Chapter 5
Conclusion and Recommendations

5.1 Conclusion

This research is focusing on the relationship between CGPI Award and corporate governance factors to financial performance in LQ45 Index. Where financial performance will be measured by the ROA ratio in the company, CGPI are measured using Dummy variable and corporate governance factors variables are measured by percentage of Independent Commissioner and Board of Director.

The result has shown that CGPI award has a negatively and insignificantly influence the ROA, Independent Commissioners has a positively and insignificantly effect on ROA, and Board of Director has a significant positive effect on ROA, so we can see that all variable of corporate governance has a positive effect on ROA except CGPI Award, and we can found that Non-Awardee companies have a higher average of ROA than Awardee companies. The result of this research match with previous research that claiming a positive relationship between corporate governance and financial performance.

Even though CGPI award has a negatively and insignificantly influence the ROA, however, it is proven that corporate governance surely needs to be applied to every company regardless of its sector as the research conducted above has the positive results, namely good corporate governance will increase company's performance. Thus, the company should fully implement corporate governance in management, so the investors become more confident to invest their money to a company as the company has a good corporate governance.

Corporate governance implementation will encourage the growth of balance mechanism in the management, especially in paying attention to the interests of shareholders and other stakeholders. This is also related to the role of controlling shareholders who are authorized to appoint commissioners and board of directors that can influence company’s policy and decision making. In addition to protect investors, the regulation requires a system that guarantees transparency and accountability in business transactions among companies that have the potential to cause a conflict of interest.

5.2 Research Limitation

As the research is far from achieving its potential result, there are several limitations of this research that will be mentioned below.

First, the research's samples that were gathered are from 45 companies, which may cause the result of this research to have a large gap between firms. It is suggested that the samples drawn should be in one industrial sector to make the result more accurate and efficient.

Second, the time horizon which is only 3 years from 2015-2017 may be cause the result to be less accurate and efficient. Therefore, a longer time horizon would help increasing the data to be unbiased and not widely spread.

5.3 Implication and Recommendation

This research has deliver some implications which believed to be in favor for the future research for beneficial parties. The beneficial parties that can be benefit from this research are publicly listed firms, investors, academician, bankers and students, opportunists, and other researches. This researcher would help the publicly listed firms in order to give them a point of view on how corporate governance affect financial performance in LQ45 company.

5.4 Recommendation for Future Research

For the other people who are interested in this topic, there are several recommendations that the author suggests for future research.

First, to collect more data to find the impact of corporate governance on financial performance, and collect data from larger sample, for example from 100 company in stock market. In this kind of research, financial performances are measured by several ratios like ROA, ROI, ROE, hence, it might be great if another researcher can find another ratio to measure financial performance.