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The impact of board characteristics on executive compensation: evidence from Jakarta Islamic Index Company

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Abstract

Purpose – This study aims to examine the effect of board characteristics on CEO compensation. The board characteristics examined in this study include board independence and gender diversity consisting of woman on board and independent woman board on CEO compensation.

Design/methodology/approach – The population in this study is a company belonging to the Jakara Islamic Index (JII) at the Indonesian Stock Exchange for the period 2012 - 2016. The sample in this research was determined by purposive sampling method with a total sample of 75 annual reports.

Findings – The results show that independent board gender diversity consisting of female boards and independent female boards has no effect on CEO compensation.

Research limitations/implications – The sample of this study is a company with shares included in the Jakarta Islamic Index on the Indonesian Stock Exchange (IDX) with an observation period of 2012-2016. Hypothesis testing in this study using multiple linear regression analysis.

Practical implications – Boards to oversee and control the actions of opportunists manager, and define the most important decisions of companies, one of which compensation for the CEO, so that corporate objectives can be achieved. With the larger board size will increase oversight function of the board to act opportunistically manager so control oversight of CEO compensation more stringent design and can be defined more precisely.

Originality/value – Research on the role of women in board composition is gaining attention, but not much has been explored in a country with a strong patriarchal culture like Indonesia.

Keywords: Board independence, gender diversity, woman on board, woman independent board, CEO compensation.

Introduction

The distinction of interest between ownership and control in the management company may create a conflict of agency. Agency theory explains that one of the agency conflict is associated with information asymmetry. Management of the company is a party which is authorized by the owner to manage the company with the hope will provide a high return on investment owners as capital providers. However, management tends to act opportunistically thereby reducing the company's

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performance and impact on decreasing the welfare of the owners of the company (Jensen & Meckling, 2019). Therefore, we need a good corporate governance mechanisms to mitigate the conflict between agents and principals.

CEO compensation is financial rewards and penalties received by the CEO as long as they carry out their duties (Al-Shammari, 2021; Zolotoy et al., 2021). CEO compensation is seen as one of the effective measures to improve the performance of the company (Bachmann et al., 2023; Chircop et al., 2018; Das & Dey, 2016). By providing compensation in accordance with the duties and responsibilities, will be improved its confidence in the company that manages the executive so that the executive will seek to maximize the expertise and the resources it has. Awuor (2012) also adds that the remuneration to the executive can motivate and improve the performance of the agencies that will affect increasing the company's performance. In addition, the CEO compensation is useful to maintain a competent workforce in managing (Rehman & Hamdan, 2023; Ullah et al., 2020).

The issue of compensation for the CEO began hotly discussed and a matter of debate in developed countries like America and the UK since the 1990s (Das & Dey, 2016; Pucheta-Martínez et al., 2017; Zolotoy et al., 2021). Until now, the issue of compensation for the CEO is still warm enough to be discussed. The main reason is sometimes higher compensation to executives does not match the performance of a given company (Bouteska & Mefteh-Wali, 2021; Schiehll & Bellavance, 2009) so as to give rise to public anger, especially to the parties concerned. The same thing also expressed by Sands (2014) that the compensation given to executives is often disproportionate to the contributions made by the executive and the results obtained so that the company needed a re-evaluation of action in this regard.

In contrast to developed countries such as America and Britain, in developing countries such as Indonesia, the issue of CEO compensation is not so popular to be discussed. The issue of CEO compensation once a warm conversation around the end of 2005. At that time, the Governor of Bank Indonesia (BI) Governor's proposed salary and benefits of BI for 2006 which reached Rp 2.6 billion a year, or Rp 223.7 million per month, as well as BI Senior Deputy Governor salary of Rp 2.2 billion a year, or Rp 169.8 million per month. The proposal has become a problem considering the salary of the President that only one fifth of the proposed salary scale BI (Liputan6, 2005). In addition, the National Savings Bank management share-based remuneration net income in 2012 to 10 directors amounted to Rp 67.6 billion and Rp 17 commissioners 6, 5 billion, of which the portion of the bonus is less than 1 percent of the profits of 2012. Furthermore, based on earnings in the same year, PT Bank Oversea-Chinese Banking Corporation Value Essence Storage (OCBC NISP) Tbk. provide compensation to the five commissioners of Rp 13.86 billion and 10 directors earn Rp 56 billion, which is based on the results of the General Meeting of Shareholders (AGM) PT Bank Himpunan Saudara 1906 Tbk. set board in place bonus of 3 percent of total net income in 2012 is valued at USD 3.56 billion (Kompas.com, 2013). Then the level of the highest compensation in 2012 was awarded by PT Astra International Tbk. the directors and commissioners of companies with total compensation of Rp 994 billion (SWAOnline, 2013).

In addition to relating to the company's performance, CEO compensation would not be separated from how good corporate governance mechanisms applied in the company. This study will discuss the mechanisms of good corporate governance such as board independence and gender diversity on CEO compensation.

According to the agency theory, the board of directors is an important governance mechanism that represents the interests of the owner (Fama, 1980) and act to control opportunistic behavior management. The board of directors has the authority to employ, dismiss, supervise and provide compensation to top-level decision managers or top managers. While management is the executive who carries out all activities company operations (manager). This internal control mechanism done by making a set of rules that govern about profit sharing mechanism, whether in the form of profit, return or risk approved by the principal and agent. In relation to compensation for the CEO, the role of an effective monitoring of the board is one of the things that influence. Some opinions state that the board of directors non-executive needed to control and supervise the conduct of management that acts to benefit himself so that when the proportion of executive directors is higher than non-executives, the remuneration will be given will be higher as well as the lack of control of the board of directors non-executive (Alfawareh et al., 2023; Han et al., 2021). Research Benkraiem et al. (2017) showed that the positive effect on the independence of board compensation components CEO. While research (Alfawareh et al., 2023; Han et al., 2021), said that a board composition that is proxied by non-executive directors have no effect on CEO compensation showed that the positive effect on the independence of board compensation components CEO.

Another factor affecting the compensation for the CEO is the board gender diversity (Dah et al., 2020; Khan & Vieito, 2013; Salem et al., 2019). Board diversity gender in this study is proxied into two things: the woman on board and independent woman board. On a global scale, the appointment of women in top management positions remains limited, including in Indonesia (Al-Absy et al., 2019; L. L. Chong et al., 2018; Ibrahim & Hanefah, 2016; Nickerson et al., 2007). Several thing that caused this to happen of which there is a presumption that the success of male leadership caused by a high capacity factor, while the women's leadership success simply because the luck factor alone (Al-Absy et al., 2019; L. L. Chong et al., 2018; Ibrahim & Hanefah, 2016; Nickerson et al., 2007). Conversely, if there is a failure in women due to the inability and failure in males due to luck factor (Kalia & Gill, 2023; Yoon, 2024).

Considering that just 15% of the FTSE 100 board members are women, according to the FTSE Board Report 2012 (Gracelia & Tjaraka, 2020; Harakeh et al., 2019; Miao et al., 2023). Then the survey results Woman on Board by GMI Ratings' (2012) in Benkraiem et al. (2017) states that the proportion of women on the board of only 12.6 per cent in the USA, 16.6 percent in France and 12.9 percent in Germany between 2009 and 2011. While in Indonesia, according to a study of the (C. Chong et al., 2012; Guizani & Ajmi, 2021; Ibrahim & Hanefah, 2016) the percentage of women on boards of public companies listed on the stock market (BEI) of 11.6 percent.

External pressure companies incorporate women into board members come from social groups, shareholders and regulators. According to Issa et al. (2022), ethical and economic issues may explain the presence of women in the council. Board diversity (gender diversity) can provide more equitable outcomes for people. In addition, gender diversity is a strategic issue that affects the company's corporate governance practices that affect performance (Bouaziz et al., 2020) and the company's decision-making (L. L. Chong et al., 2018). Their results showed that the presence of women in boards can improve the effectiveness of the board to provide greater oversight action.

The appointment of women into the board, especially when they are appointed as independent board will further improve the supervisory function of the board and accuracy of decision making (Benkraiem et al., 2017). Research by Issa et al. (2022) provides results that the presence of women on the board of directors is positively related to the effectiveness of the board's supervisory function so that the board of directors can provide an appropriate CEO compensation system. Furthermore Benkraiem et al. (2017) found that women independent directors are negatively associated with CEO compensation. While the study (Miao et al., 2023; Salem et al., 2019) showed that gender diversity is negatively related to the performance of the company, where the least number of women in the council was unable to give the design a more appropriate compensation for the CEO

Research on CEO compensation is still rare in Indonesia. This is because of the difficulty in finding complete data related to the amount of compensation itself. Darmadi (2011) states that the compensation structure in listed companies in Indonesia is relatively kept confidential. The situation is different in countries-developed countries, where data on CEO compensation is obtained at the companies listed on the stock exchange (Ramaswamy et al., in Vidyatmoko et al., 2009).

Results of earlier studies on the effect of good corporate governance mechanism on CEO compensation still shows the results of different analyzes. Therefore we need a further study in order to examine inconsistencies in the research. Moreover, in general, previous research object is a conventional company, the present study researchers tried to do research on Shariah-based entity, because of good corporate governance is a proper mechanism to be applied in the Sharia-based entity considering all the activities of the entity based on the principles - principles of sharia that promotes fairness and justice.

This study aims to examine the effect of board characteristics on CEO compensation. The board characteristics examined in this study include board independence and gender diversity consisting of woman on board and independent woman board on CEO compensation.

Literature Review and Hypotheses

Agency theory explains the divergence of interests between agent and principal that is created in the management of the company. Agent (management) is a party contracted by the principal (the owner) to manage the company and is authorized to take the best decision for the principal (Jensen & Meckling, 2019). However, the conditions under which the zero cost principal can ensure that the agents would make optimal decisions from the standpoint of general principal is unlikely. As stated by Mak & Li (2001) when the principal wants to maximize his wealth, on the other hand, like agents who have the need for salary, job security, and prestige.

Basically, an agent will not relent before his personal interests are met (Kasum et al., 2011). Agency theory tries to explain that agents (management) act based on their own interests so that it is necessary to create executive mechanisms in order to consider the interests of shareholders. Compensation is one way to align the interests between agents (management) and principals (shareholders).

Compensation is financial rewards and penalties received by the CEO during her duties (Kerin, 2003). Executive compensation is usually in the form of base salary, annual bonus, or stock options to reward their long-term performance, and project control agreement (Conyon, 2006). Compensation program is intended to reduce conflicts of interest between the owner and management. With the Integration value maximization program (through a compensation program) is about increasing prosperity management (Komari & Faisal, 2007). Furthermore, Haron & Akhtaruddin (2013) states that the remuneration is one way to control agents. Compensation of directors viewed as a tool that can be used to reduce conflicts of interest between managers and shareholders (Florackis et al., 2009). Remuneration of directors can motivate the agent to work to raise the company's value as desired owners of the company and not to commit fraud which could hurt the company

Corporate Governance Forum on Indonesia (FCGI) define corporate governance as cited by Effendi (2016) as a set of rules that govern the relationship between shareholders, management (manager) of the company, the creditor, government, employees, and stakeholders other internal and external relating to rights — their rights and obligations, or in other words a system that controls the company. Indonesia's Code of Good Corporate Governance (2006) sets out five principles of CG that are listed in the "Code of Good Corporate Governance", namely transparency, accountability, responsibilities, independence and fairness.

Kaihatu (2006) revealed that the concept of corporate governance, there are two important things that should be known, namely the right of shareholders to obtain information and the obligation to make disclosure of the company's management *(disclosure)* accurate, timely, transparent to all information related to the company's performance, ownership, and stakeholders. Compensation issues have relevance to the issue of *corporate governance*, A good and healthy company should limit excessive payments to directors and determining the amount of remuneration is determined by the performance of the company (Bebchuk & Fried, 2006; Bonner & Sprinkle, 2002).

Board Independence and CEO Compensation

In order to determine compensation for the CEO, the supervisory role *board* is one thing that is important (Finkelstein & Hambrick, 1996). (Conyon & Peck, 1998; Sánchez-Marín et al., 2010) stated that the presence *outside directors* in the council can improve the effectiveness and decision-making process of the board so as to encourage councils give greater scrutiny to act opportunistically manager. It is influenced by several factors. First, *boards independence* has an urge to effectively track the actions of managers, because *independence boards* bear the burden of high reputation. Second, *independence boards* often the people - people who are experts in internal control and have expertise relevant to its role in the supervision of the manager (Fama & Jensen, 1983). So the presence *board independence* in the council will further tighten oversight related to the determination of compensation for the CEO. Research Benkraiem et al. (2017) showed that the positive effect on the independence of board compensation components CEO. While research

Probohudono et al. (2016), said that a board composition that is proxied by non-executive directors have no effect on CEO compensation.
H_1: Board Independence has an effect on CEO compensation.

Board Gender Diversity and CEO Compensation

According to *agency theory,* the board of directors was, the first governance mechanisms that interests of shareholders (Fama, 1980) and in charge of controlling the actions of opportunists manager (Jensen, 1993). *Boards of directors* responsible in for ensuring managers achieve company goals and define the most important decisions of the company (Core et al., 1999; Jensen & Murphy, 1990). The diversity in the composition of board can be classified in terms of age, ethnicity, and gender. In addition, the diversity of the board can also be identified in terms of ownership, experience, educational background, and social economic status (Jackson & Alvarez, 1992; Sessa & Jackson, 1995). Agency theory supports a statement that diversity council *(Board gender diversity)* can enhance the supervisory function of the board and reduces conflicts of interest between managers and shareholders that will improve company performance (Adams & Ferreira, 2009).
H_2: Board gender diversity has an effect on CEO compensation.

Woman Independent Board and CEO Compensation Board

When viewed from the perspective of *human capital theory,* council women have different human resources of men-men who add a unique perspective, experience and *work style* different from men-men. Women are more likely to have a higher education and have more experience related to *business group* compared colleagues - their men. Board women are more likely to increase creativity and innovation, encouraging more open discussion board related issues, and received a presentation from the standpoint that more and finish complex problems and strategies in the decision making process (Daily & Dalton, 2003; Hillman et al., 2002) The presence of women council can improve the decision-making councils are better because they are more participatory and process-oriented (Lucas-Pérez et al., 2015). Research Lucas-Pérez et al. (2015) gives the result that the presence of women on the board is positively associated with the tracking function the effectiveness board so that the board can provide the right CEO compensation system. Meanwhile, research by Benkraiem et al. (2017) shows that on the contrary, the presence of a woman on board does not increase the board’s ability to carry out its supervisory function so that women have no effect on the board’s ability to design CEO compensation.

In this study, the authors build on earlier literature relating to the presence of women on boards such as when they are appointed as independent board members. As an independent board, women tend to enhance the board’s oversight role and the quality of board decision-making. Therefore, an independent female board is an important governance mechanism. Women boards are usually more effective and strengthen the board's decision-making process and encourage greater oversight of managers' actions. Independent female boards are usually more effective than male boards because it is difficult for boards to obtain female positions (Benkraiem et al., 2017).
H_3: Woman independent Board has an effect on CEO compensation board.

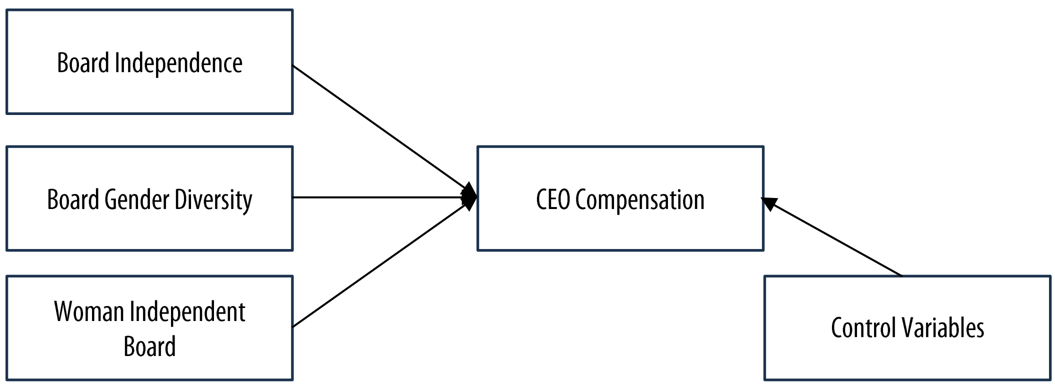

Figure 1. Conceptual Framework

Research Methods

Sample and Data

The population used all companies in the Jakarta Islamic Index (JII) listed on the Indonesia Stock Exchange in the year 2012-2016. The sample used 75 JII company's annual report. The sampling technique used purposive sampling method, the sampling technique with certain criteria. Data used in this study were collected from the company's financial statements JII listed in Indonesia Stock in the year 2012-2016.

Model Specification and Variable Measurement

Methods of data analysis used in this study is the method of analysis of quantitative data that is processed by a computer program Statistical Package for Social Science (SPSS) 17. Testing the hypothesis in this study using multiple linear regression analysis. Multiple linear regression model developed in this study are as follows.

Equation 1: to test the effect of board independence on CEO compensation:

$$CC = \alpha + \beta 1BS1 + \beta 2\ Bi2 + \beta 3CDU3 + \beta 4FE4\ ME5 + + \beta 5\ \beta 6\ \beta 7\ MO7\ FO6 + + \beta 8\ LI8 + \beta 9\ PR9 + \beta 10TA10 + \beta 11\ LEV11 + e \quad (1)$$

Equation 2: to test the effect of board gender diversity on CEO compensation:

$$CC = \alpha + \beta 1WB1 + \beta 2 + \beta 3\ WIB2\ FC3 + \beta 4FE4\ ME5 + + \beta 5\ \beta 6\ \beta 7\ MO7\ FO6 + + \beta 8\ LI8 + \beta 9\ PR9 + \beta 10TA10 + \beta 11\ LEV11 + e \quad (2)$$

Information:
CC: CEO compensation; BS: Board Size; BI: Board Independence; CDU: CEO Duality; WB: Woman on Board; PM: Woman Independent Board; FC: Female CEO; FE: Financial Experience of Independent Directors; ME: Manufacturing Experience of Independent Directors; FO: Family Ownership; MO: Managerial Ownership; LI: Liquidity; PR: ROE; TA: Total Assets; LEV: Leverage; e: Error.

Table 1. Summary of Variable Measurement

S/N	VARIABLES	MEASUREMENTS	PROXIES	SOURCES
Dependent Variable				
1.	Ceo Compensation	Measured from the compensation received by the CEO in billions of Indonesian currency (rupiah) in the company's financial statements for the requested period.	CC	(Juliawaty & Astuti, 2019)
Independent Variable:				
2.	Board Size	Obtained through an annual report by counting the number of directors in the company.	BS	(Juliawaty & Astuti, 2019)
3.	Board Independence	Measured by the ratio of the number of independent board to board.	BI	(Benkraiem et al., 2017)
4.	Ceo Duality	Determined by a dummy variable, which points 1 if the CEO is the chairman of the board, and 0 if not	CD	(Chen et al., 2008; Drobetz et al., 2007)
5.	Board Gender Diversity			
	Woman On Board	Measured by looking at the proportion of women on the board divided by total board	WB	(Benkraiem et al., 2017)
	Woman Independent Board	That a proportion of independent board of women divided by the total of the board	PM	(Benkraiem et al., 2017)

S/N	VARIABLES	MEASUREMENTS	PROXIES	SOURCES
	Female CEO	Determined by a dummy variable, which points 1 if there is a female CEO and a 0 to the contrary	FC	(Benkraiem et al., 2017)
Control Variable s of The Board				
1.	Financial Experience of Independent Directors	Derived from the number of independent directors who have professional expertise in the financial sector divided by the total of independent directors.	FE	(Benkraiem et al., 2017)
2.	Manufacturing Experience of Independent Directors	Derived from the number of independent directors with experience professional in manufacturing firms divided by the total of independent directors.	ME	(Benkraiem et al., 2017)
3.	Family Ownership	Measured by a dummy variable, the number 1 is given if the family-controlled company, and the number 0 for no.	FO	(Benkraiem et al., 2017)
4.	Managerial Ownership	Measured with a dummy, which is 1 if there is ownership by the CEO and 0 for no.	MO	(Benkraiem et al., 2017)
Characteristics of The Company				
1.	Liquidity	Measured by compares the total assets seamlessly with current liabilities	LI	(Kasmir, 2017)
2.	The Performance of The Company	Proxy with ROE	PR	(Setiawanta & Septiani, 2017)
3.	The Size of The Company	Measured by logarithm Natural total assets.	TA	(Adam et al., 2018)
4.	Leverage	As seen from the ratio of total debt to total assets	LEV	(Anton, 2016)

Results and Discussion

Table 2. Descriptive Statistic

variables	N	Minimum	maximum	mean	Std. deviation
BS	75	9.00	23.00	13.8933	2.81201
BI	75	.33	1.29	.6141	.18852
CDU	75	.00	1.00	.2133	.41242
WB	75	.00	.54	.1521	.15664
WIB	75	.00	.17	.0213	.05009
FC	75	.00	1.00	.6133	.66441
FE	75	.00	2.00	.6000	.71660
ME	75	.00	8.00	1.4933	1.73496
FO	75	.00	1.00	.4000	.49320
MO	75	.00	1.00	.6000	.49320
LI	75	.61	6.91	2.3523	1.47946
PR	75	3.00	134.50	25.2471	30.00032
TA	75	30.00	33.00	31.1867	.99585
LEV	75	.13	.72	.4223	.16453

Information:
CC: CEO compensation; BS: Board Size; BI: Board Independence; CDU: CEO Duality; WB: Woman on Board; PM: Woman Independent Board; FC: Female CEO; FE: Financial Experience of Independent Directors; ME: Manufacturing Experience of Independent Directors; FO: Family Ownership; MO: Managerial Ownership; LI: Liquidity; PR: ROE; TA: Total Assets; LEV: Leverage.

Table 2 above provides information on the data description of the variables tested. From this table can be seen, that the average of companies included in the JII group be sampled in this study has a board size which consists of board of commissioners and directors amounted to13.8933 rounded to 14-board member, of which 61.41% of the total is an independent party. The sample companies have at least 9 board member and a maximum of 23 members of the board. As for the board independent of companies have at least 33% independent board members, which the sample companies have to comply with rules set by the Indonesian Stock Exchange (Decision of the Board of Directors of PT. Bursa Efek Indonesia No. KEP-00001/BEI/01-2014, Rule Number IA About mutilations Shares and Equity In addition to shares issued by the listed company) where a listed company must have at least 30% independent commissioners board and one independent director. Whereas the standard deviation to board size and board independence each amounted to 2.81201 and 0.18852. Furthermore, an average of 41.24 board in the sample company have a dual role board that is as CEO and Chairman of the Board.

Associated with gender diversity, Descriptive statistical tests show that the average - average sample firms have woman board members to 15.21% and independent woman board members to 2.13% in their board. Of the entire sample company, the average 61.33% of companies have had a female board in the structure of corporate boards. Corporate ownership structure in Indonesia was concentrated ownership where is a controlling shareholder in a company. Of the companies sampled in this study, the average 40% of companies controlled by the family, and 60% of companies are managerial stock ownership.

Table 3. Pearson Correlation Matrix

Variables	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]
BS	1	-.185	.376 **	-.283 *	.086	-.011	.086	-.017	-.115	-.012	.117	.046	.495 **	-.073
BI		1	-.005	.407 **	.161	.170	.015	-.118	-.185	-.147	.011	.328 **	-.409 **	.317 **
CDU			1	.131	.073	.012	-.165	-.149	.571 **	.425 **	-.060	-.179	-.197	.023
WB				1	.457 **	.776 **	-.190	.000	.076	-.076	-.049	.257 *	-.545 **	.419 **
WIB					1	.340 **	.037	.166	-.102	-.025	.431 **	-.152	.046	-.023
FC						1	-.177	.053	.369 **	-.089	-.101	.113	-.431 **	.258 *
FE							1	.378 **	-.306 **	.191	-.231 *	.309 **	.220	-.017
ME								1	-.250 *	.250 *	-.193	-.022	.392 **	-.008
FO									1	.111	-.030	-.293 *	-.292 *	-.192
MO										1	-.417 **	.211	.374 **	.337 **
LI											1	-.299 **	-.126	-.485 **
PR												1	-.306 **	.371 **
TA													1	.067
LEV														1

Information:
CC: CEO compensation; BS: Board Size; BI: Board Independence; CDU: CEO Duality; WB: Woman on Board; PM: Woman Independent Board; FC: Female CEO; FE: Financial Experience of Independent Directors; ME: Manufacturing Experience of Independent Directors; FO: Family Ownership; MO: Managerial Ownership; LI: Liquidity; PR: ROE; TA: Total Assets; LEV: Leverage.

As shown by table 3 above, the board size (BS) is positively correlated with the independent woman Board (WIB) at rate of 1 percent. This shows that the larger the size of the board, the greater the possibility that will be a women's independent board. On the other hand, board size (BS) showed a negative correlation with the independent board (BI) and a significant negative correlation with the CEO Duality (CDU) at rate of 1 percent. This shows that in companies with fewer board size has a more independent board and there are many board that have a dual role.

Boards independence (BI) correlated positively and significantly with a woman on board (WB), was positively correlated with the independent woman board (GMT)financial experience of independent directors (FE) and manufacturing experience of independent directors (ME) at rate of 1 percent. This shows that too much board independence, the number ofwoman on board, independent woman board, financial experience of independent directors and manufacturing experience of independent directors will also increase.

For gender diversity, women on board (WB) is significantly correlated with female board members and independent board members (GMT) at the 1 percent level. This suggests that the majority of women on corporate boards appoint independent boards consisting of women.

Table 4. Board Independence and CEO Compensation

Variables	T	Sig.
BS	9067	.000
BI	-1070	.289
CDU	4077	.000
FE	.428	.670
ME	-3944	.000
FO	-6553	.000
MO	2,820	.006
LI	-5267	.000
PR	-4122	.000
TA	-.562	.576
LEV	-.583	.562

Information:
CC: CEO compensation; BS: Board Size; BI: Board Independence; CDU: CEO Duality; WB: Woman on Board; PM: Woman Independent Board; FC: Female CEO; FE: Financial Experience of Independent Directors; ME: Manufacturing Experience of Independent Directors; FO: Family Ownership; MO: Managerial Ownership; LI: Liquidity; PR: ROE; TA: Total Assets; LEV: Leverage.

Test of hypothesis table above results show that Board independence has value sign. of 0.289> 0.05, meaning that board independence has no effect on CEO compensation. The results contradict the results Oktaviani (2018) found that the higher the number of directors on the board independence led to a tighter control of compensation payments. The results of this study reinforce the findings (Darmadi, 2011; Probohudono et al., 2016) where the results of their study showed no effect on the independence of board compensation for the CEO. The reason may be the cause is because of it - the following. According Darmadi (2011) system of governance in the country of Indonesia is still weak so that board independence is not fully independent from management.

Hypothesis testing results table above shows that there is influence between board size with the CEO compensation with the sign value of 0.000 <0.05. As described previously, the board is an important corporate governance mechanism. Boards to oversee and control the actions of opportunists manager, and define the most important decisions of companies, one of which compensation for the CEO, so that corporate objectives can be achieved. With the larger board size will increase oversight function of the board to act opportunistically manager so control oversight of CEO compensation more stringent design and can be defined more precisely. In Indonesia, the company has a board lot size is usually found on large companies. Therefore, companies usually allocate financial resources to recruit board a lot and high quality service to help solve complex business problems. Thus, the financial resources of the company in a high proportion will be assigned for the compensation of the board, under the duties and responsibility that given company.

The regression results of equation (1) provide evidence that the board of *board independence* which is much less effective in oversee CEO compensation compared to the board with a low proportion of board independence. Additional results of testing the variables concerning the characteristics of board show that CEO Duality also affect CEO compensation.

Results of testing the hypothesis in the table above shows that *woman on board* (WB) has a sign value to 0.448> 0.05. Thus, it can be concluded that the woman on board did not affect CEO compensation. The findings in this study contradict the results of the study Lucas-Pérez et al. (2015) who found that gender diversity can improve the effectiveness of the board and encourage the effective tracking of the CEO compensation. The results support the findings of the study (Benkraiem et al., 2017; Smith et al., 2006). Woman on board had not affect CEO compensation due to the percentage of women on board which is still very small so as to make woman on the board as minority of company.

Table 5 shows that the woman independent board CEO did not affect on CEO compensation (value sign. 0.494> 0.05). These findings contradict research (Benkraiem et al., 2017) that the presence of woman on board is not able to influence decisions on the compensation of the CEO. The results show had no effect between the woman on board and woman of independent board on CEO compensation, gave a conclusion that the presence of woman on board (female CEO/FC) is less potential for tracking significant corporate decisions, so that the presence of female CEO not produce effective decisions such as the related of CEO Compensation. This is consistent with the results of research Hanani and Aryani (2011) found that there is no effect between woman directors of board with the performance of company, it is presumably because women have properties that are less like risk so that its presence still small. However, these findings contradict research Bankraiem et al., As related to the ownership structure, Indonesia is a developing country with one of characteristics is a concentrated ownership structure exists. The ownership structure tested in this study is control variable that consists of family ownership and managerial ownership. Hypothesis test results show that family ownership and managerial ownership has no effect on CEO compensation.

Table 5. Gender Diversity and CEO Compensation

Variables	T	Sig.
WB	.764	.448
WIB	.688	.494
FC	.278	.782
FE	.019	.985
ME	-5069	.000
FO	-1657	.102
MO	1,545	.127
LI	-2526	.014
PR	-.017	.987
TA	4763	.000
LEV	-2175	.033
Adjusted R2 (%)		53.2
F		8654

Information :
CC: CEO compensation; BS: Board Size; BI: Board Independence; CDU: CEO Duality; WB: Woman on Board; PM: Woman Independent Board; FC: Female CEO; FE: Financial Experience of Independent Directors; ME: Manufacturing Experience of Independent Directors; FO: Family Ownership; MO: Managerial Ownership; LI: Liquidity; PR: ROE; TA: Total Assets; LEV: Leverage.

Control variables on CEO compensation among which manufacturing expertise (ME), liquidity (LI), company size (TA) and leverage (LWV). This indicates that the compensation given to CEO of the company that has the manufacture expertise more, the larger size of company and more liquid is more precise than the smaller companies and less liquid, in the sense of responsibility in accordance with the given company. While companies with high leverage will cause the company's financial distress so that paid CEO compensation will be lower than the other company (Abdullah, 2006).

Conclusion and Future Direction

Currently, the presence of women in top management positions and the board of the company has become an issue that is the focus of attention. The number of women in positions of corporate board is still very little, although some literature recommend a woman who was appointed in the position of the board and top management of the company due to the presence of women on the board will increase the effectiveness and tracking function of the board to oversee the actions of the management company that would affect the decision making of the most important companies, one of which related to determining compensation for the CEO.

Research on the board and CEO compensation have been did in the States. This research tries to develop a past study on the influence board on CEO compensation board where in developing countries such as Indonesia, which still has a weak system of corporate governance.

This empirically test board independence and gender diversity include woman on board and independent woman board to CEO compensation. Past research has generally examined the impact of gender diversity that proxy with woman on board on the performance of company. In this study, researchers developed variable of gender diversity by looking at how the impact of woman on board and their status as an independent woman board to CEO compensation. These results indicate that the board independence woman independent woman on the board and the board did not affect CEO compensation.

This study has several limitations: (1) this study took a sample of companies in JII Stock Exchange Indonesia in the year 2012-2016, so that research results cannot give provide the power of generalization broader industrial sector more, (2) All data obtained from the company's annual report, so that companies that do not present the full data were excluded from the sample. (3) The variable in this study only uses several variables related to CEO compensation, so that the research results is inaccurate because there are several other variables related to CEO compensation. (4) Board in this study focused on the commissioners and directors board and gender diversity, should adding characteristics of gender diversity such as ethnicity, age, background, and the term of office of the members of the board.

Based on limitation of research above, here are some recommended improvements for future researchers. (1) for further research expected to increase the sample area of research that give results stronger and better generalization (2) The researchers expected to test Additional variables that are relevant to CEO compensation. (3) The researchers expected to develop a variable board that test by adding the board is considered more relevant as audit committee and nomination and remuneration committees and adding a proxy for gender diversity such as ethnicity, age, background, and the term of office of the members of the board.

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