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Board Of Directors Diversity, Board Of Commissioners And Firm Performance With Capital Structure As Moderating Variables: Evidence From Indonesia

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ABSTRACT
Financial performance is the most important for the companies, because of good financial performance will be followed by higher profits that have a good impact on the sustainability of the companies. To get the best of financial performance, investors generally include their management to professionals. This study aims to determine the effect of Board Of Directors Diversity, Board Of Commissioners and Capital Structure as a moderating variable.
The results of this study indicate that the Board of directors diversity is not a significant positive effect on corporate financial performance, the Board of commissioners has a significant positive effect on corporate financial performance, and the capital structure has the potential to moderate the influence of the Board of directors diversity and the Board of commissioners on corporate financial performance
KEYWORDS: Firm Performance, Board of Directors Diversity, Board of Commisioners and Capital Structure

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I. PRELIMINARY

The current growth and development of the manufacturing industry has led to an accelerating pace of the economy and increased consumer demand for products. The increasing consumer demand for products has made competition in the manufacturing industry in Indonesia tighter. This can be seen from the increasing number of manufacturing companies listed on the Indonesia Stock Exchange from period to period. Based on data from the Indonesia Stock Exchange as of December 31, 2018, 167 companies have been registered in the manufacturing industry. Then the companies are divided into three groups / sectors consisting of the basic and chemical industry sector (71 issuers), the consumer goods industry sector (50 issuers), and various industrial sectors (46 issuers).

"The manufacturing industry consistently provides the largest contribution to the value of national exports". In 2017, exports of national manufactured products were recorded at USD125.1 billion, soaring to USD 130 billion in 2018 or an increase of 3.98%. Minister of Industry Airlangga Hartarto also said that the food industry is one of the sectors that supports increasing the value of national investment, which is atin 2018 it contributed up to IDR 56.60 trillion. The realization of the total investment value in the manufacturing industry sector over the past year reached IDR222.3 trillion. In addition, the manufacturing sector is also noted as a sector that absorbs quite a lot of labor. In 2018, the workforce in the manufacturing industry sector reached 18.25 million people, an increase of 17.4 percent compared to 2015. The food industry is the largest contributor to 26.67. percent or about 4.8 million people, the automotive industry around 3 million people, the textile and textile products industry as many as 2.73 million, and the national furniture industry made of wood and rattan for direct and indirect workers reaching 2.5 million people. The Minister of Industry added that Indonesian food and beverage products have been known to have competitiveness in the global arena through their diversity. This is marked by the achievement of its export value of USD29.91 billion in 2018. In fact, Indonesia is ranked fourth in the world out of 15 countries whose manufacturing industries make a large contribution to Gross Domestic Product (GDP), "said Airlangga. Indonesia is able to contribute up to 22 percent after South Korea (29 percent), China (27 percent), and Germany (23 percent). Furthermore, the United Nations Industrial Development Organization (UNIDO) noted that Indonesia was ranked 9th in the world or increased from the previous year's ranking of 10th in the manufacturing value added category. This 9th rank makes Indonesia equal with Brazil and the UK, even higher than Russia, Australia and other ASEAN countries. (Indonesia is ranked fourth in the world out of 15 countries whose manufacturing industries make a large contribution to Gross Domestic Product (GDP), "said Airlangga. Indonesia is able to contribute up to 22 percent after South Korea (29

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In addition, company performance can affect investors' perceptions of the company. Company performance is often associated with the level of profitability, where the higher the company performance and the prosperity of the shareholders also increases. Enterprise Performance or also known as Firm Performance is the qualification, efficiency and effectiveness of the company's business operations, which is reflected in the increase in the company's total assets with corporate debt. There are several factors that affect company performance, namely funding decisions, investment decisions, capital structure, company size and all policies and decisions are determined by corporate governance.

The topic of corporate governance has become an interesting issue, in Indonesia this issue developed after the Indonesian Institute of Corporate Governance (IICG) (2000) indicated that the monetary crisis in 1997 in Asia was caused by poor implementation of corporate governance and Indonesia is the worst country in its implementation. And this issue was getting stronger in 2009 after five large companies in the United States, Goldman Sachs, Bear Stern, Morgan Stanley, Merrill Lynch, and Lehman Brothers, went bankrupt (Koran Tempo, 2009). It is beyond predictions, if this happens in the United States, as one of the countries with a high CGPI (Corporate Governance Perception Index) number,

The literature identifies two broad corporate governance systems, the first based on a single-board system associated with the Anglo-Saxon countries (United States and Great Britain) where the membership of the board of commissioners and the board of directors is not separated. In this model, members of the board of commissioners are also members of the board of directors, and both boards are referred to as boards of directors.and the second system namely The two tier system clearly separates the membership of the board of commissioners as supervisors and the board of directors as corporate executives.This system includes Continental Europe (especially Germany) and Japan. Empirical research on corporate governance has concentrated on these countries. However, differences in economic conditions and institutional influences (e.g., variations in capital markets, product and market factors,internal control systems and political and legal systems) can affect agency costs arising from different ownership structures (Damodara, 2011).

(Bonn, Yoshikawa, & Phan, 2004)examines the corporate governance system of Japan and Australia, the data used is 1998 data. This study aims to investigate the effect of board structure, board size, proportion of independent commissioners, average age of boards of directors and the proposition of women on board members. These two countries have experienced environmental, regulatory, institutional and political developments. Based on network groups, companies in Japan have long-term relationships between various stakeholders who have a major influence on strategic decision making with a coalition of employees and a coalition of shareholders, this illustrates that Japanese companies are integrated companies. The importance of employees in strategic decision making is due to the excellent Japanese culture, the emphasis is on family values and the importance of reaching consensus. The main industrial sector in Japan is organized as a network of companies with cross-ownership, namely the company and the bank as long-term lenders, these companies are known as keiretsu. Board members in companies are generally filled by internal parties or former employees who have served the company for a long time.

Meanwhile, Australia which adheres to a one tier system has differences from the two countries that

also adhere to this system, namely the US and the UK. The difference lies in the percentage of shares in public companies held by local institutions. If companies in the US and UK have 50-60% local ownership, it is different from Australia which has 36.9 percent equity and foreign investors hold about one-third, namely 31.7 percent. Apart from a smaller percentage of domestic ownership, there are also far fewer voting rights by domestic parties.

Results of research (Bonn, Yoshikawa, & Phan, 2004), in Japan and Australia, board size has a negative effect on company performance as proxied in Market to Book Value and ROA. They argue that this is because Japanese companies tend to use board memberships as gifts for old employees, or as a means of affiliation with large banks to strengthen business rather than to improve company performance. The proportion of women to the MB ratio has a positive effect in Australia and negatively in Japan. The ROA negatively affects Australia and Japan. Independent commissioners to the MB ratio have a negative effect in Australia and positive in Japan. ROA has a positive effect on Australia and Japan. Board member age to MB ratio is positive in Australia and Japan. Against positive ROA in Australia and Japan.

(Sanan, 2016)In his research on 148 Indian companies found that the representation of women on board members had no significant effect on company performance, a study that used data for five years showed that adding two, three or more female members to the board of directors did not have a significant impact on financial performance. And they tend to even perform as well as companies without women's boards.

Research conducted by (Julizaerma & Mohamad, 2012) regarding the influence of gender diversity on the performance of companies listed on Bursa Malaysia in 2012 shows that there is a positive relationship between gender diversity and company performance. This shows that the position of a woman director can affect company performance.

The existence of a spread in board members is believed to influencecompany value, both in the short term and in the long term. (Carter, Simkins, & Simpson, 2003) The distribution of the board (board diversity) is thought to have an impactthe positive. The greater the spread in council members can give risethere is more and more conflict, but this distribution can provide an alternativesolution to a problem that is more diverse than membershomogeneous board. In addition, the diversity in the board of directors providescharacteristics that are unique to the company and can create added value.

Based on research (Ferreira, 2009), it was found that women can make changes within the scope of the board of directors of a company. they claim that the presence of women on the board of directors can set a distinctive pattern on board composition and tends to produce more successful results than a homogeneous board composition. in addition, women are inherently more stable than men. For this reason, having women on the board of directors can help make more informed decisions with lower risks.

(Carter, Souza, Simkins, & Simpson, 2007)provides several propositions and empirical evidence relating to the distribution in the council. First, the spread across the board provides a better understanding of the marketplace. Second, distribution can increase creativity and innovation. Third, distribution produces alternative solutions to effective problems. Heterogeneity in the board can create more conflicts, but there will be more and more alternative solutions to a problem and can lead to accuracy in assessing the consequences that might be faced from the alternatives taken. Fourth, distribution can increase effectiveness in company leadership. This relates to the point of view of board members, where members who are homogeneous will cause the perspective on something to be narrower when compared to diverse board members. Fifth, distribution can increase global relations that are increasingly effective.

Research on the relationship between corporate governance and performance has indeed been carried out a lot, but from the many studies, the results are still quite mixed. This study wants to re-examine the effect of board directors and board commissioners on company performance, using a sample of manufacturing companies listed on the IDX in 2018. The conditions and characteristics of companies in Indonesia and other countries are certainly different, because it is suspected that different research results will be found. . In addition, modifying previous research where they used age, size of the board of directors, the presence of a female board of directors, and the presence of a minority board of directors, as proxies for board directors, this study used factors of gender, national origin and educational background. as a proxy for the board of directors, Tobin's q and ROA as a proxy for the board of commissioners, and the capital structure proxied in DER as a moderator variable. This study also uses a control variable, namely firm size. Based on this explanation, the author is interested in conducting a research entitled "The Effect of Board of Directors Diversity and Board of Commissioners on Company Performance with Capital Structure as a Moderating Variable in Manufacturing Companies listed on the Indonesia Stock Exchange.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Financial performance

Performance is a reflection of the company's ability to allocate its resources. Financial performance is an analysis conducted to see the extent to which a company has implemented it properly and correctly.(Rubin, 2011) defines that financial performance is a condition that reflects the financial condition of a company based on predetermined goals, standards and criteria.

Financial Ratios

The ratio describes a relationship or comparison (mathematical relationship) between one number and another and using analysis tools. This ratio will explain or give an overview to the analyzer about the good or bad condition or financial position of a company, especially if the ratio of these figures is compared with the ratio of the ratio used as a standard. According to(Aunt, 2004), financial ratios are numbers obtained from the results of comparisons of one financial statement account with other accounts that have a relevant and significant relationship

Capital Structure

(Hoskisson, Johnson, & Moesel, 2012)Debt to Equity Ratio is a comparison between debt and equity, in bearing the risk or limit of business expansion by using loan capital, because a high DER identifies that the business capital used is more debt-based so that it will reduce the company's solvency level. Debt to Equity Ratio reflects the company's ability to fulfill all of its obligations, which is shown by its own capital which is used as debt repayment

Good corporate governance

*Good corporate governance*focuses on the board of directors on how to manage organizational resources in order to achieve organizational goals. There are several attributes that must be possessed in order for board diversity to be effective, namely: board composition, board characteristics, board structure, and board process.

1. *Board composition*, refers to the number of directors, demographics (from inside and outside the company, women / men)
2. *Board characteristic*, relating to the background of the directors, work experience, functional experience, independence, share ownership, and variables that affect their performance.
3. *Board structure*, including the efficiency of the board organization, the role of directors in subsidiaries, commissioner committees, leadership and information flow between directors.
4. *Process board*, refers to the decision-making activities, the style / style of the directors, the frequency / length of board meetings, and the culture of the performance evaluation of the directors.

Signal Theory

(Damodara, 2011)states that an agency relationship occurs when one or more shareholders (principal) employ other people (agents) to provide services and then delegate decision-making authority to the agent. Definition of agency theory according to(Scott, 2003)is defined as a contract in motivating the agent to act on behalf of the owner when the agent's interests conflict with the owner's interests. Each party to the contract tries to get the best for themselves, so this creates conflict. An agent relationship occurs when the perpetrator hires an agent to perform tasks on behalf of the owner. Ownership is represented by the investor delegating the agent's authority in this case to the manager to further manage the investor's wealth. Investors have the hope that by delegating the management authority, they will get profits by increasing investor wealth and prosperity.

The Effect of the Board of Directors Diversity on Company Performance

A well-organized diversity board will remain concerned about how the company's operations are aligned with organizational goals (Carter et al, 2003). For this reason, the board of directors will prepare a performance measurement tool related to organizational goals, which is used as a tool for monitoring and controlling company performance. Company performance is a company display in a certain period. Company performance appraisal is the periodic determination of the operational effectiveness of an organization, organizational chart, employees, based on predetermined goals, standards and criteria.

The few women who are placed in the top positions may be due to different views on the causes of success achieved by men and women. Men's success is considered because of high ability (in terms of talent or intelligence), while women's success is considered more due to the luck factor. There are, however, research results(Ferreira, 2009)found that firm performance (Tobin's Q) is positively and significantly related to the proportion of women in its board structure. In their analysis, the researcher also expressed a number of opinions which said that female representation in the board can provide different perspectives, experiences, and opinions. In this way, this can provide certain advantages in the implementation of board duties, and is expected to make a positive contribution to improving performance. the company as a whole.

(Ponnu, 2008)Having board members with expertise in economics, business, accounting, finance, taxation and other economics can make a useful contribution to risk assessment, competitive advantage, and understanding of the challenges faced in business. In addition, armed with business and economic knowledge, it is hoped that board members will have a better ability to manage and make business decisions than those without business and economic skills. So that the diversity of backgrounds and experiences is important for the overall board composition, because in the end this will affect the company's performance.

(Carter et al., 2007)which states that the minority proportion in the board has a positive effect on company value. In addition, the presence of foreign national board members is expected to be able to bring competitive advantages for the company, or what is commonly called international networks, commitment to shareholder rights, and managerial entrenchment avoidance, so that these advantages are expected to provide positive performance for the company.

The Effect of the Board of Commissioners on Financial Performance

A number of studies have proven that the proportion of the independent board correlates with company performance. One of them is research conducted by(Ponnu, 2008)in 100 companies listed on Bursa Malaysia. Companies with more independent commissioners tend to be more profitable than companies with fewer independent commissioners. In addition, companies that substantially increased the proportion of independent commissioners had above average share price returns.(Carter et al., 2007) and (Ferreira, 2009)Using age and affiliation as a proxy for board diversity, age is considered an indicator of the maturity of the board members' mindset. Affiliation is used as an indicator because commissioners who are affiliated with the company tend to be profitable because commissioners are considered to be more serious in monitoring company performance. The conclusion is that increasing the level of proportion of independent commissioners will simultaneously improve company performance because independent commissioners are an effective monitor.

Capital Structure Effects as Moderation Variables

Capital is one of the resources to support the company's growth. Companies that are able to manage the composition of the capital structure well will get more benefits, compared to the costs behind the funding decision. The existence of benefits and costs risks from the capital structure can indirectly affect company performance. According to Law no. 40 of 2007 concerning the company, in general, the director has the task of leading the company by issuing company policies, selecting, assigning oversight to the duties of employees and the head of division (manager), approving the company's annual budget, submitting reports to shareholders on the company's performance. The company will choose a debt financing policy because it has a lower risk of the company compared to issuing shares.

A commissioner is a party who assesses the company's performance and makes decisions for the progress of the company, not for personal or group interests. The stronger the commissioners, the greater the capital funding, because it affects the decisions taken.

In research (Salim & Yadav, 2012)Independent commissioners will provide the best advice and policies for companies such as capital selection. And also states that "bigger companies tend to have a higher level of leverage compared to smaller companies, where the bankruptcy rate is lower than small companies, the bigger a company, there is a tendency to use a larger loan amount than small companies. ". Companies that have a large company size use more debt, thereby enlarging the capital structure.

III. RESEARCH METHODS

Population and Sample

The population used in this study is the shares of companies that are included in the list of companies listed on the IDX in the Manufacturing sector in 2018. The total population is 167 companies. The sampling technique for data sources was carried out with certain considerations (purposive sampling). Purposive sampling was aimed at obtaining a representative sample according to the following criteria:

1. Companies that publish complete annual reports for 2018.
2. Companies whose equity is not minus in 2018**.**

Based on the sampling technique with the purposive sampling method, the following results were obtained:

Total population : 167 issuers
Does not meet criteria 1 : 30 issuers
Does not meet the criteria 2 : 21 issuers
So that the number of research samples, namely:
167– (30 + 21) = 116 samples

Types and Sources of Data

The type of data used in this research is quantitative data. The data source used in this study is secondary data from annual audited corporate and financial reports in 2018
. All data sources used to calculate each factor in this study were obtained from the websitewww.idx.co.id.

Operational Definition and Variable Measurement
Dependent Variable

Y21 = Return On Assets (ROA)
The measuring instrument used for the company's financial performance in this study is Return On Assets (ROA). (Rubin, 2011)explains that Return On Assets is a ratio that shows the results of returns on total assets used in the company. Mathematically, ROA can be calculated using the following formula:

$$\text{ROA} = \frac{\text{Laba Setelah Pajak}}{\text{Total Aktiva}}$$

Y22 = Return On Equity (ROE)
(Ehrhardt, F, & Brigham, 2011)Return On Equity is a ratio that shows the return on total assets used in the company. Mathematically, ROE is calculated using the following formula:

$$\text{ROA} = \frac{\text{Laba Setelah Pajak}}{\text{Total Ekuitas}}$$

Y23 = Tobin's Q
In research (Ferreira, 2009) states that firm value is measured through Tobin's Q, mathematically it can be formulated as follows:

$$\frac{(Market\ value\ of\ all\ outstanding\ shares) - Debt}{Total\ Assets} \qquad (3.1)$$

Independent Variable
X1 = Exogenous Latent Variable Board of Director Diversity
Board of Director Diversity in this study consists of 3 indicators, according to (Cox & Cox, 2006) of the proportion of occurrence or in mathematical terms are called relative frequencies.

$$f_i^a = \frac{\sum a}{\sum i}$$

Information :
Σ α = $Observed\ Frequency$
Σ i = $Total\ of\ All\ the\ Observations$

X11 = Proportion of Women
Proportion of Women is the percentage of the number of women boards of directors of the total number of boards of directors. This percentage is the most commonly used measure to determine how far the role of women is on the board of directors. Mathematically, the Proportion of Women can be calculated using the following formula:

$$\text{Proporsi Wanita} = \frac{\sum \text{Dewan Direksi Wanita}}{\sum \text{Dewan Direksi}}$$

X12 = Educational background
The educational background of the Board of Directors is seen from the number of board members with a background in economic and business education. Mathematically, educational background can be formulated:

$$\text{Latar Belakang Pendidikan} = \frac{\sum \text{Dewan Direksi Berlatar Belakang Ekonomi dan Bisnis}}{\sum \text{Dewan Direksi}}$$

X13 = nationality
Citizenship can be seen from the presence or absence of foreign nationals who serve as members of the board of directors. So in this case dummy variables are used with binary coding methods or binary coding(Cox & Cox, 2006). Dummy variables are variables used to quantify qualitative variables. Dummy variables are also often called dummy, binary, categoric or dichotomous variables, the following numbers are used in research:
1 = Companies that have foreign members of the board of directors (Foreign nationals)

0 = Companies that do not have a member of the board of directors for foreigners (foreign nationals)

X2 = Exogenous Latent Variable Board of Commissioners
Board of Commissioners in this study measured by manifest variables, namely:
X21 = Proportion of Independent Commissioners
The variable that defines the proportion of independent commissioners on the board of commissioners. Mathematically this variable is measured by the formula:

$$\text{ProporsiKomisaris Independen} = \frac{\sum \text{Komisaris Independen}}{\sum \text{Dewan Komisaris}}$$

X22 = Ln Average Age of the Board of Commissioners
X23 = Proportion of Affiliated Commissioners
Proportion of Affiliated Commissioners is a variable that defines the proportion of commissioners who are affiliated with the company on the board of commissioners. Mathematically this variable is measured by the formula:

$$\text{ProporsiKomisaris Afiliasi} = \frac{\sum \text{Komisaris Afiliasi}}{\sum \text{Dewan Komisaris}}$$

1. Moderation Variables
M1 = Capital Structure
M11 = Debt to Equity Ratio (DER)
Proxy of the moderating variable selected for this research is Capital Structure (DER),on the grounds that, *Debt to equity ratio*is the ratio between total debt and equity. Mathematically, the debt to equity ratio can be calculated using the following formula:

$$\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

M12 = Debt to Assets Ratio (DAR)
Debt to assets ratio is the ratio acquisition of assets by total debt. Mathematically, the debt to assets ratio can be calculated using the following formula:

$$\text{DAR} = \frac{\text{Total Debt}}{\text{Total Aset}}$$

M13 = Longterm Debt to Assets Ratio (LDAR)
*Longterm debt to assets ratio*is the ratio acquisition of assets by long-term debt. Mathematically, the longterm debt to assets ratio can be calculated using the following formula:

$$\text{LDAR} = \frac{\text{Total Longterm Debt}}{\text{Total Aset}}$$

2. Control Variable
X3 = Company Size (Fsize)
(Carter, Simkins, & Simpson, 2003)using firm size as a control variable measured from the natural logarithm of Total Assets. Natural logarithms are used to describe the degree of bias of total assets, sales and number of shares outstanding.
X31$Fsize = Ln\,Total\,Aset$
X32$Fsize = Ln\,Total\,Penjualan$
X33$Fsize = Ln\,Jumlah\,Saham\,yang\,Beredar$

IV. RESULTS AND DISCUSSION

Descriptive statistics

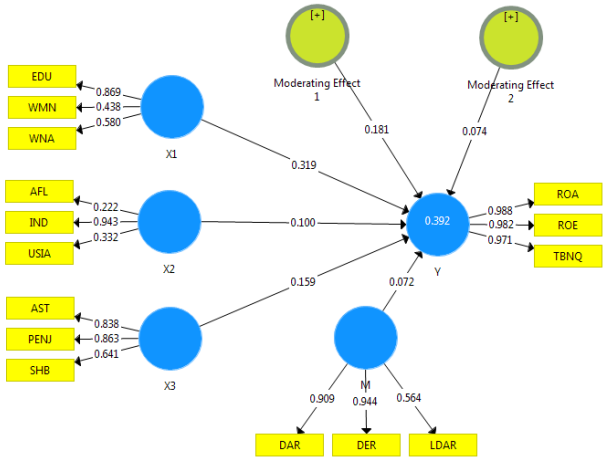
Indicator	N	Mean	Minimum	Maximum	Std. Deviation
WMN	116	0.15	0.00	1.00	0.19
EDU	116	0.57	0.00	1.00	0.26
Foreigners	116	0.32	0.00	1.00	0.47
IND	116	0.42	0.00	1.00	0.14
AGE	116	4.06	3.71	4.26	0.10
AFL	116	0.25	0.00	0.75	0.25
AST	116	29.06	25.76	41.15	2.52
PENJ	116	28.42	21.78	32.3	1.74
SHB	116	22.09	12.23	33.39	2.62
DER	116	28.42	-0.68	8.75	1.33
DAR	116	22.09	0.00	1.00	0.20
LDAR	116	1.00	0.00	0.65	0.12
ROA	116	0.4	-0.12	0.85	0.11
ROE	116	0.12	-0.74	2.55	0.29
TBNQ	116	1.78	0.00	18.36	2.08

Normality test

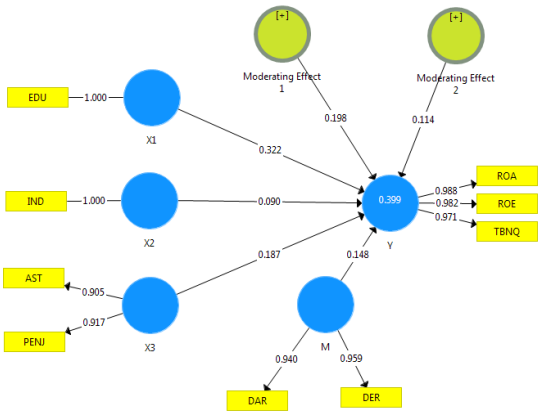
	DATA NOT NORMALLY DISTRIBUTED					
	AST	SHB	DER	ROA	ROE	TOBINS'Q
DATA NUMBER	112	32	15	40	15	91
	111	91	3	91	91	26
	110	111	2	100	100	
	106		43	15	43	
	68		32	26		

After the normality test was carried out, 13 extreme data were not distributed normally, and then the extreme data were discarded and 103 research data were obtained which would be run with SmartPLS version 3

Outer Model Testing



The outer model is a data test that refers to Convergent Validity (if the outter loading value is> 0.5), Discriminant Validity (if the AVE value is> 0.5) and Composite Reliability (> 0.7). From the results of the first running calculate algorithm, there are 6 variables that do not meet the criteria and must be removed, including WMN, WNA, AFL, AGE, SHB and LDAR. Then run again, and get the following values:



All variables have met the three criteria above, then the Bootstrapping stage is then carried out to test the Inner Model.

Inner Model Testing

The inner model test or structural model is evaluated by looking at the percentage of variance described by looking at R2 for the dependent variable of the research model using the Q-Square test measure and also seeing the magnitude of the structural path coefficient.

Outer Loadings							
	M	**X1 * M**	**X2 * M**	**X1**	**X2**	**X3**	**Y**
AST	0.089	0.123	0.199	0.144	0.218	0.905	0.297
DAR	0.940	0.091	0.116	0.085	0.239	0.067	0.231
DER	0.959	0.054	0.177	0.091	0.353	0.152	0.280
EDU	0.093	-0.036	0.091	1,000	0.154	0.232	0.402
IND	0.317	0.138	0.376	0.154	1,000	0.202	0.318
PENJ	0.128	-0.054	0.146	0.275	0.153	0.917	0.317
ROA	0.220	0.329	0.410	0.396	0.334	0.324	0.988
ROE	0.293	0.316	0.406	0.418	0.316	0.316	0.982

TBNQ	0.283	0.316	0.422	0.366	0.284	0.352	0.971
X1 * M	0.074	1,000	0.632	-0.036	0.138	0.034	0.327
X2 * M	0.157	0.632	1,000	0.091	0.376	0.188	0.421

	AVE	***CR***	***Cronbachs Alpha***		***R Square***
M	0.902	0.948	0.892	**M**	
X1 * M	1,000	1,000	1,000	**X1 * M**	
X2 * M	1,000	1,000	1,000	**X2 * M**	
X1	1,000	1,000	1,000	**X1**	
X2	1,000	1,000	1,000	**X2**	
X3	0.830	0.907	0.796	**X3**	
Y	0.961	0.987	0.980	**Y**	0.399

Structural Model

	OS	***Sample Mean (M)***	***Standard Error (STERR)***	***T Statistics (| O / STERR |)***	***P Value***
M -> Y	0.148	0.126	0.090	1,640	**0.102**
X1 * M -> Y	0.198	0.198	0.177	1,117	**0.265**
X2 * M -> Y	0.114	0.102	0.144	0.790	**0.430**
X1 -> Y	0.322	0.307	0.083	3,891	**0,000**
X2 -> Y	0.090	0.094	0.090	1,003	**0.316**
X3 -> Y	0.187	0.181	0.092	2,039	**0.042**

Multicollinearity

Multicollinearity test can be seen from the VIF value, if the VIF value is below 5.00 then multicollinearity does not occur. Following are the results of the VIF structure of the research model

Variable	**Y**
M	**1,119**
X1 * M	**1,726**
X2 * M	**1,997**
X1	**1,081**
X2	**1,313**
X3	**1,114**
Y	

All variables have a VIF value below 5.00, this indicates that there is no multicollinearity in the research model

Direction and Significance

Looking at the direction and significance, the direction is seen from the sign on the original sample value, significance is done by looking at the T statistic or P value, if the T statistical value> 1.96 (for 5%) and significant if the P value <0.05 (for 5%) go through the bootstrapping stage

Between Variables	**Notation**	**Coefficient**	***T-Statistic***	***P Value***	**Hypothesis Direction**	**Information**
X1 -> Y	H1	0.322	3,891	0,000	Positive	**Significant**
X2 -> Y	H2	0.090	1,003	0.316	Positive	**Not significant**

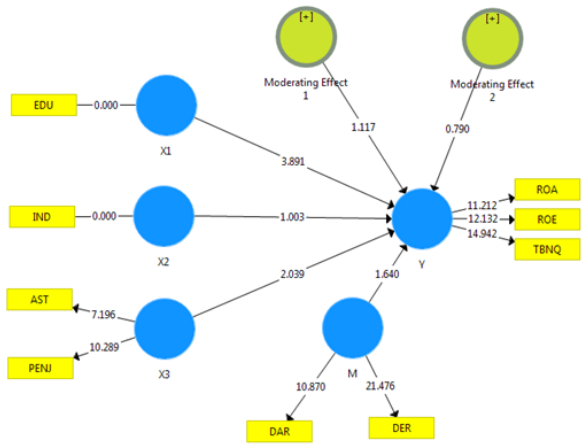
Influence Analysis

Goodness of fit inner model(the feasibility of the model) is measured using the R-Square (R2) dependent variable using the Q-Square test measure and also seeing the magnitude of the structural path coefficient. Q-Square predictive relevance measures how well the structural model produced by PLS is. The amount of influence (R2) in the study showed a value of 0.399 or 39.9%. This shows pretty good results.

Moderation Effect

The moderating variables in this study are M11 (DER), M12 (DAR), and M13 (LDAR) which represent the capital structure. Determining whether the Capital Structure is said to be a moderating variable or not is determined by looking at two p-values, namely the value of the moderating variable on Y and the p value moderation effect (Sig <0.05) through the Bootstrapping stage. With the stipulated provisions as follows:

Information	Moderation -> Y	*Moderation Effect*	Description
Pure Moderator	No Sig	Sig	the pure moderating variable becomes interacting with the independent variable
Potential Moderation (Homologous Moderator)	No Sig	No Sig	this variable has the potential to become a moderating variable
Quasi Moderator.	Sig	Sig	moderate the independent variable against the dependent variable as well as become the independent variable
Predictor Moderation (Predictor Moderation)	Sig	No Sig	the moderating variable only becomes the independent variable in the formed relationship



Bootstrapping Image

P - Value				
Path	**M -> Y**	**Moderation Effect 1**	**Moderation Effect 2**	**Information**
X1 * M -> Y	0.102	0.265		Both are Greater than 0.05
X2 * M -> Y	0.102		0.430	Both are Greater than 0.05
Moderation Designation				
Path	**M -> Y**	**Moderation Effect 1**	**Moderation Effect 2**	**Information**
X1 * M -> Y	No Sig	No Sig		**Potential for Moderation**
X2 * M -> Y	No Sig		No Sig	**Potential for Moderation**

Discussion of Research Results

Based on the hypothesis testing that has been done, it is found that the board of directors diversity has a significant positive effect on the company's financial performance, the board of commissioners has a positive and insignificant effect on the company's financial performance and the potential capital structure moderates the board of directors diversity and the board of commissioners on the company's financial performance research on each variable can be described as follows:

The Effect of the Board of Directors Diversity on the Company's Financial Performance

H1 states that the existence of the board of directors diversity affects the company's financial performance. The hypothesis was tested through PLS Algorithm and Bootstrapping in Table 4.18. obtained p-value at a significance level of 0.05 and t value. The p-value is smaller than $\alpha = 0.05$. These results indicate that there is a significant influence between the existence of board of directors diversity on company performance. Therefore, the first hypothesis cannot be proven so that H1 is accepted.

In this study it was found that the indicator of the proportion of women has a high convergent validity value but does not meet the reliability criteria. The results of this study contradict the results of the study(Carter, Souza, Simkins, & Simpson, 2007)who found that firms with two or more women on the board had better corporate financial performance (as proxied by the Tobin's Q ratio) than firms with less than two or no female board members. The results of this study are also contrary to the research(Ferreira, 2009)who found company performance (Tobin's Q) had a positive and significant relationship with the proportion of women in its board structure. In their analysis, the researcher expressed a number of opinions which said that female representation in the board could provide different perspectives, experiences and opinions. That way, this can provide certain advantages in the implementation of board duties, and is expected to make a positive contribution to improving overall company performance. Board of directors diversity which is proxied by a background in economic and business education significantly affects the company's financial performance. This is in line with research(Ponnu, 2008) which states that the board of directors should be filled with professionals with expertise in economics and business.

The difference in results for women's board proxies could be due to cultural factors in Indonesia, where women have a yielding attitude to respect men. The results of data analysis in sample companies also show that only a few women occupy the top positions, so that women do not have a significant role in making company decisions. In addition, most people in Indonesia adhere to a patriarchal social system where men are positioned as the dominant party in leadership roles. In addition, this research indicates that an educational background in economics and business can improve the quality of a person in carrying out the role of leader of a business entity.

The Effect of the Board of Commissioners on the Company's Financial Performance

H2 states that the existence of a board of commissioners affects the company's financial performance. The hypothesis was tested through PLS Algorithm and Bootstrapping in Table 4.18. obtained p-value at a significance level of 0.05 and t value. The p-value is greater than $\alpha = 0.05$. These results indicate that there is no significant effect between the existence of a board of commissioners on company performance (which is proxied by the proportion of independent commissioners and commissioners with affiliated relationships). Therefore, the second hypothesis cannot be proven so that H2 is rejected.

This result is not in accordance with the results of previous studies which state that the board of commissioners has a significant influence. (Ponnu, 2008) In his research, he said that the proportion of independent commissioners has a good influence on the company's financial performance, this is because the independent commissioners are truly capable of providing independent and impartial decisions and supervision, prioritizing the interests of the company over the interests of certain groups. (Chaganti, 1991)in his research also stated the same thing, the presence of board members with financial affiliation status has a significant effect on the company's financial performance, this is because board members with financial affiliation status also bear losses if the company experiences bad things in the future. This risk makes board members with affiliation status will be more focused in dealing with problems that occur.

The differences in the results of this study indicate two things. First, all members of the board of commissioners are aware of their independence and their main duties as supervisors in the company. Second, this occurs because of the total sample companies, the leadership of the board of commissioners is dominated by affiliated commissioners, this indicates that affiliated commissioners are not yet truly independent in carrying out their supervisory functions, as stipulated by law.

The Effect of Capital Structure Moderating the relationship of the Board of Directors Diversity on the Company's Financial Performance.

The capital structure variable as a moderator in the study has the potential to moderate the effect of board of directors diversity on the financial performance of manufacturing companies on the Indonesian stock exchange in 2018. Capital structure has the potential to improve the company's financial performance when the board of directors diversity has a good level of good corporate governance. This is supported by research conducted by(Chaganti, 1991) which states that the capital structure is able to significantly influence *board of directors diversity* on the financial performance of manufacturing companies listed on the Indonesia Stock Exchange.

The Effect of Capital Structure Moderates the relationship between the Board of Commissioners on the Company's Financial Performance.

The capital structure variable as a moderator in the study also has the potential to moderate the effect of the board of commissioners on the financial performance of manufacturing companies on the Indonesian stock exchange in 2018. Capital structure has the potential to improve the company's financial performance when the board of commissioners has a good level of good corporate governance..

V. CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the results of the research and discussion previously described, the conclusions of this study will be presented as follows:

1. *Board of directors diversity* This has a significant positive effect on the financial performance of manufacturing sector companies listed on the Indonesia Stock Exchange in 2018. This indicates that the background of economic and business education can improve the quality of a person in carrying out the role as leader of a business entity.
2. *Board of commissioners*has a positive and insignificant effect on the financial performance of manufacturing sector companies listed on the Indonesia Stock Exchange in 2018. This indicates that the independent commissioners are not yet truly independent in their supervisory function in the company. And the affiliated commissioners have not carried out their duties optimally.
3. The capital structure variable as a moderator in the study has the potential to moderate the effect of board of directors diversity on the financial performance of manufacturing companies on the Indonesian stock exchange in 2018.
4. The capital structure variable as a moderator in the study has the potential to moderate the effect of the board of commissioners on the financial performance of manufacturing companies on the Indonesian stock exchange in 2018.
5. The level of relationship or coefficient of determination (R2) between construct variables*board of directors diversity*, the board of commissioners, the capital structure of the company's financial performance in this study amounted to 39.9% and the remaining 61.9% was influenced by other factors not examined in the study.

Suggestion

Based on the results of the analysis and conclusions that have been stated, it is necessary to convey the following suggestions:

1. Investors who want to invest in a company, especially in manufacturing, should consider the educational background of the company's leaders, also use the size of the company as a measure in this case with respect to assets, sales and the number of shares outstanding.
2. For companies, they should be careful in using debt for company activities.
3. Based on the fifth conclusion in this chapter, with the influence of other independent variables of 61.9% that have not been determined in this study, the next researcher can develop variables using independent variables other than the board of directors and board of commissioners factors.

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