table 1. Summary of Previous Research

Researchers	Title	Variable	Result	Adj. R2
Modest Paul Assenga, Doaa Aly, dan Khaled Hus-sainey, (2018)	The impact of board characteristics on the financial performance of Tanzanian firms	Independent: Gender diversity, board skill, foreign director, outside directors, board size, CEO duality Dependent: Financial performance	- outside directors, gender, foreign, and board skills have no significant positive effect on financial performance - Board size and CEO duality have a significant negative effect on financial performance.	0.491
Raj Aggarwal, Varun Jindal, dan Rama Seth, (2018)	Board diversity and firm performance: The role of Business group affiliation	Board demographic (gender, education, age, tenure) dan board structural (outside directors)	- Board demographic has an insignificant negative effect on firm performance - board structural has a significant positive effect on firm performance	0.23
Nathalie van Diepen, (2015)	The effect of gender, age and nationality diversity on company performance - evidence from the Netherlands	Independent: Gender, age, nationality diversity Dependent: Firm performance	- gender diversity has no significant positive effect - foreign directors have no significant negative effect - age 41-60 has no significant positive effect - age >61 has no	0.114
Ketut Arya Bayu Wicaksana, (2010)	The impact of national diversity of members of the board of commissioners and directors on company performance	Independent: Nationality Control Company size, industry Dependent: Firm performance	National diversity has an insignificant positive effect on company performance, company size and industry have a significant positive effect on performance - gender diversity has a significant positive effect on financial performance - there is no influence between age diversity on financial performance	0.3086
Hervindra & Hatane (2018)	Does board diversity influence financial performance?	Independent: Gender, nationality, education diversity dependent: Financial performance	- Gender has a significant negative effect on financial performance - Foreign has a significant positive effect on financial performance - Education diversity has no significant positive effect on financial performance	0.333
Ramadhani & Adhariani (2017)	Semakin beragam semakin baik? Isu keberagaman gender, keuangan, dan investasi perusahaan	Independent: FBOC, FBOD, PFBC, PFBD control: SIZE, PIC Dependent: Financial performance, Company's Investment	- Gender diversity in members of the board of commissioners and directors has no significant effect on financial performance. - Gender diversity has no effect on investment efficiency.	0.0474 & 0.0318
D a r m a d i , (2011)	Board diversity and firm performance: the Indonesian evidence.	Independent: Proportion of women, foreign nationality, and board age. Dependent: ROA, Tobin's Q	- Board women and age have a negative influence on ROA. -Foreign has a positive effect on ROA - Women and foreign councils have a negative effect on Tobin's Q. - Board age has a positive effect on Tobin's Q.	0.39

Based on the theory and the previous description, the framework of thinking in this study is:



METHOD

In this study, the data used is secondary data obtained from financial statements listed on the Indonesia Stock Exchange (IDX) and which have been published. The data collection method used in this research is documentation technique. The sampling method used in this study is the purposive sampling method. The data collected is annual financial report data that has been audited and presented on www.idx.co.id.

The population in this study are all financial sector companies listed on the Indonesia Stock Exchange (IDX) in the 2009-2019 period. The sampling technique used in this study was non-random (non-probability) using purposive sampling technique. The companies selected as samples in this study are companies that meet the following criteria: 1) Banking sector companies listed on the Indonesia Stock Exchange (IDX) consecutively during the 2009-2019 period. 2) Companies with complete and audited annual reports for the period 2009-2019.

In this study, researchers used multiple linear regression. Multiple linear regression aims to test two or more independent variables against one dependent variable. The estimation technique that will be used is Ordinary Least Square (OLS). The OLS method estimates the regression line by minimizing the number of squares of error for each observation on the line. In this study, the Analysis of Covariance (ANCOVA) regression model was used. The ANCOVA regression model is a model that incorporates a combination of independent variables with qualitative and quantitative data.

ANCOVA analysis used is ANCOVA TYPE III, which is to determine the linear relationship between quantitative data and the dependent variable and to determine the effect of different categories of qualitative data on the dependent variable. This multiple linear regression analysis is used to examine the effect of board diversity variables (gender, nationality, age, educational, outside director) on the dependent

variable of financial performance (ROA). The following is the multiple regression equation in this study:

$$ROA = \alpha + \beta_1 GEN + \beta_2 NAT + \beta_3 AGE + \beta_4 DEDU + \beta_5 INDP$$

Annotation:

- ROA = Return on Assets
- α = Constant
- β = Regression coefficient of each independent variable
- GEN = Gender diversity
- NAT = National diversity
- AGE = Age diversity
- DEDU = Dummy of diversity education board of directors (value 0 if education is centralized and 1 if scattered)
- INDP = proportion of independent commissioners

RESULTS AND DISCUSSION

Descriptive statistics show or provide an overview of the data regarding the variables that have been processed in this study. The variables used in this study include financial performance (ROA), gender diversity (GEN), national diversity (NAT), age diversity (AGE), educational diversity (EDU), and the proportion of independent commissioners. Descriptive analysis provides an overview of the distribution of data that can be seen through the mean, median, maximum, minimum, and standard deviation. The following are the output results of descriptive statistical calculations using SPSS software in banking companies.

Table 2. Descriptive Statistics Result

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	209	-0.112	0.052	0.01668	0.020864
Gen	209	0.000	0.438	0.14823	0.098438
Nat	209	0.000	0.500	0.14395	0.164599
Age	209	0.000	0.256	0.13603	0.038223
Edu	209	0.000	1.000	0.45455	0.499125
Indp	209	0.000	1.000	0.51401	0.148584
Valid N (listwise)	209				

Based on table 2, it can be seen that the number of observations in this study was 209 research data. The amount of research data comes from a sample of banking companies listed on the Indonesia Stock Exchange for 11 years, from 2009 to 2019. The following are descriptive statistics for each variable.

In the results of the descriptive statistics above, it can be seen that the average return on assets (ROA) is 0.01668 or 1.67% with a standard deviation of 0.020864. The mean value explains that the average banking company listed on the Indonesia Stock Exchange 2009-2019, is able to generate net profit from the total assets owned with a ratio of 1.67%. The maximum ROA value in the table above is 0.052 or 5.2%. The maximum value of ROA in descriptive statistics is owned by Bank Rakyat Indonesia, Tbk (BBRI) in 2012. This shows that Bank Rakyat Indonesia, Tbk in 2012 generated a fairly high net profit on assets owned. This means that BBRI's financial performance in 2012 was very good with a high and positive ROA shown.

The minimum ROA value in the descriptive statistics above is -0.111500 or -11.5%. This value is owned by Bank of India Indonesia, Tbk (BSWD) in 2016. A negative value on ROA indicates that Bank of India Indonesia, Tbk experienced a loss in 2016, so that if divided by total assets it will produce a negative profitability ratio. A negative ROA value illustrates that Bank of India Indonesia has poor performance or profitability compared to other banks. The standard deviation value of ROA in the above results is 0.021603. That is, in the ROA variable there has been a deviation from the average of 0.0216. The average value of ROA that is greater than the standard deviation indicates that the deviation of the ROA data from the average value is low.

There are as many as 189 observational data of banking companies that have women's boards and as many as 20 observational data in which there are no women's boards. In table 2 it can be seen that the average value (mean) of women's boards in banking companies listed on the IDX 2009-2019 is 0.14823. This means that on average, each banking company has a female board of 14.8% on its board of directors and commissioners. The maximum value of gender data in the table shows the number 0.438 or 43.8%. Maybank Indonesia, Tbk (BNII) had the highest proportion of female boards in 2012. This means that BNII bank has excellent gender diversity with the proportion of female boards approaching half of the total board. The minimum gender value is 0.0000 because there are 20 data on companies that do not have women on the company's board at all.

The standard deviation value is 0.098438, meaning that the deviation of the data from the average value is 0.098438. The deviation of the data is high because the standard deviation value is higher than the average value of the data. The

high deviation can also be seen from the wide difference between the maximum and minimum values.

For banking companies listed on the Indonesia Stock Exchange 2009-2019, there are 111 data on companies that have foreign national boards and as many as 98 data that do not have foreign national boards. In table 4.5, the average value (mean) of NAT is 0.14395 or 14.39%. This means that each banking company that is the sample has a board of foreign nationals as much as 14.39% of the total board on the company's board. The maximum value in the table above is 0.50 or 50%, which is at Bank Danamon, Tbk (BDMN) in 2010. This means that Bank Danamon, Tbk in 2010 has a very good diversity of nationalities and provides opportunities for foreign boards to contribute to the company. The foreign board of Bank Danamon, Tbk 2010 is half of the total board, while the minimum value of national diversity is 0.0000, because there are banking companies that do not have a foreign board of directors and commissioners.

The standard deviation value in the NAT is 0.164599, meaning that there has been a deviation from the mean of 0.164599. This value is greater than the average value and results in deviations from the average value which tends to be high.

Table 2 shows that the average CV (mean) of the age variable in the observation data of banking companies listed on the IDX 2009-2019 is 0.13603. This means that the age diversity that occurs in each banking company from 2009 to 2019 is 0.136 or 13.6%. The maximum value of CV is 0.255630 or 25.56%, namely at Bank Mayapada, Tbk (MAYA) in 2012. From the results it can be interpreted that Bank Mayapada, Tbk has a good age diversity in the board of directors and commissioners and the highest among other banking observation data in the research sample, while the minimum value is 0.00 or 0%, namely at Bank China Construction Bank Indonesia, Tbk (MCOR) in 2019. This means that the age diversity at Bank China Construction Bank Indonesia in 2019 is the lowest among the observational data in the sample which reflects that the ages on the boards of directors and commissioners tend to have similarities or have slight differences between company boards.

The value of the standard deviation of the NAT variable shows the number 0.038223, meaning that there is a deviation from the average value of 0.038223. The standard deviation value is smaller than the average value (mean). This means that the standard deviation is quite small.

The educational diversity variable is measured using a dummy, with a value of 1 if the education on the board is scattered and 0 if it is not spread out. The more dispersed will lead to better educational diversity and improve financial performance. Table 2 of the descriptive statistics above shows that the average value of the education variable is 0.45455. There are 95 data that have scattered board education and 114 data that have non-dispersed board education. From the mean value, it can be analyzed that on average, banking companies listed on the IDX 2009-2019 are more likely to have boards with the same education or not spread out. The deviation from the average on the educational diversity variable is 0.499125.

Table 2 results of descriptive statistics show that the average value (mean) of the independent commissioner variable is 0.51401 or 51%, meaning that on average banking companies listed on the IDX 2009-2019 have independent commissioners as much as 51% on the board of commissioners or more than those listed on the IDX. stipulated by OJK in the GCG regulations that require the proportion of independent commissioners to be at least 30% on the board of commissioners. The maximum value of this variable is 1 or 100%, there are some data that have an independent board of commissioners as much as 100% in the board of commissioners, including Bank MNC International, Tbk (BABP) in 2012 and 2013, while the minimum value is 0, because there are data on companies that do not have independent commissioners in the composition of the board of commissioners, namely Bank Mayapada, Tbk (MAYA) in 2009, 2010 and 2011. The standard deviation value is 0.148584. it means, in the independent commissioner variable data there has been a deviation from the average of 0.148584 and the average deviation is low because the average value (mean) is greater than the standard deviation.

The final regression model used in this study is the analysis of covariance (ANCOVA) model. The ANCOVA regression model is a model that incorporates a combination of independent variables with qualitative and quantitative data. The ANCOVA model is an extension of the ANOVA model which aims to control quantitative independent variables or covariates (Ghozali, 2014). The following is a regression result from the banking subsector.

Table 3. Regression Result

Variable	Coefficient	Std. Error	t-statistic	Sig.
(Constant)	0.008851	0.007468	1.185120	0.237355
Gen	0.010779	0.015092	0.714225	0.475908
Nat	-0.031969	0.009375	-3.410031	0.000784
Age	0.059406	0.037329	1.591432	0.113068
Edu	0.008656	0.002956	2.928551	0.003795
Indp	-0.002299	0.009475	-0.242604	0.808557

Based on table 3 of the regression results of banking companies, the ANCOVA regression equation can be obtained as follows:

$$\text{ROA} = 0.008851 + 0.010779 \text{ GEN} - 0.031969 \text{ NAT} + 0.059406 \text{ AGE} + 0.008656 \text{ EDU} - 0.002299 \text{ INDP}$$

Determination Coefficient

The coefficient of determination (R²) is intended to measure how much the model's ability to explain the dependent or dependent variable (Y), the rest is explained by other variables or causes outside the model (Ghozali, 2016). The magnitude of the coefficient of determination is in the range between zero and one. The following are the results of the coefficient of determination (R²) and adjusted R² from a sample of banking companies.

Table 4. Goodness of Fit Test Results for Banking Companies

R-squared	0.286	Mean dependent var	0.016679
Adjusted R-squared	0.081583	S.D. dependent var	0.020863
S.E. of regression	0.020239	Sum squared resid	0.083157
F-statistic	3.606504	Durbin Watson stat	0.791852
Prob (F-statistic)	0.004		

Based on table 4. the results of the goodness of fit test for banking companies can be seen that the adjusted R-squared value is 0.081583. From the test results, it can be explained that the research independent variables consisting of diversity of gender, nationality, age, education, and the proportion of independent commissioners are able to explain or influence the financial performance variable (Y) as much as 8.16%, the remaining 92.84% is explained by variables or other

reasons outside models that may have an effect on financial performance.

Based on table 4. the results of the goodness of fit test for banking companies can be seen that the probability value of the F-statistic is 0.004 or less than the predetermined significance level of = 0.05 (5%). From these results it can be concluded that the independent variables of board diversity (gender, nationality, age, education, and the proportion of independent commissioners) can simultaneously affect the dependent variable in the scope of the banking sample.

This t-statistical test examines 5 (five) independent variables of board diversity and 1 (one) dependent variable, namely financial performance. The following are the results of the t-statistical test for banking companies.

Table 5. Banking Company t Test Results

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Indp	-0.002299	0.009475	-0.242604	0.808557

In table 5 the results of the t-test of banking companies show that the regression coefficient value of the gender diversity variable (GEN) is 0.010779 with a probability of 0.475908. The regression coefficient value with a positive value indicates that gender diversity (GEN) with a proxy for the proportion of women's boards has a positive relationship with financial performance (ROA). That is, an increase in the proportion of female board members in the company can cause financial performance to increase. With a probability value of 0.475908 or greater than the significance level of = 0.05 (5%), it can be concluded that the first hypothesis which states that gender diversity has a significant effect on financial performance is not supported.

The regression coefficient value of the national diversity variable (NAT) in the above results is -0.031969 with a probability value of 0.000784. That is, a negative value on the coefficient indicates that national diversity has a negative relation-

ship with financial performance. The increasing proportion of foreign boards on company boards will actually reduce the financial performance of banking companies. With a probability value of 0.000784 or <0.05 (5%), it is concluded that the second hypothesis states that national diversity has a significant effect on financial performance is supported.

The regression coefficient for the age diversity variable (AGE) in the banking company regression test is 0.059406, meaning that there is a positive relationship between age diversity (AGE) and financial performance (ROA). The more diverse the age on the board, the better the financial performance. The probability value is 0.113068 or more than the set significance level of 0.05 (5%). These results indicate that age diversity has a significant negative effect on financial performance. Based on the description above, it can be concluded that the third hypothesis which states that age diversity has a significant effect is not supported.

The next variable is educational diversity (EDU). The results table shows that the coefficient value is 0.008656 with a probability value of 0.003795. A positive coefficient indicates that between the two variables there has been a positive or unidirectional relationship. The probability value is 0.003795 or less than the set significance level of 0.05 (5%). Based on the results, it can be concluded that hypothesis 4 (four) which states that educational diversity has a significant effect on financial performance is supported.

The coefficient value of the independent commissioner proportion variable (INDP) is -0.002299 and the probability is 0.808557. The probability value is > 0.05 (5%), so that the independent commissioner variable and financial performance are not significant. A negative coefficient value indicates that there is an opposite relationship between the two variables. An increase in the proportion of independent commissioners will reduce financial performance. Based on the probability value of the INDP variable, hypothesis 5 (five) which states the proportion of independent commissioners has a significant effect on financial performance is not supported.

Table 6. Hypothesis Testing Summary

No.	Hypothesis	Summary
1	Gender diversity has a significant effect on financial performance	Not supported
2	Gender diversity has a significant effect on financial performance	supported
3	Age diversity has a significant effect on financial performance	Not supported
4	Educational diversity has a significant effect on financial performance	Supported
5	The proportion of independent commissioners has a significant effect on financial performance	Not Supported

The first hypothesis in this study is that there is a significant influence between gender diversity (GEN) on financial performance (ROA) in banking companies listed on the Indonesia Stock Exchange during 2009-2019. In table 5, the results of the t-test of banking companies show that there is a non-significant positive effect between gender diversity and financial performance. The regression coefficient value of 0.010779 reflects that the gender diversity variable has a positive relationship to financial performance. Increasing the proportion of female boards (GEN) in banking companies can increase their financial performance (ROA), while the probability value is 0.475908 or more than the predetermined significance level = 5%.

Based on the description above, the first hypothesis which states that gender diversity has a significant effect on financial performance is not supported. Gender diversity describes the gender diversity that occurs within the company and is measured using the proportion of women on the board of directors and commissioners. when gender diversity increases by 1 unit, it will increase performance (ROA) by 0.010779 units. These results are consistent with the Resource dependence theory which explains that women in the board are claimed to be able to convince stakeholders about the diversity of the board, increase legitimacy, and increase connections with the external environment (Lückerath-Rovers, 2013). Insignificant direction means that the size of the proportion of women on the board of directors and commissioners of the company does not significantly affect the company's ability to generate profits. according to Claessens et al., (2000) that the percentage of female boards in companies in Indonesia is unique because the presence of women's boards in companies is more likely to

result from family relationships. This is also evidenced by the findings of the researchers in the sample who found that family companies have a higher proportion of female boards than other companies. The existence of a family relationship will cause the presence of a women's council to be non-objective, so that experience and competence become false. This causes the women's board to have no significant effect on financial performance.

The results of this study strengthen previous research from research by Zhafarina Isti Ramadhani & Desi Adhariani (2017), Modest Paul Assenga, Doaa Aly, and Khaled Hussainey, (2018) Nathalie van Diepen, (2015) which states that gender diversity has no significant effect on company performance.

The second hypothesis in this study is that there is a significant effect of national diversity (NAT) on the financial performance (ROA) of banking companies listed on the Indonesia Stock Exchange during 2009-2019. In table 5, the results of the t-test of banking companies show that there is a significant negative effect between national diversity and financial performance. The regression coefficient value of -0.031969 reflects that the national diversity variable has a negative relationship with financial performance. The increasing proportion of foreign boards (NAT) in banking companies can actually reduce their financial performance (ROA), while the probability value is 0.000783 or less than the predetermined significance level of = 5%.

Based on the description above, the second hypothesis which states that national diversity has a significant effect on supported financial performance. National diversity describes the proportion of the board of directors and commissioners of foreign or non-Indonesian nationals on the company's board. From the results above, it shows that every increase in the proportion of foreign boards by 1 unit will actually reduce financial performance by 0.031969 units. Researchers suspect that the decline in financial performance due to an increase in the proportion of foreign boards is due to problems in ethnic differences. The company is not able to facilitate differences so that it will reduce the company's performance. According to Lehman & Dufrene (2008) in Tarigan et al. (2018), the diversity of citizenship in management will cause problems in cross-cultural communication, so that it will cause interpersonal conflicts in management. This leads to ineffectiveness on the company's board, thus lowering the company's performance. Research

result (Rafinda, Rafinda, Witiastuti, Suroso, & Trinugroho, 2017) also shows a negative influence between national diversity and financial performance. The presence of a foreign director leads to poorer performance due to distance issues, inability to keep up-to-date information, and communication problems that can lead to conflict.

This result is not in line with the perspective of resource dependence theory which states that the presence of foreign boards offers greater financial flexibility, thus having the opportunity to reduce capital costs by reducing cross-border information gaps (Ujunwa, 2012). These results strengthen research from Kesaulya & Febriany (2018) and Darmadi (2011) which state that national diversity has a negative effect on company performance.

The third hypothesis in this study is that there is a significant effect between board age diversity (AGE) on financial performance (ROA) in banking companies listed on the Indonesia Stock Exchange during 2009-2019. In table 5, the results of the t-test of banking companies show that there is a non-significant positive effect between age diversity and financial performance. The regression coefficient value of 0.059406 reflects that the age diversity variable has a positive relationship with financial performance. The increasing diversity of board age in banking companies can actually increase their financial performance (ROA), while the probability value is 0.113068 or more than the predetermined significance level = 5%.

From the description above, it can be concluded that the third hypothesis which states that age diversity has a significant effect on financial performance is not supported. Age diversity is measured using the coefficient of variation (CV) to determine the level of diversity. The higher the CV value, the more diverse the ages on the board. The results of the t-test of banking companies show that increasing age diversity can improve company performance. The results of this study are consistent with resource dependence theory which states that age differences in the board lead to variations in values and perspectives because different generations lead to different social, political, and economic experiences. In addition, age diversity leads to better performance by balancing risk taking between young and old boards (Ararat et al., 2010). The insignificant direction means that the age diversity in the company's board of directors and commissioners does not significantly affect the company's ability to generate profits. The results of this study strengthen the results of (Fathonah, 2018) which states that age diversity has no significant effect on financial performance.

The fourth hypothesis in this study is that there is a positive influence between educational diversity (EDU) on financial performance (ROA) in banking companies listed on the Indonesia Stock Exchange during 2009-2019. In table 5, the results of the t-test of banking companies show that there is a significant positive effect between educational diversity on financial performance. The regression coefficient value of 0.008656 reflects that the EDU variable has a positive relationship with financial performance. The more spread of board education in banking companies, it can improve its financial performance (ROA). The probability value is 0.003794 or less than the predetermined significance level = 5%, in this case it is significant.

From the explanation, it can be concluded that the fourth hypothesis which states that educational diversity has a significant effect on supported financial performance. The educational diversity variable was measured using a dummy to determine the level of distribution. The dummy variable is worth 1 if the educational background of the board of directors and commissioners is spread out and 0 if the educational background of the board is not spread out. From the results of the t test, it can be explained that there is a positive influence of the board education variable on financial performance. The more spread of board education, it can improve financial performance in banking companies. The educational background of the board of directors and commissioners is a cognitive character that is able to influence the ability of the board in decision making and supervisory functions. The decisions taken can have an impact on the high and low performance of the company. Siciliano (1996) found that educational background is closely related to the work background of members of the board of directors and commissioners. Meanwhile, on the company's board of directors there are more specific areas of work. Educational diversity plays a role in applying the principle of "the right man in the right place", so as to improve company performance.

The results of the study are in accordance with the concept of resource dependence theory which explains that the board is part of the organization and its environment. A structured company board has the potential to affect company outcomes (Siciliano, 1996). These results strengthen the research of Van Ness et al. (2010) and Assenga et al. (2018) which states that educational diversity has a positive effect on company performance.

The fifth hypothesis in this study is that there is a significant effect between the proportion of independent commissioners (INDP) on the financial performance (ROA) of banking companies listed on the Indonesia Stock Exchange during 2009-2019. In table 5, the results of the t-test of banking companies show that there is an insignificant negative effect between the proportion of independent commissioners and financial performance. The regression coefficient value of -0.002298 reflects that the INDP variable has a negative relationship with financial performance. The increasing proportion of independent commissioners in banking companies can reduce their financial performance (ROA). The probability value is 0.808557 or more than the predetermined significance level = 5%.

Based on the description above, the fifth hypothesis which states the proportion of independent commissioners (INDP) has a significant effect on financial performance is not supported. In this study, INDP was measured using the proportion of independent commissioners on the company's board of commissioners. From the results of the t-test of banking companies, it shows that every increase in the proportion of independent commissioners by 1 unit, it can reduce the financial performance of banking companies by 0.002298 units. Insignificant direction means that the size of the proportion of independent commissioners in the board of commissioners does not really affect the company's performance because the neutral and impartial supervisory function within the company does not only come from independent commissioners, but there are various parties who participate in the supervisory function, including internal commissioners, unaffiliated companies, audit committees, and internal and external auditors. So it causes special supervision from independent commissioners to have no significant effect on company performance.

The results of the negative influence between the proportion of independent commissioners on company performance are not in accordance with agency theory which states that one of the efforts to reduce agency conflict is to improve corporate governance, where the presence of independent commissioners is a form of corporate governance or good corporate governance (GCG) in control function. The results of this study differ from those of Dewi & Dewi (2016), Choi et al. (2007), Assenga et al. (2018) which states that the proportion of independent commissioners has no significant positive effect on company performance.

CONCLUSIONS AND RECOMMENDATION

Based on the results of the data analysis and discussion above, it can be concluded that national diversity and educational diversity have a significant effect on the company's financial performance. Meanwhile, gender diversity, age diversity and the existence of independent commissioners have no significant effect on financial performance. Gender diversity, national diversity, age diversity, education diversity and the existence of independent commissioners simultaneously affect the company's financial performance.

Some suggestions that researchers can convey regarding the effect of board diversity on performance based on the results of the analysis and discussion are as follows. It is advisable for the Company's Management to consider factors that can affect financial performance, such as the diversity of nationalities and the diversity of education in the board. For investors, before an investor invests or invests in venture capital into a company, it is necessary to consider the diversity of nationalities and the diversity of education in the company because research results show that national diversity and education have a significant positive effect on financial performance. For further researchers, it is recommended to use research objects in other sector companies to find out more complex capital market conditions in Indonesia related to board diversity research and company performance. In addition, the adjusted R-Square value in this study is relatively low, which is 5.9%. This means that the ability to explain the diversity variables of gender, nationality, age, education, and independent commissioners on financial performance is 5.9%. The remaining 94% is explained by other variables outside the model, so further researchers are advised to add other variables that affect financial performance such as political connection, managerial ownership, company size, etc.

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