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FACTOR ANALYSIS OF DETERMINANTS OF REMUNERATION OF DIRECTORS AND COMMISSIONERS OF THE INDONESIAN BANKING

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ABSTRACT

This research explores the determinan analysis of remuneration for Directors and Commissioners in banking industry which is listed in Indonesia Stock Exchange for period 2004-2009. The determinan factors of the remuneration for Directors and Commissioners are bank performance, structure of ownership, and the proportion of relation between the Directors and Commissioners to that of the owner of the company.

The bank performances are Return On Asset (ROA), Return On Equity (ROE), Net Interest Margin (NIM), Loan to Deposit Ratio (LDR), Non Performing Loan (NPL), Capital Adequacy Ratio (CAR), and Earning Per Share (EPS). The result shows that the important determinant of Directors and Commissioners remuneration are Return On Asset (negative association), Return On Equity (positive association), Net Interest Margin (positive association), Loan to Deposit Ratio (positive association), Non Performing Loan (positive association), Earning Per Share (positive association), family's structure of ownership (positive association), and foreign ownership (positive association).

Keywords:
Agency conflict, bank performance, ownerships structures, good corporate governance, and remuneration for directors and commissioners.

1. Introduction

The financial crisis in Asia in mid-1997 have an impact on the economic performance of countries in Southeast Asia, including Indonesia. The banking sector is one industry that experienced a crisis caused by the Asian financial crisis. Implementation of appropriate corporate governance that are not considered as one of the causes of the financial and economic crisis. (National Committee for Corporate Governance, 2004). Banking as an intermediary institution in conducting its business activities rely on public funds and trust from both inside and outside the country, an industry that get the rules are quite strict and attention from the government. The Indonesian government through the relevant authorities such as the Ministry of Finance, Capital Market Supervisory Agency and Financial Institution (Bapepam-LK), Indonesia Stock Exchange, Bank Indonesia (Central Bank of the Republic of Indonesia), oversee the implementation of corporate governance practices in companies. Corporate governance principles require the disclosure of remuneration for directors and commissioners ("directors commissioners"), which is connected with the assessment of corporate performance. This was confirmed in No.8/4/PBI/2006 Bank Indonesia Regulation on Implementation of Good Corporate Governance for Banks and revealed the implementation of good corporate governance in the Annual Report in accordance with the Decision of the Capital Market Supervisory Agency and Financial Institution KEP-134 / BL/2006 on Requirement for Annual Report for the Issuer or Public Company. Board of Commissioners on remuneration issues related to problems in the agency (agency problems). Agency theory states that there is a conflict of interest between principal and agent. As agents, managers are morally responsible for optimizing the benefits of shareholders (principals). While managers also have an interest to maximize their personal welfare (Jensen & Meckling, 1976). To overcome the problem of differences of interest, agency theory suggests that the interests of managers and shareholders will be consistent if the compensation for the managers associated with firm performance (Murphy, 1985).

Bank performance is a fine achievement by the company within a certain period which reflects the health of banks according to the Decree of the Minister of Finance No.740/KMK.00/1989. Bank soundness according to Bank Indonesia Regulation No.6/10/PBI/2004 about the rating system of banks, to assess some aspects that affect the condition and development of a bank, namely capital (Capital), productive assets (Assets), management (Management) , profitability (Earning), and liquidity (Liquidity) is usually called CAMEL.
Ownership structure is crucial role in agency conflict. Agency conflict emerging from the separation between ownership by management of the fund. Unlike many companies in the United States and UK are more dispersed ownership structure, many Asian companies are owned by families or groups. Ulupui (2009), which conducts research on public companies in Indonesia stated that there are other factors that encourage the provision of more optimal executive compensation, governance practices of the Board of Commissioners relationships with shareholders and ownership structure (family ownership structure and foreign ownership structure). Based on the description above, the problem in this research are: How direct effect between bank performance, ownership structure and the proportion of relations between Directors and Commissioners to that of the owner of the company on Remuneration of Directors and Commissioners?

Benefits expected from this research include providing information on the extent of disclosure of remuneration of Directors Commissioners study, the performance of banks, ownership structure, directors and commissioners of the relationship with shareholders at the banking company listed on the Indonesia Stock Exchange for academic development. It can be anticipated for the Bank Indonesia and the Capital Market Supervisory Agency and Financial Institution (Bapepam-LK) to review the re-implementation of regulations related to the implementation of Good Corporate Governance, especially those related to transparency of bank performance, ownership structure and the proportion of relations between Directors and Commissioners to that of the owner of the company.

2. Related literature and Hypothesis Development

2.1. Effect of Performance on Remuneration of Directors and Commissioners in Banking

Empirical evidence starting from the emergence of conflicts of interest between management as an agent with the shareholders as principals (Jensen and Meckling, 1976). In the banking industry there is also the possibility of the emergence of agency relationship not only between management and shareholders, but between the management together with its shareholders as the agent of depositors as principal (Rossieta, 2003). To overcome the problem of divergence of interests between management and shareholders, agency theory requires compensation linked to company performance can result in management with shareholder interests will be consistent (Murphy, 1985). Several studies have shown that the remuneration of directors of commissioners dealing with corporate performance. Performance measurement used to use accounting-based performance and market-based performance (Conyon, 1997; Hassan et al., 2003; Abdullah, 2006; Kato & Kubo, 2006; Unite et al., 2008). Research related to the relationship between performance and remuneration of directors of the Australian banking company conducted Doucouliagos et al. (2007). The research concludes that the impact of the banking company's performance against the remuneration of the CEO (Chief Executive Officer) is more direct and stronger than the relationship between bank performance to remuneration of directors of commissioners (the board of directors).

In table 2.3. The following are summaries of research on the effect of company performance against the remuneration of directors komisari

Table 2.1
Previous Study about Relation between Firm Performance with Remuneration for Directors and Commissioners

Researcher	Dependent Variables	Independent Variables	Data	State
Conyon, (1997)	Cash remuneration	Market return, firm size, sales, the remuneration committee as a dummy variable, the separation of the CEO with the Chairman as a dummy variable	213 companies (1988-1993)	UK
Hassan et al. (2003)	Cash remuneration	Net income, ROE, ROA, EPS, company size, turnover	100 firms (1996-1998)	Malaysia
Abdullah (2006)	Cash remuneration	ROA, commissioner of directors structure, ownership structure, board of commissioners	164 companies (2000-2001)	Malaysia
Doucouliagos et al. (2007)	(1) cash remuneration (2) stock option	ROA, ROE, EPS, shareholder return, board size, meeting, Composition, committes, board turnover, age of CEO, company size, revenue.	10 banks (1992-2005)	Australia

Source: Prepared from various sources.

Based on the description above, the research suggests there is positive performance of banks in Indonesia Stock Exchange on the remuneration for directors and commissioners. Thus, the hypothesis:
H1o: The performance has no effect on directors remuneration of commissioners.
H1a: The performance has a positive influence on directors remuneration of commissioners.

2.2. Effect of the proportion of family ownership structure of the Remuneration for Directors Commissioners in Banking

Agency conflict arises because the separation of ownership and management of the firm (Jensen & Meckling, 1976). At the company's ownership structure that spreads like many companies in the United States and Australia, the owner of the management controls to be weak lead agency conflict is high and tends to increase the remuneration of management without being noticed by the owner (Core et al., 1999; Chalmers et al., 2006). Unlike the company's ownership structure in Asia, which is majority owned by the family. Owner of the company's control of agency conflicts between shareholders and management will be low. Resulting in management remuneration is not excessive. This is evidenced by several previous studies in Asia. Previous research in Japan, Korea, China and the Philippines revealed the same results associated with the ownership structure of the relationship between the remuneration of management.

Basu et al. (2006) who examined public companies in Japan have discovered there is a stronger relationship between company performance to compensation, the company is not affiliated with a keiretsu. Kato et al. (2006) found that there was a stronger relationship between the performance of Korean firms with compensation, on non-chaebol firms.

Kato and Long (2005) found that in China, there is a stronger relationship between company performance to compensation, the company's ownership structure does not belong to the majority shareholder of the government (non-state). Unite et al. (2008) concluded that in the Philippines, there is a stronger relationship between corporate performance and compensation at companies that are not affiliated with the ownership structure of the family group. This happens because the family ownership structure serves as the control and supervision mechanisms that strongly influence the management to achieve corporate objectives (goals). In other words, the family shareholders to provide compensation to the management not only on performance but on other things that point is reached the interest of shareholders.

Unlike previous research, research in Indonesia on the structure of ownership to the remuneration of directors of commissioners conducted Ulupui (2009), the research show that the higher the proportion of family in the company is; and the lower the compensation for the directors and commissioners will be. This means that in the event that the family only acts as the owner and they have low involvement in the company;s management, the compensation for the directors and commissioners will be more optimal. In other words, the family, as the owner, has an effective control towards the compensation for the directors and commissioners. Table 2.2. The following summarizes the research on the ownership structure and the remuneration of management in Asia:

Tabel 2.2.
Structure of Ownership and Executive Compensation

Researcher	Dependent Variables	Independent Variables	Data	State
Basu et al. (2006)	*Executive compensation*	*ROA, return, sale, human capital variable (age, tenure, education), dummy ownership variable (keiretsu and non keiretsu firm) , governance variable.*	174 firms (1992-1996)	Japan
Kato & Long (2005)	*Executive compensation*	*Change in ROA, rate growth of sales, dummy variable negatife profit, dummy ownership variable (owned by government and non government)*	(1998-2002)	China
Kato et al. (2006)	*Executive compensation*	*Stock return, ROA, rate of growth of sales, firm size, dummy ownership variable (chaebol and non chaebol),*	246 companies (1998-2001)	Korea
Unite et al. (2008)	*Executive compensation*	*Stock return, ROA, firm size, dummy ownership variable (family firm and non family firm)*	125 companies (2001-2002) 148 companies (2002-2003)	Philippines
Ulupui (2009)	*The Board of Director remuneration*	ROA, SD_ROA, market adjusted returns, growth, risk, family ownership structure, the structure of foreign ownership, the proportion of the number of directors associated with the owner of commissioners	154 firms (2004-2006)	Indonesia

Source: Prepared from various sources.

Suspicion of this research is that the agency relationship in the banking company is the agency relationship between shareholders, together with management (in this study represented by the board of commissioners) as an agent with the depositors as principal. Therefore likely that the family shareholders choose the directors of commissioners who are considered able to meet the interests of shareholders, such as providing credit to the group of shareholders. One way to motivate management to work in accordance with the interests of shareholders is an increase in remuneration. From the shelf above, this study proposed the following hypothesis:

H2O: The proportion of family ownership does not affect the remuneration of Board of Commissioners.

H2A: The proportion of family ownership has positif influence on the remuneration of Directors of Commissioners.

2.3. Effect of the proportion of foreign ownership structure of the Remuneration for Directors and Commissioners

Separation of ownership and management company led to the emergence of agency conflict (Jensen & Meckling, 1976). Stronger institutions to monitor foreign investment compared with domestic institutions (Khanna & Palepu (1999) in Ulupui (2009)). Research Core et al. (1999) states that companies that have strong controls to have lower agency conflict. This study assumed that the agency relationship in the banking company is the agency relationship between shareholders, together with management (in this study represented by the directors of commissioners) as an agent with the depositors as principal. Foreign shareholders choose the board of commissioners is likely to be able to meet the interests of shareholders. Shareholders with the intention of management to motivate management to act in accordance with the interests of shareholders, by way of increased remuneration. Ulupui Research (2009) states that the higher the higher the proportion of foreign ownership control of the Board of

Commissioners Board of Commissioners that the increase of compensation lower than the increase in performance or in other words not excessive. This means that the study states that the proportion of foreign ownership role is to promote optimal compensation for the Board of Commissioners. Conclusion The study showed that the structure of foreign ownership has a negative effect on the compensation of Directors Commissioners In this study, a prediction that the greater control of foreign owners of management companies and owners only act as a shareholder agency conflicts (agency conflict) is low, and remuneration (cost of agency) to be optimal. Thus the hypothesis as follows:

H3o: The proportion of foreign ownership does not affect the remuneration for Directors and Commissioners.

H3a: The proportion of foreign ownership positif/negatif influence on the remuneration of Directors of Commissioners.

2.4. Influence of family relationships with members of the board of commissioners of other members of the board of commissioners and / or shareholders of the bank against the remuneration of Directors Commissioners

Bebchuck and Fried (2002) states that if the top management team and / or commissioners have relationships with one of the founding family who has control of the commissioner, the management team will be easier to influence the decision on remuneration for management (Ulupui, 2009). Research on Taiwan done by Yeh (2001) and the result is an increasingly large proportion of family relationships in the directors and commissioners of the cause of low performance of the company (Ulupui, 2009). Research related to family relationships between directors of commissioners with members of the board of directors and / or commissioner and the controlling shareholders in public companies in Indonesia do Ulupui (2009). The result is a board of commissioners in connection with the owner to show a positive effect on the compensation board of commissioners. So research is suspect if the owner controls the company and high involvement in management, resulted in the emergence of the owner of the agency's relationship with management as agents tend to engage in acts of moral hazard and asymetry information on depositors as principal (Rossieta, 2003),. One form of agency cost in relation to remuneration which is not optimal or excessive. Thus, the following hypothesis:

H4o: Proportion of the involvement of the owner to act as directors of commissioners did not affect the remuneration of Directors of Commissioners.

H4a: The proportion of owners to act as directors of the involvement of a positive influence on the remuneration of commissioners Board of Commissioners.

3. Research Methods

3.1. Data and Sample

Data used in the form of primary data and secondary data. The primary data in the form of literature that is required in the preparation of materials research and theoretical framework to analyze the discussion of research findings. Secondary data from financial reports and statements of good corporate governance. Type of sample is purposive sampling with the following criteria:

(i) Registered as a public company in Indonesia Stock Exchange (IDX) from 2003 until 2009. Companies engaged in the banking industry in Indonesia Stock Exchange during the period 2003-2009.

(ii) The annual report for the year 2004-2009 is available. In the annual reports have included the audited Financial Statements and Report of Good Corporate Governance.

(iii) There is a completeness of data needed in a row from 2003 to 2009.

3.2. Research Model

Tests on the hypothesis proposed in this research will be conducted using multiple regression analysis (multiple regression) with the following equation:

$$LN\,(DKREM)_{i(t)} = a_{i(t-1)} + b_1\,ROA_{i(t-1)} + b_2\,ROE_{i(t-1)} + b_3\,NIM_{i(t-1)} + b_4\,LDR_{i(t-1)} + b_5\,NPL_{i(t-1)} + b_6\,CAR_{i(t-1)} + b_7\,EPS_{i(t-1)} + b_8\,SKEL_{it} + b_9\,SA_{it} + b_{10}\,DK_{it} + b_{11}\,LN\,(ASSET)_{it} + e_{it}$$

The model in this study refers to previous studies that analyze the relationship between bank performance, ownership structure, directors and commissioners of the relationship with shareholders on the remuneration of directors of commissioners (Ulupui, 2009).

3.3. Definition and Measurement of Variables

Dependent Variable Remuneration Board of Commissioners

Total remuneration of directors of commissioners (DKREM) used in this study is the total remuneration of banking companies in Indonesia Stock Exchange (BEI) between the years 2004 to 2009 as stated in the audited Financial Statements by Independent Auditors.

Independent Variables Bank Performance (t-1)

This study uses bank performance period the previous year. Bank performance is obtained from the Annual Report each bank in the Financial Highlights. This study uses seven bank performance ratios: the Return On Assets, Return On Equity, Net Interest Margin, Loan to Deposit Ratio, Non-Performing Loans, Capital Adequacy Ratio, and Earning Per Share. In table 3.1. The following is a way of calculating the ratio of bank performance that is used greeting this research:

Tabel.3.1.

Bank Performance Ratios

Ratio	Formula
1. *Return On Asset* (ROA)	ROA = Profit after tax / Average total assets
2. *Return On Equity* (ROE)	ROE = Profit after tax / Average core capital
3. *Net Interest Margin* (NIM)	NIM = Net interest income / Average earning assets
4. *Loan to Deposit Ratio (LDR)*	LDR = Credit / third party funds
5. *Non Performing Loan* (NPL)	NPL = Σ (Credit in the quality of Substandard, Doubtful Loan Loss / Total loans issued Σ
6. *Capital Adequacy Ratio* (CAR)	CAR = Capital / risk-weighted assets
7. *Earning per Share* (EPS)	EPS = Profit after tax / Number of shares

Source: CAMEL ratios soundness of commercial banks (after processed)

Ownership Structure of Family Variables

This study uses the structure of family ownership and foreign. The proportion of family ownership (skel) is the proportion of the ultimate shareholder affiliated with the individual / family ownership of business groups. Family ownership structure has been discussed by previous researchers. Obtaining information about whether the bank including family structure and foreign ownership in accordance with the method searches performed Ulupui (2009) as follows:
1) Initial search data can be obtained by shareholders at the Annual Report of Bank of Audited Financial Statements by Independent Auditors. See Notes to Financial Statements on Capital Stock section which shows the ownership of bank shares; 2) Usually the initial search, only found in the form of institutional shareholders. To find out more information at the end of the shareholders of these banks, so the next search. See Part I: Establishment and Public Information in Notes to Financial Statements which include the establishment number and the number of company announcements on the State Gazette of the Republic of Indonesia and the Supplement Sheet; 3) The next search is on State Printing Library. More carefully in the State Gazette (TBN) of the ultimate shareholder of the bank. Individual's name, it will get the ultimate shareholder of the bank; 4) Last search was information from various print and electronic media regarding the ownership structure of both family and strangers; 5) Search examples the structure of family ownership / foreign contained in the Appendix.

Foreign Ownership Structure Variable (SA)

The proportion of foreign ownership (SA) is the proportion of the ultimate shareholder when the bank affiliated with the individual / foreign institutions, means including in the foreign ownership structure. Tracing the foreign ownership structure similar to the way search family ownership structure.

Directors and Commissioners (DK)

The proportion of family relationships between directors and commissioners and / or directors and commissioners with the ultimate shareholder (DK). Tracing method is as follows: 1) See the Annual Report of the banking company at the Corporate Governance: Board of directors and commissioners of family relationships with members of the board of directors and / or other commissioners as well as with the controlling shareholder; 2) To search further: after knowing the name of the individual shareholders of the bank by the end of a family tracing and foreign ownership structure, and then compare it with the name board of commissioners; 3) The family name directors commissioners with the ultimate shareholder is considered as family relationships; 4) The final step is to search for information based on both print and electronic media.

Variable Control Company Size (Asset)

Firm size variable is used as a control variable given the greater asset of the company the greater the remuneration of directors commissioner regardless of performance achieved by the bank.

4. Result Analysis

4.1. Overview of Research Sample

This study uses the population of all banking companies listed in Indonesia Stock Exchange for the period 2004-2009. However, financial data should be prepared by the researchers started from the year 2003-2009, this happens because the researchers wanted to see the lagged effect of bank performance model of the previous period. Financial data obtained from annual reports from the Indonesian Stock Exchange website, www.idx.co.id.

Data obtained from several companies companies concerned site. Sample list of banks listed on the Indonesia Stock contained in Appendix 2. The following table shows the sample selection process until there are 133 observations made in this study:

Table 4.1.

Sample Selection Process

Data	Number of observations
The number of banks listed observation in BEI	158
Total obervasi for banks in acquisition (Lippo bank) in the period 2004-2007	(4)
Number of bank observations delisting Bank Arta Niaga Kencana period 2006	(1)
Number of bank observations delisting Bank Buana Indonesia during the period 2004-2007	(4)
Number of bank observations are incomplete financial data	(12)
The total sample used in this study	133
Outlier	(7)
The total sample used in the empirical testing	126

4.2. Classical Test Assumptions

This study has been through the process of classical assumption test to see if the study model free from multicollinearity, heterokedastis, and autocorrelation. Classic assumption test results can be seen in the appendix.

4.3. Equation Regression Analysis and Testing Hypotheses In Partial

Based on test results SPSS 13 is contained in Table 4.8, then one obtains a multiple linear regression equation as follows:

LN DKREM = 3.670C + -0.327ROA + 0.014ROE + 0.056NIM + 0.014LDR – 0,062NPL + 0,005CAR + 0,001EPS + 0,607LN ASSET + 0,004 SKEL + 0,007 SA + 0,0230 DK

Multiple Regression Analysis of test results based on test results SPSS 13 is shown in Table 4.2. as follows:

Table 4.2.
Multiple Regression Analysis

Variable	Prediction	t count	Coefficient	Sig
Constanta		3.690	3.670	0.000*
ROA	+	-4.721	-0.327	0.000*
ROE	+	3.017	0.014	0.003*
NIM	+	2.142	0.056	0.034*
LDR	+	4.698	0.014	0.000*
NPL	-	-4.360	-0.062	0.000*
CAR	+	0.813	0.005	0.418
EPS	+	2.061	0.001	0.042*
DK	+	0.619	0.230	0.537
SKEL	+	2.049	0.004	0.043**
SA	+	5.202	0.007	0.000*
LN ASSET	+	19.430	0.607	0.000*

R2 0893
Adjusted R2 for 0883
* Level of significance 1%
** 5% significance level

Source: SPSS 13 Test Results

From the test results of multiple regression analysis, 8 (eight) than 10 (ten) independent variables are statistically significant effect on the remuneration of directors is the Return On Assets (ROA), Return On Equity (ROE), Net Interest Margin (NIM), Loan to Deposit ratio (LDR), Non-Performing Loan (NPL), Earning per Share (EPS), Family Ownership Structure (skel), Foreign Ownership Structure (SA). While the two independent variables, namely the Capital Adequacy Ratio (CAR) and variable relations commissioner directors with shareholders (DK) is not statistically significant. Further discussion of the following analysis will focus on the results of multiple regression analysis, a statistically significant effect on the remuneration of directors of commissioners.

5. Conclusions, Limitations, and Implications

5.1. Conclusion

This study aimed to analyze the determinant factor of the banking commissioner on remuneration of directors listed on the Indonesia Stock Exchange during the period 2004-2009. Adapaun factors analyzed in this study is the performance of banks, as well as aspects of good corporate governance structure of family ownership, foreign ownership structure and the independence of the board of commissioners who have family or financial relationship with its shareholders. Thus the conclusions of this study is the performance of banks, and foreign ownership structure and family have an influence on directors remuneration of commissioners.

Bank performance variables such as Return On Assets (ROA), Return On Equity (ROE), Net Interest Margin (NIM), Loan to Deposit Ratio (LDR), Non-Performing Loan (NPL), Earning per Share (EPS) as well as the controlling variable size Banks (assets) is a variable size which strongly affected the remuneration of directors of commissioners. Findings influential Return On Equity (ROE) and Earning per Share (EPS) on remuneration of directors in accordance with the research commissioners Doucouliagos et al. (2007) in the Australian banking company that ROE and EPS has a significant positive relationship to the remuneration of directors and commissioners. Throughout the researchers knowledge, no previous research that uses variable ratio performance of the bank net interest margin (NIM), Loan to Deposit Ratio (LDR), Non-Performing Loan (NPL) in determining the impact on directors remuneration of commissioners. However, from 7 (seven) the ratio of bank performance that is used in the study found 6 (six) variables that showed significant influences. This indicates that the remuneration of commissioners on the board of directors of banking companies listed in Indonesia Stock Exchange in the period 2004 - 2009 was influenced by the performance of the bank.

Bank size (assets) which have a positive influence on directors remuneration of commissioners is the result of research in accordance with previous research. Many studies have found that company size (assets) has a positive effect commissioners the remuneration of directors (Conyon et al., 1994; Conyon, 1997; Hassan et al., 2003; Abdullah, 2006; Doucouliagos et al., 2007; Unite et al. , 2008; Ulupui, 2009). So the researchers insert the variable bank size (assets) as control variables.

Return On Assets in this research has a significant negative influence on the remuneration of directors of commissioners. Similar results occurred in the study Abdullah (2006) who examined public companies in Malaysia in the period of 2003. Abdullah (2006) founds that significant negative ROA is because in those days was a period after the economic crisis of 1998 so that the value of ROA is still experiencing temporary negative conditions shareholders can increase the remuneration of management to maintain the condition of the company a going concern. Unlike some of Abdullah (2006), ROA is significantly negative value on the banking companies which go public in Indonesia are: 1. Unlike other industries, the government strict oversight of the banking industry. This is done either by Bank Indonesia and by the Capital Market Supervisory Agency. 2. When the value of ROA has decreased, the Bank Indonesia as the shareholder instructs regulators to take immediate decisions to improve bank performance. One such decision is to change the position of commissioner of the composition of the board of directors of the new commissioners.

3. Impact of reimbursement for a new team of commissioners of directors is greater remuneration with expectations, new management can contribute to a better performance improvement.

Family structure ownership and foreign ownership have a significant impact on the remuneration of directors. This indicates that there are agencies in Indonesia's banking relationship is the relationship between shareholders, together with management as the agent of depositors as principal (Rossieta, 2003). As we all know, the funds derived from essentially limited to shareholders amounted to the level of CAR that is only 8% of all existing capital, while the rest is the depositors' funds. This means that when the bank experienced financial problems, for shareholders is not too risky small relative risks for depositors when the bank experienced financial problems. Insurers greatest risk when the bank experienced financial problems is the depositor. Meanwhile, both shareholders and foreign families have the opportunity to influence the board of commissioners, by providing increased remuneration to meet the interests of shareholders, such as depositors' funds disbursed to the business group. Small coefficient on both variables are SKEL and SA as a proxy of the ownership structure indicates that the banking regulator, Bank Indonesia, in this case, had done enough effective oversight mechanisms in the banking industry, seen from the low level of influence associated with the ownership structure of the remuneration dirkomsaham. The conclusion is reinforced by other empirical evidence in this study namely the relationship of directors and shareholders of commissioners has no effect on directors remuneration of commissioners. Variable family relationships between directors of commissioners to the shareholder which is a proxy of corporate governance has no effect on directors remuneration of commissioners. This indicates that the regulator in this case, Bank Indonesia has conducted monitoring mechanisms for the implementation of good corporate banking governnace. Thus the conclusions of this study is the performance of banks, and foreign ownership structure and family have an influence on directors remuneration of commissioners.

5.1. Research Limitations

After doing some research, there are fundamental differences in the reporting of remuneration in the Annual Report of banking. In the observation period 2004 - 2006, prior to the issuance of Bank Indonesia Regulation No.8/4/PBI/2006 regulations concerning the implementation of Good Corporate Governance for Banks and revealed the implementation of good corporate governance in the Annual Report in accordance with the Decision of the Capital Market Supervisory Agency and Financial Institution No.KEP-134/BL/2006 on Requirement for Annual Report for the Issuer or Public Company. In the period before the regulations were issued, many banks which only include the remuneration of directors commissioner only in the Audited Financial Statements by Independent Auditors.

After the regulation was issued in 2006, there were 17 banks that consistently report on remuneration in the Corporate Governance Report. After closer examination, many of the remuneration of data contained in the Financial Statements differ from the one listed in the Corporate Governance Report. The difference occurs because the composition of remuneration in the Corporate Governance Report includes:

1) Remuneration includes wages, bonuses, regular allowances, bonuses, and other facilities in the form of non natura.
2) Other facilities in kind such as housing, transportation, health, and so forth.

While remuneration contained in the Financial Statements in the form of salaries and allowances alone. This study uses only the remuneration of directors of the commissioners listed in the Financial Statements contained in the Independent Auditor's Report so. So it does not show the cash remuneration, bonuses, allowances, bonuses, and other facilities received by the board of commissioners.

Relations with shareholders directors commissioners who can be traced in this study is the family relationship and financial relationship. Though it is probable shareholders choose the directors and commissioners to represent their interests did not come from a family relationship or financial relationship, but friendship or other relationships that are not revealed in the publication.

5.2. Research Implications

This study describes what the most dominant variable affecting the remuneration of directors of the Board in a unique industry that is the banking industry. And the extent to which disclosure of directors remuneration of commissioners in the period 2004-2009. So that it can provide benefits to the disclosure of directors remuneration of commissioners in the future. Disclosure of directors relations commissioner of the shareholders, other than a family relationship and financial relationship in detail to demonstrate the independence of directors in managing the banking commissioner. This research also contributes to academics by showing that the performance of the banking industry, foreign ownership structure and the family has a different effect than the remuneration of Directors Commissioners previous research, and found no influence of directors commissioner relationship with its shareholders on the remuneration of directors of commissioners. Another implication for academics is a result of this study showed the number of registered banks, mergers / acquisitions as well as the Indonesian Stock Exchange delisted in 2004-2009 that revealed the remuneration of directors of commissioners so useful for subsequent research to understand the condition of bank performance, ownership structure, directors and commissioners of the relationship on the remuneration of directors of commissioners.

Implications for Bank Indonesia and the Capital Market Supervisory Agency and Financial Institution (Bapepam-LK) is Bank Indonesia has implemented an effective monitoring mechanism on the implementation of structural re bankmenelaah ownership rules for banks to disclose more detailed relationship between the board of commissioners and shareholders. Mengaeasi and implementation of good corporate governance. This is based on research which found that the low coefficient value on the results of investigation of the influence of foreign ownership structure and family have a positive influence on directors remuneration of commissioners. But there was no influence relations commissioner directors with shareholders against directors remuneration of commissioners. This could happen because of relationships with shareholders directors commissioners are seen in this study is the financial and family relationships are revealed in the publication. Whereas most likely shareholders will choose the directors of commissioners who will work in accordance with the interests of shareholders.

The results of this study indicate that agencies in the Indonesian banking relationship is the relationship between the shareholders together with the management of depositors. Regulatory oversight is essential to avoid moral hazard by action of shareholders together management of depositors so detrimental as was the case at the end of September 2008 the Bank Centaury (Infobank, 2009).

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APPENDIX 1
Preliminary test results of multiple regression SPSS 13

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	dk, sa, roa, nim, car, ldr, asset, npl, eps, skel, roe[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: dkrem

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,945[a]	,893	,883	,40729	1,320

a. Predictors: (Constant), dk, sa, roa, nim, car, ldr, asset, npl, eps, skel, roe

b. Dependent Variable: dkrem

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	158,516	11	14,411	86,871	,000[a]
	Residual	18,911	114	,166		
	Total	177,427	125			

a. Predictors: (Constant), dk, sa, roa, nim, car, ldr, asset, npl, eps, skel, roe

b. Dependent Variable: dkrem

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	3,670	,995		3,690	,000		
	roa	-,327	,069	-,391	-4,721	,000	,136	7,335
	roe	,014	,005	,234	3,017	,003	,156	6,407
	nim	,056	,026	,092	2,142	,034	,511	1,957
	ldr	,014	,003	,193	4,698	,000	,555	1,803
	npl	-,062	,014	-,192	-4,360	,000	,480	2,083
	car	,005	,006	,031	,813	,418	,631	1,586
	eps	,001	,001	,102	2,061	,042	,381	2,626
	asset	,607	,031	,895	19,430	,000	,441	2,267
	skel	,004	,002	,108	2,049	,043	,337	2,971
	sa	,007	,001	,210	5,202	,000	,572	1,748
	dk	,230	,371	,025	,619	,537	,568	1,759

a. Dependent Variable: dkrem