

FACTORS INFLUENCING CEO COMPENSATION IN COMPANIES LISTED ON THE LQ-45 INDEX OF THE INDONESIA STOCK EXCHANGE 2016-2020

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Article history:

Received
30 November 2022

Revised
12 January 2023

Accepted
9 February 2023

Available online
31 May 2023

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Abstract: The purpose of this study is to find out the influence of tobin's-q, return on asset, women as CEO, board independence, institutional ownership, concentrated ownership, and firm size towards CEO compensation in companies listed on LQ-45 Index of the Indonesia Stock Exchange for the period of 2016-2020. This study uses a quantitative perspective with a linear regression model and data panel. The number of 205 data was observed continuously for five years according to the sample characteristics. Test model specifications with the Chow test and Hausman test shows that random effect models using white correction provide the most suitable results. The results showed that tobin's-q, women as CEO and firm sizes have a significant positive effect on CEO compensation. Meanwhile, institutional ownership has a significant negative effect on CEO compensation. The test results show return on assets and concentration ownership have no effect on CEO compensation. The contribution of this research can provide input for investors and management to understand the conditions of female executives' compensation and the factors that have fundamentally proven to affect the compensation of CEOs. Furthermore, these results have a strong reliability to be considered in designing executive compensation packages and good governance systems.

Keywords: tobin's-q, women as ceo, institutional ownership, firm size, ceo compensation

Abstrak: Tujuan dari penelitian ini adalah untuk mengetahui pengaruh tobin's-q, return on asset, women as CEO, board independence, institutional ownership, concentrated ownership, dan firm size terhadap CEO compensation pada perusahaan-perusahaan yang terdaftar di Indeks LQ-45 Bursa Efek Indonesia periode 2016-2020. Penelitian ini menggunakan perspektif kuantitatif dengan model regresi linier data panel. Jumlah observasi penelitian sebanyak 205 data yang diamati secara runtun selama lima tahun sesuai dengan karakteristik sampel penelitian. Uji spesifikasi model dengan Chow test dan Hausman test menunjukkan bahwa random effect model menggunakan white correction memberikan hasil yang paling sesuai. Hasil penelitian menunjukkan bahwa tobin's-q, women as CEO dan firm sizes berpengaruh signifikan positif. Sedangkan institutional ownership memiliki pengaruh signifikan negatif. Hasil pengujian return on assets dan concentration ownership tidak berpengaruh terhadap CEO compensation. Kontribusi penelitian ini dapat memberikan masukan bagi investor dan manajemen untuk memahami kondisi kompensasi eksekutif wanita dan faktor-faktor yang secara fundamental berpengaruh terhadap kompensasi CEO. Lebih lanjut, hasil ini memiliki reliabilitas yang kuat untuk dipertimbangkan dalam mendisain paket kompensasi eksekutif dan sistem tata kelola yang baik.

Kata kunci: tobin's-q, women as ceo, institutional ownership, firm size, ceo compensation

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INTRODUCTION

Chief Executive Officer (CEO) has an important role in the company's decision-making, including financial decisions. Therefore, in carrying out his duties and obligations, a CEO must have competencies in the form of intelligence, capabilities, personal characteristics, and experience. These competencies will be determined by rational and emotional factors so that psychologically they will have different impacts. The better the CEO's performance, the more successful the company will be. Executive compensation is, therefore, a very important factor in motivating and retaining a flagship CEO. The amount of CEO compensation is influenced by several factors, including the type of gender (Owen and Temesvary, 2019) and independent board (Namwong et al. 2017; Usman et al. 2019). The greater the proportion of board independence (non-executive directors) will lower the CEO's compensation because monitoring the independence of the board is used to minimize executive profits at the expense of shareholders. This supports managerial power theory and agency theory, i.e. the existence of an independent board as a component of corporate governance to minimize agency costs arising from agency problems between the principal and the agent.

The discussion about gender equality in the business world has become an interesting discussion for the public. The presence of women on the board of directors (women as CEOs) is increasingly becoming a concern (Owen and Temesvary, 2019; Kalogeraki and Georgakakis, 2022). Market policymakers and legislators around the world are trying to increase the number of women on boards of directors through persuasion and legislative quotas (Deloitte, 2014). Networking and mentoring programs are used to increase the number of women on the board of directors (Nawaz, 2022; Nadeem, 2022). The lack of women on the board of directors is a global problem, motivating legislators and policymakers to introduce quotas for women in various countries. Several European countries have attempted to maintain quotas for women on the boards of directors of publicly traded companies. Increasing gender diversity is not only the right thing to do for organizational culture, it also leads to better business outcomes. Increased gender diversity leads to smarter decision making, contributes to organizational bottom line, and drives innovation. Thus, it is natural that women who do the same work should receive the same compensation, so they are not

treated unequally (Badriah and Istiqomah, 2022). One of the countries in Asia that are included in the country profile by Deloitte Global in Indonesia. So far, there is no formal regulation on gender diversity on the board for companies registered in Indonesia (Deloitte, 2014; Pasaribu and Mindosa, 2019). As a result, the presence of women in 100 listed Indonesian public companies remained stagnant at around 11-12% during the period from 2012 to 2014 (Loh et al. 2016).

Institutional investors are effective in monitoring top management decisions. Therefore CEOs have less power to influence decisions on the compensation determination process. Increased shareholding by institutions provides an incentive to effectively monitor the CEO's actions, giving the CEO less opportunity to manipulate his compensation package and increasing the likelihood that the CEO will receive lower compensation. The issue of concentrated ownership associated with CEO compensation is also an important concern because it has important consequences for top management compensation. According to agency theory, concentrated ownership results in principals having a strong incentive to monitor and influence key company decisions, one of which is executive compensation. Concentrated ownership is better at safeguarding interests and having an optimal contract for the CEO.

The design of the compensation package is one of the factors that motivate people to give the best performance for the company, and the board of directors is no exception (Kweh et al. 2022). Executive compensation is an important part of corporate governance. Conflicts within the company are often motivated by the determination of the amount of compensation. The relationship that is formed between the principal and agent is very vulnerable to problems when determining the design of executive compensation. In accordance with the agency theory, this agency conflict can be resolved by means of the company management is obliged to work professionally so that the company's goals are achieved, while the company owner provides rewards in the form of fair and realistic compensation.

There are interesting facts between gender diversity and executive compensation design in several studies that discuss what factors influence CEO pay compensation. Usman et al. (2019) conducted a study with the aim of answering the question of whether gender diversity on the board is important in relation to CEO compensation

payments. Abdul et al. (2018) examined the relationship between gender diversity on the board and the amount of remuneration for directors in Malaysia. Namwong et al. (2017) conducted a study to investigate the relationship between executive compensation and the gender diversity of executives of companies in Thailand from 2009-2013. Usman et al. (2019) found that Tobin's Q and Return on Asset coefficients are not significant, indicating that there is no relationship between CEO pay and performance in Pakistani. Board structure control, namely board size, the proportion of non-executive directors, chairperson independence, and board meetings, are negatively significant. Among the ownership structure control, only board independence, Institutional ownership, and ownership concentration are significant negative determinants of CEO compensation. The firm economic control variable, Firm size, is positive and very significant on CEO compensation. Abdul et al. (2018) found that there is a positive and significant relationship between gender diversity and remuneration but a negative and significant relationship between ethnically diverse councils and remuneration. Meanwhile, Namwong et al. (2017) found that male executives were more compensated than executives and higher compensation for male CEOs whose educational qualifications were Master's degrees or higher.

The contribution of this research is to identify the factors that have been determined and their influence on the CEO compensation of companies listed on the LQ 45 Index for the 2016-2020 period. This contribution is important because it looks at the effect of CEO compensation from two perspectives simultaneously, namely internal from a management point of view through accounting performance (ROA) and external performance from an investor's point of view (TQ). The study from these two points of view is very important, considering that the asymmetry of information in the Indonesian capital market is quite high. The novelty of this study raises two perspectives, namely internal and external. In contrast, in previous studies, it was measured separately so that it could not get a holistic picture of the antecedents of CEO compensation. One other important thing is to include a gender element, namely the women CEO, because the female gender group is still perceived as minor, and there is a negative stigma in Indonesia. In addition, this research has a uniqueness that is different from previous research, including woman executive elements with a background of objects in Indonesia that look at women

from an inferior angle. The method used to answer the problem of this research is a quantitative approach through the least square panel equation. The purpose of the study is to prove the influence of Tobin's-q, return on assets, women as CEO, board independence, institutional ownership, concentrated ownership, and firm size towards CEO compensation in companies listed on the Indonesia Stock Exchange LQ-45 Index from 2016 to 2020.

METHODS

The population of this study are all companies listed on the LQ 45 Index of the Indonesia Stock Exchange for the 2016-2020 period. The secondary data type is in the form of annual financial statements from each issuer listed on the LQ-45 index of the Indonesia Stock Exchange that has been audited. The data is obtained from the official website of the Indonesia stock exchange (www.idx.co.id) and the official website of the respective issuer. The data collection technique uses purposive sampling, where in this study, the sample taken must meet the criteria, namely companies that have published a complete and audited annual report and did not take any corporate actions.

Technical data analysis uses descriptive statistics and inferential statistics. For descriptive statistics displays the values of mean, median, maximum, minimum, standard deviation, degree of skewness, kurtosis, and multicollinearity. Furthermore, inferential statistics use the t-test and the F-test to test the research hypothesis. In this case, the least square regression (PLS) panel equation is used, which combines time series data with cross-section data. Model specification tests are also carried out to determine the most suitable model, namely the Chow test and the Hausman test. To test the consistency of the model, an endurance test was carried out on Model 2 and Model 3.

Model 1:

$$\begin{aligned} \text{COMP}_{i,t} = & \alpha + \beta_1 \cdot \text{TQ}_{i,t} + \beta_2 \cdot \text{ROA}_{i,t} + \beta_3 \cdot \text{WOMEN}_{i,t} \\ & + \beta_4 \cdot \text{BINDP}_{i,t} + \beta_5 \cdot \text{INSTOWN}_{i,t} + \\ & \beta_6 \cdot \text{CONOWN}_{i,t} + \beta_7 \cdot \text{FSIZE}_{i,t} + \varepsilon_{i,t} \end{aligned}$$

Robustness Test:

Model 2:

$$\text{COMP}_{i,t} = \alpha + \beta_1 \cdot \text{TQ}_{i,t} + \beta_2 \cdot \text{WOMEN}_{i,t} + \beta_3 \cdot \text{BINDP}_{i,t} + \beta_4 \cdot \text{INSTOWN}_{i,t} + \beta_5 \cdot \text{CONOWN}_{i,t} + \beta_6 \cdot \text{FSIZE}_{i,t} + \varepsilon_{i,t}$$

Model 3:

$$\text{COMP}_{i,t} = \alpha + \beta_1 \cdot \text{ROA}_{i,t} + \beta_2 \cdot \text{WOMEN}_{i,t} + \beta_3 \cdot \text{BINDP}_{i,t} + \beta_4 \cdot \text{INSTOWN}_{i,t} + \beta_5 \cdot \text{CONOWN}_{i,t} + \beta_6 \cdot \text{FSIZE}_{i,t} + \varepsilon_{i,t}$$

Where: $\text{COMP}_{i,t}$ (The amount of compensation of executives); $\text{TQ}_{i,t}$ (Market value of the company divided by the book value of the company's total assets); $\text{ROA}_{i,t}$ (Company's net profit divided by the company's total assets); $\text{WOMEN}_{i,t}$ (The proportion of female directors); $\text{BINDP}_{i,t}$ (The proportion of independent directors); $\text{INSTOWN}_{i,t}$ (The percentage of shares owned by institutional investors); $\text{CONOWN}_{i,t}$ (The largest share ownership (more than 5%) divided by the company's total shares); $\text{FSIZE}_{i,t}$ (Log total assets); $\varepsilon_{i,t}$ (Error term); α (Constant coefficient); $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$ (regression coefficient).

In motivation theory, executives receive compensation depending on the company's performance (Kweh et al. 2022). Company performance is measured market-based using Tobin's Q (Sa'diyah and Hilabi, 2022). Namwong et al. (2017) use tobin's-q to measure company performance and find a positive relationship with CEO compensation for companies listed in Thailand. Kristanto (2018), in his research, also supports tobin's-q to have a positive effect on CEO compensation. Tobin's-q is a ratio that describes the condition of the company's market performance, meaning that the increasing share price in the market causes the market capitalization value to increase. A large Tobin's-q means that the company's market performance is good so that the CEO compensation given also increases.

H1: Tobin's-q has a positive effect on CEO compensation

ROA looks at the extent to which the investment that has been invested is able to provide a return of profit as expected, and the investment is actually the same as the company's assets invested (Fauzi et al. 2022). So the high profit or profit will affect the compensation given to company executives (Millati, 2019). If the board of directors (executive party) is able to improve

the company's performance, the company will provide compensation to the board of directors. In other words, by increasing net income, the guaranteed compensation received by the executive will also be proportional to what is produced. Company performance, as measured by ROA, has a positive effect on executive compensation. The company's ability to generate high profits from total assets can reduce agency problems, and high ROA also affects the provision of executive compensation (Wicaksono, 2017).

H2: Return on assets has a positive effect on CEO compensation

Agency theory also finds that the monitoring function can improve when there is gender diversity on the board, which is expected to be more critical because it has directors who do not have the same background. Abdul et al. (2018) argue women on board are more likely to increase creativity and innovation, encourage more open discussion of council issues and support exposure with more viewpoints in solving complex strategic problems. Women as CEOs increase the strategic control of the board. Women as CEOs are considered tough monitors. The presence of women on the board increases accountability and communication between the board and stakeholders. In other words, increasing non-financial measures such as customer satisfaction, gender representation and corporate social responsibility (Abdul et al. 2018). In realizing the positive impact of women, it is necessary to increase participation. This leads to more effective performance and better leadership. Benkraiem et al. (2017) and Harakeh et al. (2019) found that the presence of women as CEO positively influences the design of executive compensation. Women can offer important heterogeneity. Heterogeneous groups are more likely to offer alternative approaches to complex problems and improve the quality of strategic decision-making. This means that the greater the proportion of women as CEOs, the higher the CEO compensation in a company. Thus, women as CEOs are positively related to CEO compensation (Usman et al. 2019).

H3: Women as CEO have a positive effect on CEO compensation

Usman et al. (2019) and Upadhyay and Öztekin (2021) showed that the proportion of independent directors (board independence) could be used as a proxy for the monitoring function to oversee executive compensation policies. In accordance with agency theory, the proportion of independent directors on the board

has a negative impact on executive compensation. Companies with a higher proportion of independent directors offer less executive compensation. The monitoring role of independent directors has an impact on decreasing executive compensation to minimize executive behaviour for personal gain at the expense of shareholders (Namwong et al. 2017). The proportion of independent directors is more effective in monitoring CEO actions because they work under non-hierarchical (non-affiliated) authority. These results indicate that a board with a high proportion of independent directors is negatively related to the CEO's total compensation. These results support the managerial power theory, which predicts that CEO compensation will be lower when the proportion of independent directors is larger (Usman et al. 2019).

H4: Board independence has a negative effect on CEO compensation

The measurement of the amount of executive compensation in a company is also inseparable from the process of implementing the corporate governance mechanism. One of the mechanisms of Corporate Governance is institutional ownership (Sa'diyah and Hilabi, 2022). Institutional ownership itself can be seen from the number of shares owned by a company from the total share capital, which affects the amount of CEO compensation. With institutional ownership, the level of supervision carried out by institutions is higher (Maharani and Utami, 2019). Strong monitoring will also improve company performance. Usman et al. (2019) found that institutional ownership had a significant negative effect on CEO compensation. Institutional investors are effective in monitoring top management decisions. Therefore CEOs have less power to influence their own decisions, especially regarding the compensation arrangement process. Institutional stock ownership monitors the CEO's actions effectively, giving the CEO less opportunity to manipulate his compensation package and increasing the likelihood that the CEO receives lower remuneration.

H5: Institutional ownership has a negative effect on CEO compensation

Ownership concentration in Indonesia is a shareholder who has shared ownership of more than 5% (Amalia and Matusin, 2016). The larger the shareholder with an ownership percentage of more than 5%, the more concentrated share ownership so that shareholders have the power to monitor and control the activities carried

out by the company's management. Concentrated ownership has a negative relationship with CEO compensation (Namwong et al. 2017). According to agency theory, concentrated ownership can be a control mechanism by companies to overcome agency costs because owners have strong incentives to monitor the actions of managers. The existence of concentrated ownership reduces the level of total CEO compensation (Usman et al. 2019).

H6: Concentrated ownership has a negative effect on CEO compensation

Large firm size is believed to have an influence on the provision of executive compensation (Ueng et al. 2000) because companies that have large assets have an allocation of funds for compensation. On the other hand, executives who are trusted to control large companies will try their best to give the best to their principals. This can reduce agency problems that occur (Wicaksono, 2017). Firm size can affect executive compensation because large companies will be able to pay high executive compensation. Research conducted by Fitriawan and Ahmad (2015) proves that firm size has a positive effect on CEO compensation. In line with the research results of Usman et al. (2019), Namwong et al. (2017), and Jiang et al. (2014), which found that the larger the firm size, the higher the CEO compensation.

H7: Firm size has a positive effect on CEO compensation

In motivation theory, executives receive compensation depending on the performance of the company. The company's performance from an investor perspective is measured market-based using Tobin's-q (Sa'diyah and Hilabi, 2022, Namwong et al. 2017). Meanwhile, the measurement of the company's work from a management perspective uses return on assets. The company's ability to generate profits from total assets can reduce agency problems, and a high ROA also affects the provision of executive compensation (Wicaksono, 2017; Millati, 2019; Fauzi et al. 2022; Fullana et al. 2022). The theory of gender diversity, i.e. women as CEO as a determinant of executive compensation, increases the strategic control of the board (Benkraiem et al. 2017, Abdul et al. 2018). This leads to more effective performance and better leadership. In the theory of good corporate governance and agency theory, board independence (Usman et al. 2019), institutional ownership, and Ownership Concentration affect executive compensation through a strict monitoring system (Usman et al. 2019; Cieslak et al. 2021; Sa'diyah and Hilabi, 2022). Firm size

can affect executive compensation, because a large company will be able to pay its executive compensation high (Jiang et al. 2014; Namwong et al. 2017; Ueng et al. 2000). Thus, the framework of thinking is shown in Figure 1.

RESULTS

Table 1 shows that the number of observations in the study was 205 companies. The classical assumption test is divided into normality, multicollinearity,

autocorrelation and heteroscedasticity tests. The results of all of these tests have already been done and pass of the requirements. The model to be used is REM, so it already uses the EGLS panel. The multicollinearity is presented in Table 2.

In determining the appropriate model, tests such as the F-test and Chow test and Hausman test can be carried out. Regression testing uses a random effect model (REM), but the results shown are not satisfactory. Therefore, regression testing uses a REM and white correction to show more satisfactory results.

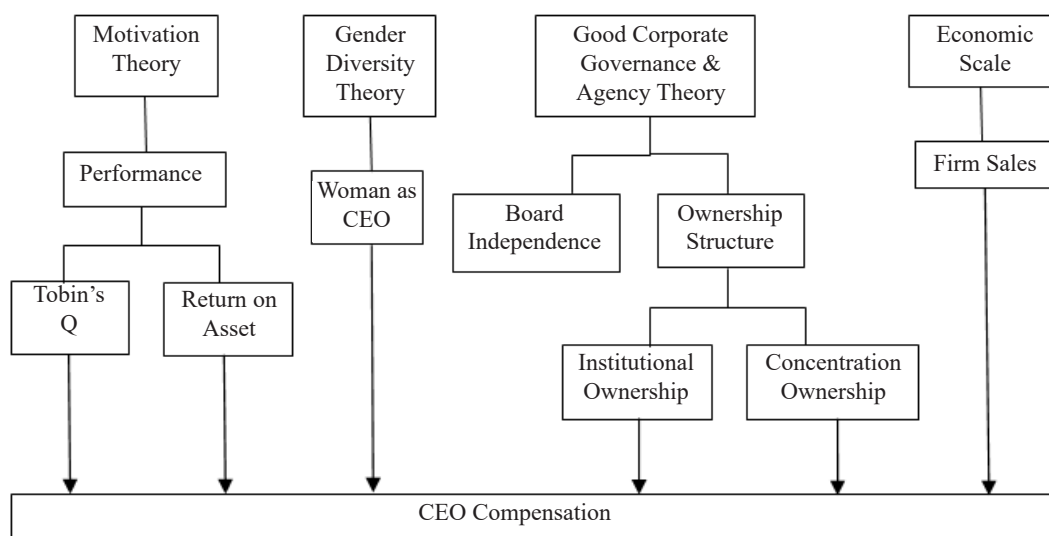


Figure 1. Framework of Thinking

Table 1. Descriptive Statistics

	TQ	ROA	WOMEN	BINDP	INSTOWN	CONOWN	FSIZE
Mean	1.93	0.07	0.12	0.06	0.84	0.63	13.61
Median	1.34	0.06	0.08	0.00	0.96	0.60	13.50
Maximum	12.96	0.31	0.60	0.29	1.01	2.50	15.18
Minimum	0.27	0.06	0.00	0.00	0.05	0.00	11.78
Std. Dev.	1.66	0.02	0.14	0.08	0.22	0.19	0.60
Skewness	3.37	1.33	1.09	0.63	-1.44	4.82	0.33
Kurtosis	17.95	5.19	3.45	1.90	3.91	48.83	4.51
Jarque-Bera	22.97	91.04	42.33	23.81	78.02	18.73	22.99
Probability	0.09	0.08	0.08	0.07	0.08	0.05	0.05
Observations	205.00	205.00	205.00	205.00	205.00	205.00	205.00

Where: TQ (Market value of the company divided by the book value of the company's total assets); ROA (Company's net profit divided by the company's total assets); WOMEN (The proportion of female directors); BINDP (The proportion of independent directors); INSTOWN (The percentage of shares owned by institutional investors); CONOWN (The largest share ownership (more than 5%) divided by the company's total shares); FSIZE (Log total assets).

In Table 3, it can be seen that the TQ has a significant positive relationship with CEO compensation. In motivation theory, executives receive compensation depending on the company's performance. Namwong et al. (2017) use TQ to measure company performance and find a positive relationship with CEO compensation for companies listed in Thailand. Kristanto (2018) also supports that TQ has a positive effect on CEO

compensation. TQ is a ratio that describes the condition of the company's market performance, meaning that the increasing share price in the market causes the market capitalization value to increase. A large Tobin's-q means that the company's market performance is good so that the CEO compensation given also increases.

Table 2. Multicollinearity test results

	TQ	ROA	WOMEN	BINDP	INSTOWN	CONOWN	FSIZE
TQ	1	0.7601	0.1113	0.1958	0.0331	0.1871	-0.2057
ROA	0.7601	1	0.0943	0.1799	0.0334	0.1686	-0.2595
WOMEN	0.1113	0.0943	1	0.1941	-0.0047	-0.0383	-0.1163
BINDP	0.1958	0.1799	0.1941	1	0.0572	0.0639	-0.1508
INSTOWN	0.0331	0.0334	-0.0047	0.0572	1	0.1342	0.2934
CONOWN	0.1871	0.1686	-0.0383	0.0639	0.1342	1	-0.0369
FSIZE	-0.2057	-0.2595	-0.1163	-0.1508	0.2934	-0.0369	1

Where: TQ (Market value of the company divided by the book value of the company's total assets); ROA (Company's net profit divided by the company's total assets); WOMEN (The proportion of female directors); BINDP (The proportion of independent directors); INSTOWN (The percentage of shares owned by institutional investors); CONOWN (The largest share ownership (more than 5%) divided by the company's total shares); FSIZE (Log total assets).

Table 3. Regression Test Results (Model 1)

	Coefficient	T-Statistic	Prob
C	-0.0101	-0.0309***	0.00
TQ	0.0048	0.1666**	0.04
ROA	0.6312	0.7323	0.47
WOMEN	0.0311	0.0762*	0.09
BIND	0.9523	2.1900	0.25
INSTOWN	-0.4072	-1.8744*	0.06
CONOWN	0.1983	1.4150	0.16
FSIZE	0.8218	3.3952***	0.00
R-squared	0.9358		
Adjusted R-squared	0.9166		
F-statistics	48.7336		
Prob (F-statistic)	0.0000		

Where: Note: * significance at 10%; ** significance at 5%; *** significance at 1%; TQ (Market value of the company divided by the book value of the company's total assets); ROA (Company's net profit divided by the company's total assets); WOMEN (The proportion of female directors); BINDP (The proportion of independent directors); INSTOWN (The percentage of shares owned by institutional investors); CONOWN (The largest share ownership (more than 5%) divided by the company's total shares); FSIZE (Log total assets).

ROA has an insignificant relationship to CEO compensation. The size of the ROA does not affect CEO compensation. This is supported by research conducted by Kristanto (2018) but contradicts research conducted by Namwong et al. (2017). Kristanto (2018), in his research on the effect of ROA on executive compensation, found the fact that the practice of paying executive compensation is, in fact, adjusted to the internal and external conditions faced by the company, such as environmental conditions, organizational strategy, and company characteristics in determining payment practice policies. It is also necessary to consider determining the amount of payment for the CEO, which includes information on the characteristics of the company and industry, market growth, demand instability, and regulations in the industry. In other words, the suitability of CEO compensation depends on different contingency factors between companies and is not seen from how much profit the company gets (ROA).

WOMEN have a significant positive relationship with CEO compensation. This is supported by research conducted by Benkraiem et al. (2017), Abdul et al. (2018) and Dezső et al. (2022) but contradicts research conducted by Usman et al. (2019) and Namwong et al. (2017). This means that the greater the proportion of women as CEOs, the higher the CEO compensation of a company. Abdul et al. (2018) argue that women on board are more likely to increase creativity and innovation, encourage more open discussion about board issues and support exposure with more points of view in solving complex strategic problems. The presence of women on board increases accountability and communication between the board and stakeholders. In other words, increasing non-financial measures such as customer satisfaction, gender representation and corporate social responsibility. In realizing the positive impact of women, it is necessary to increase participation. This leads to more effective performance and better leadership.

BINDP has no effect on the CEO compensation. This is supported by research conducted by Abdul et al. (2018) but contradicts research conducted by Usman et al. (2019) and Namwong et al. (2017). This means that the number of independent boards does not affect the level of company executive compensation. The independent board is the party that supervises the performance of the directors so that good corporate governance is achieved in the company. In accordance

with the managerial power theory, the BINDP has no role in the process of regulating the payment of the CEO, which is more entitled to determine the amount of executive compensation, of course, the insiders of the company itself (Abdul et al. 2018). An independent board may have greatly benefited the company and its shareholders in a series of corporate decisions, but it is unlikely that a BINDP would try to reduce the CEO's salary.

INSTOWN has no effect on the CEO compensation. This is supported by research conducted by Abdul et al. (2018) but contradicts research conducted by Usman et al. (2019) and Park et al. (2019). This could be due to the fact that companies in Indonesia that have a higher level of institutional ownership will be more efficient in exercising their authority to monitor and will not push to increase the amount of compensation that will be received by the executive. So, the higher the institutional ownership owned by a company, the higher the compensation value for the board of commissioners and directors. However, with large institutional ownership, it will have an impact on the implementation of high and efficient monitoring so that there will be more tightening regarding the determination of the amount of compensation. This is one way to deal with problems in agency theory (Maharani and Utami, 2019).

CONOWN has an insignificant relationship to CEO compensation. The size of the concentrated ownership does not affect the CEO compensation. This is supported by research conducted by Bustari (2018) but contradicts research conducted by Usman et al. (2019) and Namwong et al. (2017). CONOWN in Indonesia is a shareholder who has shared ownership of more than 5% (Amalia and Matusin, 2016). CONOWN in Indonesia is also referred to as the controlling shareholder represented by the Commissioner in determining the amount of compensation carried out by the Remuneration and Nomination Committee in accordance with Financial Services Authority Regulation No.34/POJK.04/2014. Bustari (2018) in his research proves that the controlling shareholder has no effect on the compensation of the directors because the function of the controlling shareholder is carried out by the independent committee as required by the regulations issued by the Financial Services Authority so that the controlling shareholder does not affect the provision of compensation to the directors. This proves that the sample in Liquidity 45 (LQ45) as the sample

studied that the controlling shareholder does not play a role in influencing internally in the provision of executive compensation.

FSIZE has a significant positive effect on CEO compensation. This is supported by research conducted by Usman et al. (2019) and Namwong et al. (2017). The results of this study are in accordance with the initial hypothesis; namely, FSIZE has a significant positive effect on CEO compensation. FSIZE is believed to have an influence on the provision of executive compensation because companies that have large assets have an allocation of funds for compensation. On the other hand, executives who are trusted to control large companies will try their best to their principals. This can reduce agency problems that occur (Wicaksono, 2017). FSIZE can affect executive compensation because large companies will be able to pay high executive compensation. Research conducted by Fitriawan and Ahmad (2015), Namwong et al. (2017), and Jiang et al. (2014) proves that the larger the FSIZE, the higher the CEO compensation.

The robustness test results for models 2 and 3 show that Tobin's q (as presented in Table 4 and Table 5), women as CEO, institutional ownership and firm size are robust factors, so they can be used as predictors for reliable complementary CEO. It is proved that the four determinants are consistent with the results in model 1. While other factors are not robust.

Managerial Implications

Theoretically, this study proves that the three theories used in this study are the theory of manager power, agency theory and corporate governance that apply in Indonesia. Thus this research can be a consideration for management to make decisions in designing executive compensation packages and good corporate governance. In addition, these factors can also be used as material for consideration for companies in Indonesia.

Practically, the results of this study indicate that the response of investors to company performance shows a significant reaction based on market size. Market performance (Tobin's-q) is an important factor because managers must be able to maintain the condition of the company's market performance, meaning that the increasing share price in the market causes the market capitalization value to increase. A large Tobin's-q means that the company's market performance is good, so the CEO compensation was given also increases. In contrast, the return on assets as a measure of accounting performance does not get a significant reaction. This also proves that the information asymmetry is quite high.

Table 4. Regression Test Results (Model 2 and Model 3)

	Coefficient		T-Statistic		Prob	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
C	-0.0362	-0.1012	-0.1308***	-0.1081***	0.00	0.00
TQ	0.4800	0.6311	0.1524**	0.7255	0.02	0.47
WOMEN	0.0214	0.1092	0.0726*	0.0539**	0.08	0.03
BIND	-0.9501	-0.9501	2.1887*	0.2188	0.06	0.29
INSTOWN	-4.0710	-4.0006	-1.8651**	-1.1753**	0.04	0.04
CONOWN	1.9810	1.2381	1.8841	1.4104	0.55	0.33
FSIZE	6.2110	9.5552	2.0585***	3.9826***	0.00	0.00
R-squared	0.8760	0.8253	3.3952***		0.00	
Adjusted R-squared	0.7221	0.7822				
F-statistic	43.4521	44.3000				
Prob (F-statistic)	0.0000	0.0000				

Where: Note: * significance at 10%; ** significance at 5%; *** significance at 1%; TQ (Market value of the company divided by the book value of the company's total assets); WOMEN (The proportion of female directors); BINDP (The proportion of independent directors); INSTOWN (The percentage of shares owned by institutional investors); CONOWN (The largest share ownership (more than 5%) divided by the company's total shares); FSIZE (Log total assets).

For the women as CEO variable, it needs special attention, considering that in Indonesia, gender diversity still does not have a reasonable place. There has been no equitable distribution of women as CEO recognition that can increase CEO compensation. It is hoped that in the future, women as CEO will be more likely to increase creativity and innovation, encourage more open discussion of board issues and support exposure with more viewpoints in solving complex strategic issues.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Hypotheses 1, 3, 5, and 7 were found to affect CEO compensation significantly. In this case, The company's good performance will be offset by the CEO compensation given also increased. The subsequent finding is the presence of women on board increases accountability and communication between the board and stakeholders. Institutional ownership will impact the implementation of high and efficient monitoring. It will be further tightened regarding the determination of the amount of compensation. Factor firm size can affect executive compensation because a large company can pay its executive compensation high. Executives trusted to control large companies will try their best to give the best to their principals.

Hypotheses 2, 4 and 6 are insignificant against CEO compensation. Return on asset as an internal performance is not responded well in the market due to information asymmetry. Board independent has no role in the CEO's payment arrangement process, the more entitled to determine the amount of executive compensation is, of course, the insiders of the company itself. Similarly, controlling shareholders that have concentrated ownership is not authorized to compensate the board of directors.

Recommendations

The results of this study can be considered to make decisions in designing a fair executive compensation package and motivating and improving corporate governance. Executive incentives are one of the company's successes in retaining key executives as actors behind the company's success in improving financial performance, including market performance.

This research is still open for further development, especially in its relevance regarding comparisons for developing countries in terms of determining productive executive compensation and equal compensation value.

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