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[jkdp] Submission Acknowledgement

Dr. Diana Zuhroh, MSi, Ak <jurnal@unmer.ac.id> To: Hendra Wijaya <hendrawijayagoei@gmail.com> Wed, May 12, 2021 at 12:45 PM

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AGENCY COST, FIRM PERFORMANCE, AND FEMALE IN BOARD OF COMMISSIONERS

ABSTRACT

The purpose of this study was to analyze the effect of agency costs on a firm's performance and to analyze the presence of women on the board of commissioners on the effect of agency costs on a firm's performance. The sample in this study is a non-financial company listed on the Indonesian stock exchange in 2014-2018. Data analysis was performed using panel data regression. The results of this study indicate that agency costs have a negative effect on company performance, and the presence of women on the board of commissioners can reduce the negative effect of agency costs on a firm's performance.

Keywords: Agency cost, Financial performance, Female in the board of commissioners

1. INTRODUCTION

Agency conflict is a critical issue for attention related to financial performance. This is due to the presence of agency costs to reduce agency conflicts. Previous research was examined by Savitri (2018), who found that agency costs have a negative impact on financial performance in Indonesian manufacturing firms during 2007-2014. Hoang, Tuan, van Tue Nha, Long, & Phuong (2019) also found that agency costs negatively impact the financial performance of Vietnam's non-financial and utility firms. Rashid Khan, Khidmat, Hares, Muhammad, & Saleem (2020) found that agency costs negatively impact the financial performance of Chines A-listed firms over the period 2008 to 2016.

The board of commissioners is a part of the internal governance mechanism, which has the role of supervising the firm's board of directors. The board of commissioners can minimize agency conflicts. One of the things that have received attention to be examined in relation to the board of commissioners as an internal governance mechanism is the presence of female commissioners in the board of commissioners. Grant Thorton (2020) found that the proportion of females participation in business has increased year to year, so we are interested in doing this research.

Previous research about the association between the presence of a female in the board of commissioners and firm performance was conducted by Duppati, Rao, Matlani, Scrimgeour, & Patnaik (2020) who found that gender diversitiy positively impact the firm performance in India and Singapore. Ting, Wang, Lu, & Chen (2021) who found that female directors positively impact on corporate performance in Chinese banks and Taiwanese financial holding. The opposite result was obtained by Ahmad, Raja Kamaruzaman, Hamdan, & Annuar (2019), who found that the presence of females in the board negatively impact the financial performance of Malaysia's 200 the largest market capitalization listed on Bursa Malaysia during 2011-2013. Lim, Lye, Yuen, & Teoh (2019) also found that the presence of females in the board has a negative impact on the financial performance of both financial and non-financial firms listed on the main market of Bursa Malaysia during 2010-2016.

Many researchers focus on the presence of females in financial performances. The objective of this study is to analyze the effect of agency costs on a firm's performance and to analyze the presence of females in the board of commissioners on the effect of agency costs and firm performances. This study focuses on the moderate effect of females on the board of commissioners on the relationship between agency costs and financial performances. This study measures the female in the board of commissioners by using three measurements, namely the proportion of females, dummy variables, and the Blau Index. This study contributes to the role of the female board of commissioners as a part of the internal governance mechanism to minimize the impact of agency costs and financial performance.

2. HYPOTHESIS DEVELOPMENT

Agency conflict is a conflict that occurs because of the separation of ownership and control (Jensen & Meckling, 1976). Agency conflicts can occur when the management of the firms makes decisions that generate benefit for themselves and ignore the interests of the principals (Jensen & Meckling, 1976). Agency costs are costs that the firms must incur to reduce agency conflicts. The more complex the agency conflicts that occur in the firms, the greater the agency costs, so the agency costs have a negative impact on financial performances. Savitri (2018) found that agency costs have a negative impact on financial performance. Hoang et al. (2019) and Rashid Khan et al. (2020) also found similar results.

H1: The increase in agency costs can reduce the financial performance

The board of commissioners is a board that responsible for supervising the management board in making policies and running the business (Otoritas Jasa Keuangan, 2014). The presence of females as members of the board of commissioners can improve the performance of the board in conducting supervision due to the characteristics of females. Adams & Ferreira (2009) found that gender diversity on the board improves governance structure and allocates more effort to monitoring. Lucas-Pérez, Mínguez-Vera, Baixauli-Soler, Martín-

Ugedo, & Sánchez-Marín (2015) found that gender diversity positively affects the effectiveness of boards because of a monitoring role, better strategic control, have more ability to encourage teamwork, cooperation, and active participation. Saeed & Sameer (2017) stated that females are less confident and conservative when making financial decisions. Ain, Yuan, Javaid, Usman, & Haris (2020) found that females directors negatively affects agency costs.

H2: The more presence of females in the board of commissioners positively moderated the relationship between agency cost and financial performance

3. METHOD, DATA, AND ANALYSIS

This study used secondary data in the form of unbalanced panel data from 2014-2018. This study data was collected from the annual report and financial report, which was obtained from the Indonesian Stock Exchange (IDX). The population of this study is non-financial firms listed on IDX, and the samples of this study were obtained using purposive sampling with the following criteria: (1) The firms listed in IDX from 2014-2018; (2) the financial report listed in rupiahs; (3) the firms have positive equity; (4) the firms have complete data for this research. The total samples obtained were 284 firms and 1398 observations.

The dependent variable used in this research is financial performance. This study measures the financial performances with returns on asset and returns on equity. Return on assets was measured by the net income divided with the total assets, and the return on equity was measured by the net income divided with the firm's equity. The independent variable used in this research is agency costs. This study measures the agency cost with asset turnover ratio and operating expenses ratio. Asset turnover was measured by the net sales divided with the total asset, and the operating expenses ratio was measured by the selling, general, and administrative expense divided with total sales. The moderating variable used in this research is female in the board of commissioners. This study measures the number of females in the board of commissioners with the proportion of females in the board of commissioners. The proportion of females in the board of commissioners was measured by the number of females in the board of commissioners divided by the number of board of commissioners members. The others measures for females in the board of commissioners are the dummy variable and Blau index. The dummy variable has the value of 1 when there are females on the board of commissioners and has a value of 0 otherwise.

The control variables of this research are leverage, size, and firm age. Leverage was measured by the total debt divided by total assets. The firm size was measured by the logarithm of total assets, and the firm age was measured by the logarithm of firm age, which is the number of years since the firm's establishment. The equation of variables showed in Table 1.

Research Variables								
Variables Equation Sources								
Dependent Variables (Financial Performances)								
ROA	Profit After Tax / Total Assets	Hoang et al. (2019)						
ROE	Profit After Tax / Total Equity	Hoang et al. (2019)						
Independent Va	Independent Variables (Agency Costs)							
ATR	Net Sales / Total Assets	Hoang et al. (2019)						
		Ain et al. (2020)						
OPR	SG&A expense / Net Sales	Hoang et al. (2019)						
		Ain et al. (2020)						
Moderating Variables (Female in Board of Commissioners)								
PFC	Number of Females in Board of	Ain et al. (2020)						

Table 1.

	Commissioners / Number of Board	
	of Commissioners members	
FCDUM	Dummy variable: 1 if one or more	Rashid Khan et al.
	female in the board of	(2020)
	commissioners, otherwise $= 0$	
FCBLAU	$1-\sum_{i=1}^{2} Pi2$, where P _i is the	Ain et al. (2020)
	percentage of each category and n	
	= 2 Female (male)]	
Control Variab	les	
LEV	Total debt / Total Assets	Hoang et al. (2019)
SIZE	Log of Total Assets	Hoang et al. (2019)
		Rashid Khan et al.
		(2020)
FAGE	Log of Firm Age	Hoang et al. (2019)

Data on this research were analyzed using panel data regression with the regression model as follows:

$$\begin{split} & \text{PRF}_{it} \ (\text{ROA}, \ \text{ROE}) = \alpha + \beta_1 \text{ATR}_{it} + \beta_2 \text{PFC}_{it} + \beta_3 \text{ATR}^* \text{PFC}_{it} + \beta_4 \text{LEV}_{it} + \\ & \beta_5 \text{SIZE}_{it} + \beta_6 \text{FAGE}_{it} + \beta_7 \text{LV}_{it} + \epsilon \ (1) \\ & \text{PRF}_{it} \ (\text{ROA}, \ \text{ROE}) = \alpha + \beta_1 \text{ATR}_{it} + \beta_2 \text{FCDUM}_{it} + \beta_3 \text{ATR}^* \text{FCDUM}_{it} + \beta_4 \text{LEV}_{it} \\ & + \beta_5 \text{SIZE}_{it} + \beta_6 \text{FAGE}_{it} + \beta_7 \text{LV}_{it} + \epsilon \ (2) \\ & \text{PRF}_{it} \ (\text{ROA}, \ \text{ROE}) = \alpha + \beta_1 \text{ATR}_{it} + \beta_2 \text{FCBLAU}_{it} + \beta_3 \text{ATR}^* \text{FCBLAU}_{it} + \\ & \beta_4 \text{LEV}_{it} + \beta_5 \text{SIZE}_{it} + \beta_6 \text{FAGE}_{it} + \beta_7 \text{LV}_{it} + \epsilon \ (3) \\ & \text{PRF}_{it} \ (\text{ROA}, \ \text{ROE}) = \alpha + \beta_1 \text{OPR}_{it} + \beta_2 \text{PFC}_{it} + \beta_3 \text{OPR}^* \text{PFC}_{it} + \beta_4 \text{LEV}_{it} + \\ & \beta_5 \text{SIZE}_{it} + \beta_6 \text{FAGE}_{it} + \beta_7 \text{LV}_{it} + \epsilon \ (1) \\ & \text{PRF}_{it} \ (\text{ROA}, \ \text{ROE}) = \alpha + \beta_1 \ \text{OPR}_{it} + \beta_2 \text{FCDUM}_{it} + \beta_3 \ \text{OPR}^* \text{FCDUM}_{it} + \\ & \beta_4 \text{LEV}_{it} + \beta_5 \text{SIZE}_{it} + \beta_6 \text{FAGE}_{it} + \beta_7 \text{LV}_{it} + \epsilon \ (2) \\ & \text{PRF}_{it} \ (\text{ROA}, \ \text{ROE}) = \alpha + \beta_1 \ \text{OPR}_{it} + \beta_2 \text{FCBLAU}_{it} + \\ & \beta_4 \text{LEV}_{it} + \beta_5 \text{SIZE}_{it} + \beta_6 \text{FAGE}_{it} + \beta_7 \text{LV}_{it} + \epsilon \ (2) \\ & \text{PRF}_{it} \ (\text{ROA}, \ \text{ROE}) = \alpha + \beta_1 \ \text{OPR}_{it} + \beta_2 \text{FCBLAU}_{it} + \\ & \beta_3 \ \text{OPR}^* \text{FCBLAU}_{it} + \\ & \beta_4 \text{LEV}_{it} + \\ & \beta_5 \text{SIZE}_{it} + \\ & \beta_6 \text{FAGE}_{it} + \\ & \beta_7 \text{LV}_{it} + \\ & \epsilon \ (3) \\ \end{array}$$

Where, PRF = financial performances; ATR = asset turnover; OPR = operating expenses; PFC = proportion of female in board of commissioners; FCDUM = the dummy variables of female in the board of commissioners; LEV = leverage; SIZE = firm size; and FAGE = firm age.

4. **RESULTS**

This study wants to analyze the effect of agency costs on financial performances and the moderate effect of females in the board of commissioners

on the relationship between agency costs and financial performance. The descriptive statistics of this research showed in Table 2.

Descriptive Statistics								
Variables	Ν	Mean	Std. Dev.	Max	Min			
ATR	1398	0.8545	0.8752	11.1603	0.0012			
OPR	1398	0.2367	0.2798	3.5546	0.0052			
PFC	1398	0.1106	0.1728	0.7500	0.0000			
FCDUM	1398	0.3462	0.4759	1.0000	0.0000			
FCBLAU	1398	0.1371	0.1941	0.5000	0.0000			
LEV	1398	0.4503	0.2031	0.9574	0.0076			
SIZE	1398	12.4154	0.7187	14.5375	9.8836			
SIZE (in million)	1398	9,413,087.0337	23,507,787.7804	344,711,000,000.0000	7,648.1938			
FAGE	1398	1.4688	0.2109	2.0212	0.6990			
ROA	1398	0.0443	0.0958	1.1026	-0.6384			
ROE	1398	0.0719	0.2199	2.0522	-1.8829			

Table 2.

Table 2 shows the descriptive statistics in this study. The descriptive statistics consist of mean, standard deviation, maximum, and minimum. Table 3 shows the mean of ATR was 0.8545. It indicated that the average sales were 85.45% from total assets. The mean of OPR was 0.2367 and indicated that the average operating expenses ratio was 23.67% from sales. The mean of PFC was 0.1106 and indicated that the average female proportion in the board of commissioners was 11.06%. The mean of LEV was 0.4503 and indicated that the average debt proportion from total assets was 45.03%. The average firm size was 9.413.087 million.

Regression Results (Agency Cost Measured by Asset Turnover) VARIABEL DEPENDEN ROA ROE Variabel (1) (2) (3) (4) (5) (6)

Table 3.

ATR	0.0319	0.0328	0.0361	0.0809	0.0835	0.0884
	(3.5674)***	(3.3427)***	(3.6849)***	(4.0519)***	(3.8089)***	(4.0352)***
PFC	0.0709			0.2010		
	(2.2640)**			(2.8752)***		
ATR*PFC	-0.0460			-0.1198		
	(-2.2199)**			(-2.5896)***		
FCDUM		0.0199			0.0520	
		(1.8558)*			(2.1711)**	
ATR*FCDUM		-0.0164			-0.0429	
		(-2.0175)**			(-2.3586)**	
FCBLAU			0.0666			0.1703
			(2.4595)**			(2.8126)***
ATR*FCBLAU			-0.0450			-0.1090
			(-2.4517)**			(-
						2.6553)***
LEV	-0.2041	-0.2025	-0.2030	-0.5789	-0.5750	-0.5764
	(-	(-8.8574)***	(-8.8924)***	(-11.3395)***	(-	(-
	8.9294)***				11.2525)***	11.2950)***
SIZE	0.0417	0.0418	0.0414	0.2084	0.2092	0.2074
	(2.4195)**	(2.4185)**	(2.3969)**	(5.4055)***	(5.4121)***	(5.3703)***
FAGE	-0.1506	-0.1495	-0.1527	0.0104	0.0128	0.0082
	(-1.2517)	(-1.2412)	(-1.2693)	(0.0386)	(0.0474)	(0.0307)
Constant	-0.1912	-0.1938	-0.1885	-2.3484	-2.3608	2.3409
	(-0.6905)	(-0.6993)	(-0.6806)	(-3.7964)***	(-3.8109)***	(-
						3.7818)***
F-statistic	6.9917***	6.9779***	7.0042***	7.5839***	7.5557***	7.5843***
Firm FE	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES
Adj R-squared	0.5560	0.5555	0.5565	0.5792	0.5781	0.5792

Table 4.
Regression Results (Agency Cost Measured by Operating Expenses Ratio)
VARIABEL DEPENDEN

			VARIABEL	DEPENDEN		
		ROA			ROE	
Variabel	(1)	(2)	(3)	(4)	(5)	(6)
OPR	-0.0759	-0.0769	-0.0781	-0.1941	-0.1951	-0.1973
	(-4.6619)***	(-4.5536)***	(-4.6970)***	(-5.3477)***	(-5.1797)***	(-
						5.3219)***
PFC	0.0013			0.0363		
	(0.0499)			(0.6436)		
OPR*PFC	0.1222			0.2352		
	(2.2650)**			(1.9559)*		
FCDUM		-0.0027			-0.0002	
		(-0.2958)			(-0.0082)	
OPR*FCDUM		0.0521			0.0981	
		(2.1393)***			(1.8060)*	
FCBLAU			0.0025			0.0281
			(0.1115)			(0.5571)
OPR*FCBLAU			0.1244			0.2339
			(2.3415)**			(1.9741)**
LEV	-0.1916	-0.1884	-0.1901	-0.5454	-0.5399	-0.5430

	(-8.3673)***	(-8.1802)***	(-8.2887)***	(-10.6818)***	(-	(-
					10.5099)***	10.6175)***
SIZE	0.0237	0.0233	0.0225	0.1609	0.1608	0.1585
	(1.3672)	(1.3419)	(1.2953)	(4.1656)***	(4.1510)***	(4.0928)***
FAGE	-0.0965	-0.0955	-0.0945	0.1397	0.1416	0.1436
	(-0.8051)	(-0.7967)	(-0.7884)	(0.5231)	(0.5294)	(0.5374)
Constant	-0.0075	-0.0053	0.0033	-1.8502	-1.8519	-1.8272
	(-0.0270)	(-0.0190)	(0.0119)	(-2.9952)***	(-2.9941)***	(-
						2.9558)***
F-statistic	7.0752***	7.0640***	7.0817***	7.7222***	7.6981***	7.7207***
Firm FE	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES
Adj R-squared	0.5594	0.5590	0.5597	0.5842	0.5833	0.5842

This research analyzes the data with panel data regression and gets fixed effect as the best estimators. Based on Table 3 and Table 4 showed that the agency cost has a negative effect on financial performances, so the first hypothesis of this research is not rejected. Table 3 showed that the lower asset turnover (higher agency costs) is associated with lower performance, and Table 4 showed that the higher operating expenses ratio (higher agency costs) is associated with lower performance. We have similar results when the dependent variables ROA and ROE.

Table 3 and Table 4 also showed that the more proportion of females in board commissioners positively moderated the relationship between agency costs and financial performances, so the second hypothesis of this research is not rejected. Table 3 showed that the female in the board of commissioners could reduce the negative effect of agency cost and financial performance, and Table 4, when financial performance measure by ROE, also found similar results. We also have similar results when the female in the board of commissioners is measured by the proportion of females, dummy variable, and Blau index.

5. DISCUSSION

The results of this study show that the higher agency cost leads to lower financial performance. Agency conflicts arise because of the separation between ownership and control. Agency conflicts can occur because managers can meet their interests and harm the company and manage the funds inefficiently. Agency costs are incurred to minimize agency conflicts that occur. The more complex agency conflict leads to higher agency costs so that higher agency costs can reduce financial performance. The results of this study supported by Savitri (2018), Hoang et al. (2019), Rashid Khan et al. (2020), who found that agency cost has a negative impact on financial performance.

The results of this study show that the female in the board of commissioners could reduce the negative effect of agency cost on financial performances. It is indicated that the characteristics of females can reduce agency conflicts and increase financial performance. The presence of females in the board of commissioners increases the alignment of principal and management. The results of this study supported by Ain et al. (2020), who found that females directors reduce the manager's opportunistic behavior and lower agency cost. A decline in the manager's opportunistic behavior of managers due to better monitoring by the presence of females in the board of commissioners. Zalata, Ntim, Choudhry, Hassanein, & Elzahar (2019) also found that the female directors has a negative impact on managerial opportunism. The opposite result was obtained by research conducted by Ahmad et al. (2019) and Lim et al. (2019), who found that the presence of females directors has a negative impact on financial opportunism.

6. CONCLUSION

This study analyzes the effect of females in the Board of Commissioners on the relationship between agency cost and firm performances. This study analyzed all non-financial firms from 2014-2018. Based on the previous analysis and discussion, this study concludes that agency cost has a negative effect on financial performances and the female in the board of commissioners moderated the negative effect of agency cost on financial performances. The more females on the board of commissioners can reduce the negative effect of agency cost on financial performances.

The limitation of this study is that only analyze the moderate effect of female in the board of commissioners on the relationship between agency cost and financial performance. Further research can analyze more deeply the effect of the board of commissioner's characteristics such as educational background, age, and tenure.

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AGENCY COST, FIRM PERFORMANCE, AND FEMALE IN BOARD OF COMMISSIONERS

ABSTRACT

The purpose of this study was to analyze the effect of agency costs on a firm's performance and to analyze the presence of women on the board of commissioners on the effect of agency costs on a firm's performance. The sample in this study is a non-financial company listed on the Indonesian stock exchange in 2014-2018. Data analysis was performed using panel data regression. The results of this study indicate that agency costs have a negative effect on company performance, and the presence of women on the board of commissioners can reduce the negative effect of agency costs on a firm's performance. **Keywords:** Agency cost, Financial performance, Female in the board of commissioners

1. INTRODUCTION

Agency conflict is a critical issue for attention related to financial performance. This is due to the presence of agency costs to reduce agency conflicts. Previous research was examined by Savitri (2018), who found that agency costs have a negative impact on financial performance in Indonesian manufacturing firms during 2007-2014. Hoang, Tuan, van Tue Nha, Long, & Phuong (2019) also found that agency costs negatively impact the financial performance of Vietnam's non-financial and utility firms. Rashid Khan, Khidmat, Hares, Muhammad, & Saleem (2020) found that agency costs negatively impact the financial performance of Chines A-listed firms over the period 2008 to 2016.

The board of commissioners is a part of the internal governance mechanism, which has the role of supervising the firm's board of directors. The board of commissioners can minimize agency conflicts. One of the things that have received attention to be examined in relation to the board of commissioners as an internal governance mechanism is the presence of female commissioners in the board of commissioners. Grant Thorton (2020) found that the proportion of females participation in business has increased year to year, so we are interested in doing this research.

Previous research about the association between the presence of a female in the board of commissioners and firm performance was conducted by Duppati, Rao, Matlani, Scrimgeour, & Patnaik (2020) who found that gender diversitiy positively impact the firm performance in India and Singapore. Ting, Wang, Lu, & Chen (2021) who found that female directors positively impact on corporate performance in Chinese banks and Taiwanese financial holding. The opposite result was obtained by Ahmad, Raja Kamaruzaman, Hamdan, & Annuar (2019), who found that the presence of females in the board negatively impact the financial performance of Malaysia's 200 the largest market capitalization listed on Bursa Malaysia during 2011-2013. Lim, Lye, Yuen, & Teoh (2019) also found that the presence of females in the board has a negative impact on the financial performance of both financial and non-financial firms listed on the main market of Bursa Malaysia during 2010-2016.

Many researchers focus on the presence of females in financial performances. The objective of this study is to analyze the effect of agency costs on a firm's performance and to analyze the presence of females in the board of commissioners on the effect of agency costs and firm performances. This study focuses on the moderate effect of females on the board of commissioners on the relationship between agency costs and financial performances. This study measures the female in the board of commissioners by using three measurements, namely the proportion of females, dummy variables, and the Blau Index. This

Commented [hR1]: why does this study include female directors as a moderator variable, not an independent variable? What theory is used to frame it?

Explain the importance of female directors in the Indonesian context

study contributes to the role of the female board of commissioners as a part of the internal governance mechanism to minimize the impact of agency costs and financial performance.

2. HYPOTHESIS DEVELOPMENT

Agency conflict is a conflict that occurs because of the separation of ownership and control (Jensen & Meckling, 1976). Agency conflicts can occur when the management of the firms makes decisions that generate benefit for themselves and ignore the interests of the principals (Jensen & Meckling, 1976). Agency costs are costs that the firms must incur to reduce agency conflicts. The more complex the agency conflicts that occur in the firms, the greater the agency costs, so the agency costs have a negative impact on financial performances. Savitri (2018) found that agency costs have a negative impact on financial performance. Hoang et al. (2019) and Rashid Khan et al. (2020) also found similar results.

H1: The increase in agency costs can reduce the financial performance

The board of commissioners is a board that responsible for supervising the management board in making policies and running the business (Otoritas Jasa Keuangan, 2014). The presence of females as members of the board of commissioners can improve the performance of the board in conducting supervision due to the characteristics of females. Adams & Ferreira (2009) found that gender diversity on the board improves governance structure and allocates more effort to monitoring. Lucas-Pérez, Mínguez-Vera, Baixauli-Soler, Martín-

Ugedo, & Sánchez-Marín (2015) found that gender diversity positively affects the effectiveness of boards because of a monitoring role, better strategic control, have more ability to encourage teamwork, cooperation, and active participation. Saeed & Sameer (2017) stated that females are less confident and conservative when making financial decisions. Ain, Yuan, Javaid, Usman, & Haris (2020) found that females directors negatively affects agency costs.

H2: The more presence of females in the board of commissioners positively moderated the relationship between agency cost and financial performance

3. METHOD, DATA, AND ANALYSIS

This study used secondary data in the form of unbalanced panel data from 2014-2018. This study data was collected from the annual report and financial report, which was obtained from the Indonesian Stock Exchange (IDX). The population of this study is non-financial firms listed on IDX, and the samples of this study were obtained using purposive sampling with the following criteria: (1) The firms listed in IDX from 2014-2018; (2) the financial report listed in rupiahs; (3) the firms have positive equity; (4) the firms have complete data for this research. The total samples obtained were 284 firms and 1398 observations.

The dependent variable used in this research is financial performance. This study measures the financial performances with returns on asset and returns on equity. Return on assets was measured by the net income divided with the total assets, and the return on equity was measured by the net income divided with the firm's equity. The independent variable used in this research is agency costs. This study measures the agency cost with asset turnover ratio and operating expenses **Commented [hR2]:** This study said that female directors have an effect on agency costs, but the hypothesis said females directors as the moderator variable. Therefore, it is necessary to clarify the reasons for females directors as moderator variable

ratio. Asset turnover was measured by the net sales divided with the total asset, and the operating expenses ratio was measured by the selling, general, and administrative expense divided with total sales. The moderating variable used in this research is female in the board of commissioners. This study measures the number of females in the board of commissioners with the proportion of females in the board of commissioners with the proportion of females in the board of commissioners was measured by the number of females in the board of commissioners measured by the number of females in the board of commissioners members. The others measures for females in the board of commissioners are the dummy variable and Blau index. The dummy variable has the value of 1 when there are females on the board of commissioners and has a value of 0 otherwise.

The control variables of this research are leverage, size, and firm age. Leverage was measured by the total debt divided by total assets. The firm size was measured by the logarithm of total assets, and the firm age was measured by the logarithm of firm age, which is the number of years since the firm's establishment. The equation of variables showed in Table 1.

	Table 1.					
Research Variables						
Variables	Equation	Sources				
Dependent Variables (Financial Performances)						
ROA	Profit After Tax / Total Assets	Hoang et al. (2019)				
ROE	Profit After Tax / Total Equity	Hoang et al. (2019)				
Independent Va	Independent Variables (Agency Costs)					
ATR	Net Sales / Total Assets	Hoang et al. (2019)				
		Ain et al. (2020)				
OPR	SG&A expense / Net Sales	Hoang et al. (2019)				
		Ain et al. (2020)				
Moderating Variables (Female in Board of Commissioners)						
PFC	Number of Females in Board of	Ain et al. (2020)				

	Commissioners / Number of	
	Board of Commissioners	
	members	
FCDUM	Dummy variable: 1 if one or more	Rashid Khan et al.
	female in the board of	(2020)
	commissioners, otherwise $= 0$	
FCBLAU	$1-\sum_{i=1}^{2} Pi2$, where P _i is the	Ain et al. (2020)
	percentage of each category and n	
	= 2 Female (male)]	
Control Variab	les	
LEV	Total debt / Total Assets	Hoang et al. (2019)
SIZE	Log of Total Assets	Hoang et al. (2019)
		Rashid Khan et al.
		(2020)
FAGE	Log of Firm Age	Hoang et al. (2019)

Data on this research were analyzed using panel data regression with the regression

model as follows:

$$\begin{split} & \mathsf{PRF}_{it}\left(\mathsf{ROA},\mathsf{ROE}\right) = \alpha + \beta_1\mathsf{ATR}_{it} + \beta_2\mathsf{PFC}^*{}_{it} + \beta_3\mathsf{ATR}^*\mathsf{PFC}_{it} + \beta_4\mathsf{LEV}_{it} + \beta_5\mathsf{SIZE}_{it} \\ & + \beta_6\mathsf{FAGE}_{it} + \beta_7\mathsf{LV}_{it} + \varepsilon\left(1\right) \\ & \mathsf{PRF}_{it}\left(\mathsf{ROA},\mathsf{ROE}\right) = \alpha + \beta_1\mathsf{ATR}_{it} + \beta_2\mathsf{FCDUM}^*{}_{it} + \beta_3\mathsf{ATR}^*\mathsf{FCDUM}_{it} + \beta_4\mathsf{LEV}_{it} \\ & + \beta_5\mathsf{SIZE}_{it} + \beta_6\mathsf{FAGE}_{it} + \beta_7\mathsf{LV}_{it} + \varepsilon\left(2\right) \\ & \mathsf{PRF}_{it}\left(\mathsf{ROA},\mathsf{ROE}\right) = \alpha + \beta_1\mathsf{ATR}_{it} + \beta_2\mathsf{FCBLAU}^*{}_{it} + \beta_3\mathsf{ATR}^*\mathsf{FCBLAU}_{it} + \beta_4\mathsf{LEV}_{it} \\ & + \beta_5\mathsf{SIZE}_{it} + \beta_6\mathsf{FAGE}_{it} + \beta_7\mathsf{LV}_{it} + \varepsilon\left(3\right) \\ & \mathsf{PRF}_{it}\left(\mathsf{ROA},\mathsf{ROE}\right) = \alpha + \beta_1\mathsf{OPR}_{it} + \beta_2\mathsf{PFC}^*{}_{it} + \beta_3\mathsf{OPR}^*\mathsf{PFC}_{it} + \beta_4\mathsf{LEV}_{it} + \beta_5\mathsf{SIZE}_{it} \\ & + \beta_6\mathsf{FAGE}_{it} + \beta_7\mathsf{LV}_{it} + \varepsilon\left(1\right) \\ & \mathsf{PRF}_{it}\left(\mathsf{ROA},\mathsf{ROE}\right) = \alpha + \beta_1\mathsf{OPR}_{it} + \beta_2\mathsf{FCDUM}^*{}_{it} + \beta_3\mathsf{OPR}^*\mathsf{FCDUM}_{it} + \beta_4\mathsf{LEV}_{it} \\ & + \beta_5\mathsf{SIZE}_{it} + \beta_6\mathsf{FAGE}_{it} + \beta_7\mathsf{LV}_{it} + \varepsilon\left(2\right) \\ & \mathsf{PRF}_{it}\left(\mathsf{ROA},\mathsf{ROE}\right) = \alpha + \beta_1\mathsf{OPR}_{it} + \beta_2\mathsf{FCBLAU}^*{}_{it} + \beta_3\mathsf{OPR}^*\mathsf{FCBLAU}_{it} + \beta_4\mathsf{LEV}_{it} \\ & + \beta_4\mathsf{LEV}_{it} + \beta_5\mathsf{SIZE}_{it} + \beta_6\mathsf{FAGE}_{it} + \beta_7\mathsf{LV}_{it} + \varepsilon\left(2\right) \\ & \mathsf{PRF}_{it}\left(\mathsf{ROA},\mathsf{ROE}\right) = \alpha + \beta_1\mathsf{OPR}_{it} + \beta_2\mathsf{FCBLAU}^*{}_{it} + \beta_3\mathsf{OPR}^*\mathsf{FCBLAU}_{it} + \beta_4\mathsf{LEV}_{it} \\ & + \beta_4\mathsf{LEV}_{it} + \beta_5\mathsf{SIZE}_{it} + \beta_6\mathsf{FAGE}_{it} + \beta_7\mathsf{LV}_{it} + \varepsilon\left(3\right) \\ & \mathsf{Where}, \mathsf{PRF} = \mathsf{financial} \mathsf{performances}; \mathsf{ATR} = \mathsf{asset} \mathsf{turnover}; \mathsf{OPR} = \mathsf{operating} \end{split}$$

expenses; PFC = proportion of female in board of commissioners; FCDUM = the dummy variables of female in the board of commissioners; LEV = leverage; SIZE

= firm size; and FAGE = firm age.

4. **RESULTS**

This study wants to analyze the effect of agency costs on financial performances and the moderate effect of females in the board of commissioners

on the relationship between agency costs and financial performance. The descriptive statistics of this research showed in Table 2.

Table 2. Descriptive Statistics								
Variables	Ν	Mean	Std. Dev.	Max	Min			
ATR	1398	0.8545	0.8752	11.1603	0.0012			
OPR	1398	0.2367	0.2798	3.5546	0.0052			
PFC	1398	0.1106	0.1728	0.7500	0.0000			
FCDUM	1398	0.3462	0.4759	1.0000	0.0000	Commented [hR3]: Ho		
FCBLAU	1398	0.1371	0.1941	0.5000	0.0000	variable?		
LEV	1398	0.4503	0.2031	0.9574	0.0076			
SIZE	1398	12.4154	0.7187	14.5375	9.8836			
SIZE (in million)	1398	9,413,087.0337	23,507,787.7804	344,711,000,000.0000	7,648.1938			
FAGE	1398	1.4688	0.2109	2.0212	0.6990			
ROA	1398	0.0443	0.0958	1.1026	-0.6384			
ROE	1398	0.0719	0.2199	2.0522	-1.8829			

Commented [hR3]: How to read mean and std dev for dummy

Table 2 shows the descriptive statistics in this study. The descriptive statistics consist of mean, standard deviation, maximum, and minimum. Table 3 shows the mean of ATR was 0.8545. It indicated that the average sales were 85.45% from total assets. The mean of OPR was 0.2367 and indicated that the average operating expenses ratio was 23.67% from sales. The mean of PFC was 0.1106 and indicated that the average female proportion in the board of commissioners was 11.06%. The mean of LEV was 0.4503 and indicated that the average debt proportion from total assets was 45.03%. The average firm size was 9.413.087 million.

Table 3.

Regression Results (Agency Cost Measured by Asset Turnover)						Commente	d [hR4]: the use of moderating variables will cause
	VARIABEL DEPENDEN					How to solve	ity problems. Have you done the multicollinearity test?
	ROA				ROE	and endogeneity problem in and model.	
Variabel	(1)	(2)	(3)	(4)	(5)	(6)	
ATR	0.0319	0.0328	0.0361	0.0809	0.0835	0.0884	
	(3.5674)***	(3.3427)***	(3.6849)***	(4.0519)***	(3.8089)***	(4.0352)***	

PFC	0.0709			0.2010		
	(2.2640)**			(2.8752)***		
ATR*PFC	-0.0460			-0.1198		
	(-2.2199)**			(-2.5896)***		
FCDUM		0.0199			0.0520	
		(1.8558)*			(2.1711)**	
ATR*FCDUM		-0.0164			-0.0429	
		(-2.0175)**			(-2.3586)**	
FCBLAU			0.0666			0.1703
			(2.4595)**			(2.8126)***
ATR*FCBLAU			-0.0450			-0.1090
			(-2.4517)**			(-
			` ´			2.6553)***
LEV	-0.2041	-0.2025	-0.2030	-0.5789	-0.5750	-0.5764
	(-	(-8.8574)***	(-8.8924)***	(-11.3395)***	(-	(-
	8.9294)***				11.2525)***	11.2950)***
SIZE	0.0417	0.0418	0.0414	0.2084	0.2092	0.2074
	(2.4195)**	(2.4185)**	(2.3969)**	(5.4055)***	(5.4121)***	(5.3703)***
FAGE	-0.1506	-0.1495	-0.1527	0.0104	0.0128	0.0082
	(-1.2517)	(-1.2412)	(-1.2693)	(0.0386)	(0.0474)	(0.0307)
Constant	-0.1912	-0.1938	-0.1885	-2.3484	-2.3608	2.3409
	(-0.6905)	(-0.6993)	(-0.6806)	(-3.7964)***	(-3.8109)***	(-
						3.7818)***
F-statistic	6.9917***	6.9779***	7.0042***	7.5839***	7.5557***	7.5843***
Firm FE	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES
Adj R-squared	0.5560	0.5555	0.5565	0.5792	0.5781	0.5792

			Table 4.					
	Regression	Results (Agency	y Cost Measured	by Operating Ex	xpenses Ratio)			
VARIABEL DEPENDEN								
		ROA			ROE			
Variabel	(1)	(2)	(3)	(4)	(5)	(6)		
OPR	-0.0759	-0.0769	-0.0781	-0.1941	-0.1951	-0.1973		
	(-4.6619)***	(-4.5536)***	(-4.6970)***	(-5.3477)***	(-5.1797)***	(-		
						5.3219)***		
PFC	0.0013			0.0363				
	(0.0499)			(0.6436)				
OPR*PFC	0.1222			0.2352				
	(2.2650)**			(1.9559)*				
FCDUM		-0.0027			-0.0002			
		(-0.2958)			(-0.0082)			
OPR*FCDUM		0.0521			0.0981			
		(2.1393)***			(1.8060)*			
FCBLAU			0.0025			0.0281		
			(0.1115)			(0.5571)		
OPR*FCBLAU			0.1244			0.2339		
			(2.3415)**			(1.9741)**		
LEV	-0.1916	-0.1884	-0.1901	-0.5454	-0.5399	-0.5430		
	(-8.3673)***	(-8.1802)***	(-8.2887)***	(-10.6818)***	(-	(-		
					10.5099)***	10.6175)***		

SIZE	0.0237	0.0233	0.0225	0.1609	0.1608	0.1585
	(1.3672)	(1.3419)	(1.2953)	(4.1656)***	(4.1510)***	(4.0928)***
FAGE	-0.0965	-0.0955	-0.0945	0.1397	0.1416	0.1436
	(-0.8051)	(-0.7967)	(-0.7884)	(0.5231)	(0.5294)	(0.5374)
Constant	-0.0075	-0.0053	0.0033	-1.8502	-1.8519	-1.8272
	(-0.0270)	(-0.0190)	(0.0119)	(-2.9952)***	(-2.9941)***	(-
						2.9558)***
F-statistic	7.0752***	7.0640***	7.0817***	7.7222***	7.6981***	7.7207***
Firm FE	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES
Adj R-squared	0.5594	0.5590	0.5597	0.5842	0.5833	0.5842

This research analyzes the data with panel data regression and gets fixed effect as the best estimators. Based on Table 3 and Table 4 showed that the agency cost has a negative effect on financial performances, so the first hypothesis of this research is not rejected. Table 3 showed that the lower asset turnover (higher agency costs) is associated with lower performance, and Table 4 showed that the higher operating expenses ratio (higher agency costs) is associated with lower performance. We have similar results when the dependent variables ROA and ROE.

Table 3 and Table 4 also showed that the more proportion of females in board commissioners positively moderated the relationship between agency costs and financial performances, so the second hypothesis of this research is not rejected. Table 3 showed that the female in the board of commissioners could reduce the negative effect of agency cost and financial performance, and Table 4, when financial performance measure by ROE, also found similar results. We also have similar results when the female in the board of commissioners is measured by the proportion of females, dummy variable, and Blau index.

5. DISCUSSION

The results of this study show that the higher agency cost leads to lower

financial performance. Agency conflicts arise because of the separation between ownership and control. Agency conflicts can occur because managers can meet their interests and harm the company and manage the funds inefficiently. Agency costs are incurred to minimize agency conflicts that occur. The more complex agency conflict leads to higher agency costs so that higher agency costs can reduce financial performance. The results of this study supported by Savitri (2018), Hoang et al. (2019), Rashid Khan et al. (2020), who found that agency cost has a negative impact on financial performance.

The results of this study show that the female in the board of commissioners could reduce the negative effect of agency cost on financial performances. It is indicated that the characteristics of females can reduce agency conflicts and increase financial performance. The presence of females in the board of commissioners increases the alignment of principal and management. The results of this study supported by Ain et al. (2020), who found that females directors reduce the manager's opportunistic behavior and lower agency cost. A decline in the manager's opportunistic behavior of managers due to better monitoring by the presence of females in the board of commissioners. Zalata, Ntim, Choudhry, Hassanein, & Elzahar (2019) also found that the female directors has a negative impact on managerial opportunism. The opposite result was obtained by research conducted by Ahmad et al. (2019) and Lim et al. (2019), who found that the presence of females directors has a negative impact on financial performance.

Commented [hR5]: All previous studies said female directors as predictors of agency costs. Find results that explain female directors as a mediator variable for the relationship between agency costs and performance

6. CONCLUSION

This study analyzes the effect of females in the Board of Commissioners on

the relationship between agency cost and firm performances. This study analyzed all non-financial firms from 2014-2018. Based on the previous analysis and discussion, this study concludes that agency cost has a negative effect on financial performances and the female in the board of commissioners moderated the negative effect of agency cost on financial performances. The more females on the board of commissioners can reduce the negative effect of agency cost on financial performances.

The limitation of this study is that only analyze the moderate effect of female in the board of commissioners on the relationship between agency cost and financial performance. Further research can analyze more deeply the effect of the board of commissioner's characteristics such as educational background, age, and tenure.

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PAPER REVIEW FORM				
Paper ID	:	5788		
Title	:	AGENCY COST, FIRM PER OF COMMISSIONERS	FORMANCE, AND FEMALE IN BOARD	

Please rate the manuscript concerning the following items **(X).** Some of the fields are optional. You do not have to fill out all categories.

Technical correctness:		Novelty/originality:		Reference to prior work:	
Excellent		Excellent		Excellent	
Good	х	Good	х	Good	х
Acceptable		Acceptable		Acceptable	
Fair		Fair		Fair	
Very Poor		Very Poor		Very Poor	

Quality of experimental results		Organization and clarity:		Importance to the field:	
Excellent		Excellent		Excellent	
Good	х	Good	х	Good	х
Acceptable		Acceptable		Acceptable	
Fair		Fair		Fair	
Very Poor		Very Poor		Very Poor	

Comments About Paper:							
Strengths	Topik ris	set masih	n relevar	ı			
Weakness	Diskusi	kurang	tajam.	Saran:	jelaskan	dengan	beberapa

	contoh konkrit di lapangan bahwa kehadiran komisaris perempuan bisa mereduksi agency cost (setidaknya argumentasi logis)
Other comments and	Pada introduction dan discussion redaksinya harap
Recommendation to Author	dibetulkan. Misal: Hoang, Tuan, van Tue Nha, Long, & Phuong (2019) cukup ditulis Hoang et. al. (2019). Demikian juga untuk riset rujukan yang lainnya.
	Peran variabel control terhadap hubungan antara variabel independen, moderator dan dependen harap diuraikan meskipun secara umum saja.

Recommendation (X):	
Publish as it is	
Publish with the minor revision noted above	х
Publish with major revision noted above	
Resubmit for review	
Resubmit Elsewhere	
Reject or Decline Submission	



JURNAL KEUANGAN DAN PERBANKAN

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ISSN-P : 1410-8089 (Print)		SN-P : 1410-8089 (Print)	ISSN-E: 2443-2687 (On-line)
		PAPER REV	IEW FORM
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Please rate the manuscript concerning the following items **(X).** Some of the fields are optional. You do not have to fill out all categories.

Technical correctness:		Novelty/originality:		Reference to prior work:	
Excellent		Excellent		Excellent	
Good		Good	Х	Good	
Acceptable	Х	Acceptable		Acceptable	Х
Fair		Fair		Fair	
Very Poor		Very Poor		Very Poor	

Quality of experimental results		Organization and clarity:		Importance to the field:	
Excellent		Excellent		Excellent	
Good		Good		Good	Х
Acceptable	Х	Acceptable	Х	Acceptable	
Fair		Fair		Fair	
Very Poor		Very Poor		Very Poor	

Comments About Paper:	
Strengths	This article has novelty for the field of corporate governance, This study uses various measurements of female directors for robustness checks

Weakness	This article does not have a strong theoretical framework for female directors as moderating variable
Other comments and Recommendation to Author	Feedback for improvement can be seen in the article

Recommendation (X):	Recommendation ((X)	:
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Publish as it is	
Publish with the minor revision noted above	
Publish with major revision noted above	Х
Resubmit for review	
Resubmit Elsewhere	
Reject or Decline Submission	

4. Bukti pengiriman revisi (revisi dikirimkan melalui email dan OJS) (8 Agustus 2021)



Revisi Artikel No. 5788

Hendra Wijaya <hendrawijayagoei@gmail.com> To: jkp@unmer.ac.id Sun, Aug 8, 2021 at 12:55 AM

Kpd Dr. Puput Dani Prasetyo Adi Selamat Malam.

Bersama ini saya kirimkan revisi artikel beserta dengan tabel revisinya untuk artikel no. 5788.

Terima kasih.

Best Regards,

Hendra Wijaya

2 attachments

Tabel revisi 5788.docx 41K

Agency Cost, Firm Performance, and Female in Board of Commissioners.docx 58K



Title or Number : (

: **(**JKP – 5788)

Responses to reviewers : A

No	Reviewer Comments	Author's Response	revision on page
1	Diskusi kurang tajam. Saran: jelaskan dengan beberapa contoh konkrit di lapangan bahwa kehadiran komisaris perempuan bisa mereduksi agency cost (setidaknya argumentasi logis)	It is indicated that the presence of females on the board of commissioners increases the alignment of principals and management. Females in the board of commissioners increase the ability of the board to monitoring the agent when making the decision because females have characteristics such as risk-averse, conservatism, more ethical than men. It is supported by Lakhal et al. (2015), who stated that women are tending to be more ethical and conservative and can prevent specific individuals or groups from dominating the decision-making process.	
2	Pada introduction dan discussion redaksinya harap dibetulkan. Misal: Hoang, Tuan, van Tue Nha, Long, & Phuong (2019) ditulis Hoang et. al. (2019). Demikian juga untuk riset rujukan yang lainnya.	Revisi sudah dilakukan pada artikel revisi yang dikirimkan	
3	Peran variabel control terhadap hubungan antara variabel independen, moderator dan dependen harap diuraikan meskipun secara umum saja.	Based on the Hoang et al. (2019), we used three control variables namely leverage, firm size, and firm age.	

Title or Number : (JKP – 5788)

Responses to reviewers : B

No	Reviewer Comments	Author's Response	revision on page
1	This article does not have a strong theoretical framework for female directors as moderating variable why does this study include female directors as a moderator variable, not an independent variable? What theory is used to frame it?	Based on the agency theory, Carter et al. (2010) stated that a more diverse board would have better monitoring the management because diversity increases the board's independence, so this study focuses on the moderate effect of females on the board commissioners. Female on the board of commissioners as moderating variable represents the monitoring role that is expected to strengthen or weaken the effect of agency costs on firm value.	
2	Explain the importance of female directors in the Indonesian context	Based on the Korn Ferry Diversity Scorecard (2016), Indonesia ranked fifth in the Asia Pacific regarding female board representation above Hongkong, India, Singapore, Japan, and South Korea, so we are interested in doing this research.	
3	This study said that female directors have an effect on agency costs, but the hypothesis said females directors as the moderator variable. Therefore, it is necessary to clarify the reasons for females directors as moderator variable	The board of commissioners is a board that is responsible for supervising the management board in making policies and running the business (Otoritas Jasa Keuangan, 2014). Females on the board commissioners have more ethical value and can strengthen the monitoring role of the board so the negative impact of agency costs on financial performance can be reduced Duppati et al. (2020) found that gender diversity positively impacts firm performance.	
4	All previous studies said female directors as predictors of agency costs. Find results that explain female directors as a mediator variable for the relationship between agency costs and performance	It is indicated that the presence of females on the board of commissioners increases the alignment of principals and management. Females in the board of commissioners increase the ability of the board to monitoring the agent when making the decision because females have characteristics such as risk-averse, conservatism, more ethical than men. It is supported by Lakhal et al. (2015), who stated that women are tending to be more ethical and conservative and can prevent specific individuals or groups from dominating the decision-making process. The results of this study are supported by Duppati et al. (2020), who found that gender diversity positively impacts firm performance. Ain et al. (2020) and Zalata et al. (2019) also found that females directors reduce the manager's opportunistic behavior. A decline in the manager's opportunistic behavior of managers due to better	

	monitoring by the presence of females on the board of	
	commissioners.	

AGENCY COST, FIRM PERFORMANCE, AND FEMALE IN BOARD OF COMMISSIONERS

ABSTRACT

The purpose of this study was to analyze the effect of agency costs on a firm's performance and to analyze the presence of women on the board of commissioners on the effect of agency costs on a firm's performance. The sample in this study is a non-financial company listed on the Indonesian stock exchange in 2014-2018. Data analysis was performed using panel data regression. The results of this study indicate that agency costs have a negative effect on company performance, and the presence of women on the board of commissioners can reduce the negative effect of agency costs on a firm's performance.

Keywords: Agency cost, Financial performance, Female in the board of commissioners

1. INTRODUCTION

Agency conflict is a critical issue for attention related to financial performance. This is due to the presence of agency costs to reduce agency conflicts. Previous research was examined by Savitri (2018), who found that agency costs have a negative impact on financial performance in Indonesian manufacturing firms during 2007-2014. Hoang et al. (2019) also found that agency costs negatively impact the financial performance of Vietnam's non-financial and utility firms. Rashid Khan et al. (2020) found that agency costs negatively impact the financial performance of the period 2008 to 2016.

The board of commissioners is a part of the internal governance mechanism, which has the role of supervising the firm's board of directors. The board of commissioners can minimize agency conflicts. One of the things that have received attention to be examined in relation to the board of commissioners as an internal governance mechanism is the presence of female commissioners in the board of commissioners. Grant Thorton (2020) found that the proportion of females participation in business has increased year to year. Based on the Korn Ferry Diversity Scorecard (2016), Indonesia ranked fifth in the Asia Pacific regarding female board representation above Hongkong, India, Singapore, Japan, and South Korea, so we are interested in doing this research.

Previous research about the association between the presence of a female in the board of commissioners and firm performance was conducted by Duppati et al. (2020), who found that gender diversity positively impacts firm performance in India and Singapore. Ting et al. (2021) found that female director positively impacts on corporate performance in Chinese banks and Taiwanese financial holding. The opposite result was obtained by Ahmad et al. (2019), who found that the presence of females on the board negatively impact the financial performance of Malaysia's 200 largest market capitalization listed on Bursa Malaysia during 2011-2013. Lim et al. (2019) also found that the presence of females on the board has a negative impact on the financial performance of both financial and non-financial firms listed on the main market of Bursa Malaysia during 2010-2016.

The above research shows inconsistent results. The objective of this study is to analyze the effect of agency costs on a firm's performance and to analyze the presence of females in the board of commissioners on the effect of agency costs and firm performances. Based on the agency theory, Carter et al. (2010) stated that a more diverse board would have better monitoring the management because diversity increases the board's independence, so this study focuses on the moderate effect of females on the board commissioners. Female on the board of commissioners as moderating variable represents the monitoring role that is expected to strengthen or weaken the effect of agency costs on firm value. This study measures the females in the board of commissioners by using three measurements, namely the proportion of females, dummy variables, and the Blau Index. This study contributes to the role of the female board of commissioners as a part of the internal governance mechanism to minimize the impact of agency costs and financial performance. Based on the Hoang et al. (2019), we used three control variables namely leverage, firm size, and firm age.

2. HYPOTHESIS DEVELOPMENT

Agency conflict is a conflict that occurs because of the separation of ownership and control (Jensen & Meckling, 1976). Agency conflicts can occur when the management of the firms makes decisions that generate benefit for themselves and ignore the interests of the principals (Jensen & Meckling, 1976). Agency costs are costs that the firms must incur to reduce agency conflicts. The more complex the agency conflicts that occur in the firms, the greater the agency costs, so the agency costs have a negative impact on financial performances. Savitri (2018) found that agency costs have a negative impact on financial performance. Hoang et al. (2019) and Rashid Khan et al. (2020) also found similar results.

H1: The increase in agency costs can reduce the financial performance

The board of commissioners is a board that is responsible for supervising

the management board in making policies and running the business (Otoritas Jasa Keuangan, 2014). Females on the board commissioners have more ethical value and can strengthen the monitoring role of the board so the negative impact of agency costs on financial performance can be reduced. The presence of females as members of the board of commissioners can improve the performance of the board in conducting supervision due to the characteristics of females. Adams & Ferreira (2009) found that gender diversity on the board improves governance structure and allocates more effort to monitoring. Lucas-Pérez et al. (2015) found that gender diversity positively affects the effectiveness of boards because of a monitoring role, better strategic control, have more ability to encourage teamwork, cooperation, and active participation. Saeed & Sameer (2017) stated that females are less confident and conservative when making financial decisions. Duppati et al. (2020) found that gender diversity positively impacts firm performance.

H2: The more presence of females in the board of commissioners positively moderated the relationship between agency cost and financial performance

3. METHOD, DATA, AND ANALYSIS

This study used secondary data in the form of unbalanced panel data from 2014-2018. This study data was collected from the annual report and financial report, which was obtained from the Indonesian Stock Exchange (IDX). The population of this study is non-financial firms listed on IDX, and the samples of this study were obtained using purposive sampling with the following criteria: (1) The firms listed in IDX from 2014-2018; (2) the financial report listed in

rupiahs; (3) the firms have positive equity; (4) the firms have complete data for this research. The total samples obtained were 284 firms and 1398 observations.

The dependent variable used in this research is financial performance. This study measures the financial performances with returns on asset and returns on equity. Return on assets was measured by the net income divided with the total assets, and the return on equity was measured by the net income divided with the firm's equity. The independent variable used in this research is agency costs. This study measures the agency cost with asset turnover ratio and operating expenses ratio. Asset turnover was measured by the net sales divided with the total asset, and the operating expenses ratio was measured by the selling, general, and administrative expense divided with total sales. The moderating variable used in this research is female in the board of commissioners. This study measures the number of females in the board of commissioners with the proportion of females in the board of commissioners. The proportion of females in the board of commissioners was measured by the number of females in the board of commissioners divided by the number of board of commissioners members. The others measures for females in the board of commissioners are the dummy variable and Blau index. The dummy variable has the value of 1 when there are females on the board of commissioners and has a value of 0 otherwise.

The control variables of this research are leverage, size, and firm age. Leverage was measured by the total debt divided by total assets. The firm size was measured by the logarithm of total assets, and the firm age was measured by the logarithm of firm age, which is the number of years since the firm's establishment. The equation of variables showed in Table 1.

Research Variables								
Variables	Equation	Sources						
Dependent Var	Dependent Variables (Financial Performances)							
ROA	Profit After Tax / Total Assets	Hoang et al. (2019)						
ROE	Profit After Tax / Total Equity	Hoang et al. (2019)						
Independent Va	ariables (Agency Costs)							
ATR	Net Sales / Total Assets	Hoang et al. (2019)						
		Ain et al. (2020)						
OPR	SG&A expense / Net Sales	Hoang et al. (2019)						
		Ain et al. (2020)						
Moderating Va	riables (Female in Board of Commis	ssioners)						
PFC	Number of Females in Board of	Ain et al. (2020)						
	Commissioners / Number of Board							
	of Commissioners members							
FCDUM	Dummy variable: 1 if one or more	Rashid Khan et al.						
	Female in the board of	(2020)						
	commissioners, otherwise $= 0$							
FCBLAU	$1-\sum_{i=1}^{2} Pi2$, where P _i is the	Ain et al. (2020)						
	percentage of each category and n							
	= 2 Female (male)]							
Control Variab	les							
LEV	Total debt / Total Assets	Hoang et al. (2019)						
SIZE	Log of Total Assets	Hoang et al. (2019)						
		Rashid Khan et al.						
		(2020)						
FAGE	Log of Firm Age	Hoang et al. (2019)						

Table 1.

Data on this research were analyzed using panel data regression with the

regression model as follows:

$$\begin{split} & \text{PRF}_{it} \ (\text{ROA}, \ \text{ROE}) = \alpha + \beta_1 \text{ATR}_{it} + \beta_2 \text{PFC}*_{it} + \beta_3 \text{ATR}*\text{PFC}_{it} + \beta_4 \text{LEV}_{it} + \\ & \beta_5 \text{SIZE}_{it} + \beta_6 \text{FAGE}_{it} + \beta_7 \text{LV}_{it} + \epsilon \ (1) \\ & \text{PRF}_{it} \ (\text{ROA}, \ \text{ROE}) = \alpha + \beta_1 \text{ATR}_{it} + \beta_2 \text{FCDUM}*_{it} + \beta_3 \text{ATR}*\text{FCDUM}_{it} + \beta_4 \text{LEV}_{it} \\ & + \beta_5 \text{SIZE}_{it} + \beta_6 \text{FAGE}_{it} + \beta_7 \text{LV}_{it} + \epsilon \ (2) \\ & \text{PRF}_{it} \ (\text{ROA}, \ \text{ROE}) = \alpha + \beta_1 \text{ATR}_{it} + \beta_2 \text{FCBLAU}*_{it} + \beta_3 \text{ATR}*\text{FCBLAU}_{it} + \\ & \beta_4 \text{LEV}_{it} + \beta_5 \text{SIZE}_{it} + \beta_6 \text{FAGE}_{it} + \beta_7 \text{LV}_{it} + \epsilon \ (3) \\ & \text{PRF}_{it} \ (\text{ROA}, \ \text{ROE}) = \alpha + \beta_1 \text{OPR}_{it} + \beta_2 \text{PFC}*_{it} + \beta_3 \text{OPR}*\text{PFC}_{it} + \beta_4 \text{LEV}_{it} + \\ & \beta_5 \text{SIZE}_{it} + \beta_6 \text{FAGE}_{it} + \beta_7 \text{LV}_{it} + \epsilon \ (1) \\ & \text{PRF}_{it} \ (\text{ROA}, \ \text{ROE}) = \alpha + \beta_1 \ \text{OPR}_{it} + \beta_2 \text{FCDUM}*_{it} + \beta_3 \ \text{OPR}*\text{FCDUM}_{it} + \\ \end{split}$$

 $\begin{array}{l} \beta_4 LEV_{it} + \beta_5 SIZE_{it} + \beta_6 FAGE_{it} + \beta_7 LV_{it} + \epsilon \ (2) \\ PRF_{it} \ (ROA, \ ROE) = \alpha + \beta_1 \ OPR_{it} + \beta_2 FCBLAU*_{it} + \beta_3 \ OPR*FCBLAU_{it} + \\ \beta_4 LEV_{it} + \beta_5 SIZE_{it} + \beta_6 FAGE_{it} + \beta_7 LV_{it} + \epsilon \ (3) \end{array}$

Where, PRF = financial performances; ATR = asset turnover; OPR = operating expenses; PFC = proportion of female in board of commissioners; FCDUM = the dummy variables of female in the board of commissioners; LEV = leverage; SIZE = firm size; and FAGE = firm age.

4. **RESULTS**

This study wants to analyze the effect of agency costs on financial performances and the moderate effect of females in the board of commissioners on the relationship between agency costs and financial performance. The descriptive statistics of this research showed in Table 2.

Descriptive Statistics							
Variables	Ν	Mean	Std. Dev.	Max	Min		
ATR	1398	0.8545	0.8752	11.1603	0.0012		
OPR	1398	0.2367	0.2798	3.5546	0.0052		
PFC	1398	0.1106	0.1728	0.7500	0.0000		
FCDUM	1398	0.3462	0.4759	1.0000	0.0000		
FCBLAU	1398	0.1371	0.1941	0.5000	0.0000		
LEV	1398	0.4503	0.2031	0.9574	0.0076		
SIZE	1398	12.4154	0.7187	14.5375	9.8836		
SIZE (in million)	1398	9,413,087.0337	23,507,787.7804	344,711,000,000.0000	7,648.1938		
FAGE	1398	1.4688	0.2109	2.0212	0.6990		
ROA	1398	0.0443	0.0958	1.1026	-0.6384		
ROE	1398	0.0719	0.2199	2.0522	-1.8829		

Table 2. Descriptive Statistics

Table 2 shows the descriptive statistics in this study. The descriptive statistics consist of mean, standard deviation, maximum, and minimum. Table 3 shows the mean of ATR was 0.8545. It indicated that the average sales were 85.45% from

total assets. The mean of OPR was 0.2367 and indicated that the average operating expenses ratio was 23.67% from sales. The mean of PFC was 0.1106 and indicated that the average female proportion in the board of commissioners was 11.06%. The mean of LEV was 0.4503 and indicated that the average debt proportion from total assets was 45.03%. The average firm size was 9.413.087 million.

	VARIABEL DEPENDEN						
		ROA			ROE		
Variabel	(1)	(2)	(3)	(4)	(5)	(6)	
ATR	0.0319	0.0328	0.0361	0.0809	0.0835	0.0884	
	(3.5674)***	(3.3427)***	(3.6849)***	(4.0519)***	(3.8089)***	(4.0352)***	
PFC	0.0709			0.2010			
	(2.2640)**			(2.8752)***			
ATR*PFC	-0.0460			-0.1198			
	(-2.2199)**			(-2.5896)***			
FCDUM		0.0199			0.0520		
		(1.8558)*			(2.1711)**		
ATR*FCDUM		-0.0164			-0.0429		
		(-2.0175)**			(-2.3586)**		
FCBLAU			0.0666			0.1703	
			(2.4595)**			(2.8126)***	
ATR*FCBLAU			-0.0450			-0.1090	
			(-2.4517)**			(-	
						2.6553)***	
LEV	-0.2041	-0.2025	-0.2030	-0.5789	-0.5750	-0.5764	
	(-	(-8.8574)***	(-8.8924)***	(-11.3395)***	(-	(-	
	8.9294)***				11.2525)***	11.2950)***	
SIZE	0.0417	0.0418	0.0414	0.2084	0.2092	0.2074	
	(2.4195)**	(2.4185)**	(2.3969)**	(5.4055)***	(5.4121)***	(5.3703)***	
FAGE	-0.1506	-0.1495	-0.1527	0.0104	0.0128	0.0082	
	(-1.2517)	(-1.2412)	(-1.2693)	(0.0386)	(0.0474)	(0.0307)	
Constant	-0.1912	-0.1938	-0.1885	-2.3484	-2.3608	2.3409	
	(-0.6905)	(-0.6993)	(-0.6806)	(-3.7964)***	(-3.8109)***	(-	
						3.7818)***	
F-statistic	6.9917***	6.9779***	7.0042***	7.5839***	7.5557***	7.5843***	
Firm FE	YES	YES	YES	YES	YES	YES	
Year FE	YES	YES	YES	YES	YES	YES	
Adj R-squared	0.5560	0.5555	0.5565	0.5792	0.5781	0.5792	

 Table 3.

 Regression Results (Agency Cost Measured by Asset Turnover)

Table 4.

	VARIABEL DEPENDEN					
		ROA		ROE		
Variabel	(1)	(2)	(3)	(4)	(5)	(6)
OPR	-0.0759	-0.0769	-0.0781	-0.1941	-0.1951	-0.1973
	(-4.6619)***	(-4.5536)***	(-4.6970)***	(-5.3477)***	(-5.1797)***	(- 5.3219)***
PFC	0.0013			0.0363		
	(0.0499)			(0.6436)		
OPR*PFC	0.1222			0.2352		
	(2.2650)**			(1.9559)*		
FCDUM		-0.0027			-0.0002	
		(-0.2958)			(-0.0082)	
OPR*FCDUM		0.0521			0.0981	
		(2.1393)***			(1.8060)*	
FCBLAU			0.0025			0.0281
			(0.1115)			(0.5571)
OPR*FCBLAU			0.1244			0.2339
			(2.3415)**			(1.9741)**
LEV	-0.1916	-0.1884	-0.1901	-0.5454	-0.5399	-0.5430
	(-8.3673)***	(-8.1802)***	(-8.2887)***	(-10.6818)***	(-	(-
					10.5099)***	10.6175)***
SIZE	0.0237	0.0233	0.0225	0.1609	0.1608	0.1585
	(1.3672)	(1.3419)	(1.2953)	(4.1656)***	(4.1510)***	(4.0928)***
FAGE	-0.0965	-0.0955	-0.0945	0.1397	0.1416	0.1436
	(-0.8051)	(-0.7967)	(-0.7884)	(0.5231)	(0.5294)	(0.5374)
Constant	-0.0075	-0.0053	0.0033	-1.8502	-1.8519	-1.8272
	(-0.0270)	(-0.0190)	(0.0119)	(-2.9952)***	(-2.9941)***	(-
						2.9558)***
F-statistic	7.0752***	7.0640***	7.0817***	7.7222***	7.6981***	7.7207***
Firm FE	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES
Adj R-squared	0.5594	0.5590	0.5597	0.5842	0.5833	0.5842

Regression Results (Agency Cost Measured by Operating Expenses Ratio)

This research analyzes the data with panel data regression and gets fixed effect as the best estimators. Based on Table 3 and Table 4 showed that the agency cost has a negative effect on financial performances, so the first hypothesis of this research is not rejected. Table 3 showed that the lower asset turnover (higher agency costs) is associated with lower performance, and Table 4 showed that the higher operating expenses ratio (higher agency costs) is associated with lower performance. We have similar results when the dependent variables ROA and ROE. Table 3 and Table 4 also showed that the more proportion of females in board commissioners positively moderated the relationship between agency costs and financial performances, so the second hypothesis of this research is not rejected. Table 3 showed that the Female in the board of commissioners could reduce the negative effect of agency cost and financial performance, and Table 4, when financial performance measure by ROE, also found similar results. We also have similar results when the Female in the board of commissioners is measured by the proportion of females, dummy variable, and Blau index.

5. DISCUSSION

The results of this study show that the higher agency cost leads to lower financial performance. Agency conflicts arise because of the separation between ownership and control. Agency conflicts can occur because managers can meet their interests and harm the company and manage the funds inefficiently. Agency costs are incurred to minimize agency conflicts that occur. The more complex agency conflict leads to higher agency costs so that higher agency costs can reduce financial performance. The results of this study supported by Savitri (2018), Hoang et al. (2019), Rashid Khan et al. (2020), who found that agency cost has a negative impact on financial performance.

The results of this study show that the females in the board of commissioners could reduce the negative effect of agency cost on financial performances. It is indicated that the presence of females on the board of commissioners increases the alignment of principals and management. Females in the board of commissioners increase the ability of the board to monitoring the agent when making the decision because females have characteristics such as risk-averse, conservatism, more ethical than men. It is supported by Lakhal et al. (2015), who stated that women are tending to be more ethical and conservative and can prevent specific individuals or groups from dominating the decisionmaking process. The results of this study are supported by Duppati et al. (2020), who found that gender diversity positively impacts firm performance. Ain et al. (2020) and Zalata et al. (2019) also found that females directors reduce the manager's opportunistic behavior. A decline in the manager's opportunistic behavior of managers due to better monitoring by the presence of females on the board of commissioners. The opposite result was obtained by research conducted by Ahmad et al. (2019) and Lim et al. (2019), who found that the presence of females directors has a negative impact on financial performance.

6. CONCLUSION

This study analyzes the effect of females in the Board of Commissioners on the relationship between agency cost and firm performances. This study analyzed all non-financial firms from 2014-2018. Based on the previous analysis and discussion, this study concludes that agency cost has a negative effect on financial performances and the females in the board of commissioners moderated the negative effect of agency cost on financial performances. More females on the board of commissioners can reduce the negative effect of agency cost on financial performance.

The limitation of this study is that only analyze the moderate effect of Female in the board of commissioners on the relationship between agency cost and financial performance. Further research can analyze more deeply the effect of

the board of commissioner's characteristics such as educational background, age,

and tenure.

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