



Programme

THE 14th MIICEMA CONFERENCE

MALAYSIA-INDONESIA INTERNATIONAL CONFERENCE ON ECONOMICS, MANAGEMENT AND ACCOUNTING

ASEAN Economic Community 2015: Issues and Challenges

IPB International Convention Center (IICC)
Botani Square, Bogor, West Java - Indonesia

Wednesday - Thursday
October 9 - 10, 2013



Organized by :

Faculty of Economics and Management
Bogor Agricultural University



THE 14th MIICEMA CONFERENCE PROGRAMME

DAY 1st Wednesday, October 9

08.00-09.00	REGISTRATION AND MORNING TEA	Lobby IICC
09.00-10.00	OPENING SESSION	Ballroom 2 IICC
09.00-09.10	Welcome Remarks: Dean of Faculty of Economics and Management IPB <i>Dr. Yusman Syaukat</i>	
09.10-09.20	Message: MIICEMA Coordinator <i>Prof. Dr. Nor Ghani Md Nor (Universiti Kebangsaan Malaysia)</i>	
09.20-09.30	Message: Dean and Departmental Chair Forum of the State University Council of the Western Indonesia Region Coordinator <i>Dr. Ridwan Nurazi (University of Bengkulu)</i>	
09.30-10.00	Opening Remarks and Soft Launching of ASEAN Journal of Economics, Management & Accounting Rector of IPB <i>Prof. Dr. Herry Suhardiyanto</i>	
10.00-12.00	PLENARY SESSION	
10.00-10.45	Keynote Address: Vice Minister of Trade, Republic of Indonesia <i>Dr. Bayu Krisnamurthi</i>	
10.45-11.30	Invited Speaker: Indonesian Ambassador for Thailand <i>H.E. Mr. Lutfi Rauf</i>	
11.30-12.00	Invited Speaker: National University of Malaysia <i>Prof. Dr. Jamal Othman (Universiti Kebangsaan Malaysia)</i>	
12.00-13.00	LUNCH BREAK	Lobby IICC
13.00-14.30	PARALLEL SESSIONS Room: BARANANGSIANG CAMPUS	
	Economics and Trade Moderator: <i>Dr. Sahara</i>	Mawar
	Accounting And Finance Moderator: <i>Dr. Abdul Kohar</i>	Melati
	Human Resources Management Moderator: <i>Dr Ir Lukman M.Baga, MEd</i>	Cempaka
	Knowledge and Management Innovation Moderator: <i>Dr Ir Suharno, MAdEv</i>	Kenanga
14.30-14.45	Shift	

14.45-16.00	PARALLEL SESSIONS Room: BARANANGSIANG CAMPUS	
	Economics and Trade Moderator: <i>Dr. Harya Kuncara, SE, M.Si</i>	Mawar
	Accounting And Finance Moderator: <i>Dr. Amzul Rifin</i>	Melati
	Human Resources Management Moderator: <i>Dr Ir Lukman M.Baga, MEc</i>	Cempaka
	Knowledge and Management Innovation Moderator: <i>Dr Ir Suharno, MADev</i>	Kenanga
16.00-16.30	Coffee Break, Prayer	
16.30-18.00	PARALLEL SESSIONS Room: BARANANGSIANG CAMPUS	
	Consumer Behavior Moderator: <i>Dr. Mukhamad Najib</i>	Kenanga
	Sharia Economics And Finance Moderator: <i>Dr Ir Lukman M.Baga, MEc</i>	Cempaka
	Agribusiness and Entrepreneurship Moderator: <i>Dr. Andriyono Kilat Adhi</i>	Melati
	Graduate Student Forum Moderator: <i>Dr. Sahara</i>	Mawar
19.00-22.00	WELCOME DINNER Room: BALLROOM 2 IICC	

DAY 2nd Thursday, October 10

08.00-10.00	PARALLEL SESSIONS Room: BARANANGSIANG CAMPUS	
	Economic and Trade Moderator: <i>Dr. Aceng Hidayat</i>	Kenanga
	Sharia Economic And Finance Moderator: <i>Dr. Dedi Budiman Hakim</i>	Cempaka
	Agribusiness and Entrepreneurship Moderator: <i>Dr. Netti Tinaprila</i>	Melati
	Graduate Student Forum Moderator: <i>Dr. Jono M. Munandar</i>	Mawar
10.00-10.30	Break	
10.30-12.00	Keynote Speech from the Chairman of National Economic Committee (Komite Ekonomi Nasional) Indonesia, <i>Dr. Chairul Tanjung</i> Moderator: <i>Prof. Dr. Hermanto Siregar</i>	Ballroom 2 IICC
12.00-13.30	Closing Ceremony and Lunch Break	
14.00-16.00	Fieldtrip to Bogor Palace	
16.00-18.00	Fieldtrip to SKI	

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SUB THEME
ECONOMIC AND TRADE

WEDNESDAY, OCTOBER 9th 2013

ROOM : MAWAR

TIME : 13.00-14.30 PM

MODERATOR

Dr. Sahara

1. THE MACROECONOMIC CAUSE OF STOCK MARKET VOLATILITY:
EMPIRICAL STUDY BASED ON MALAYSIAN AND INDONESIAN DATA
Lida Nikmanesh, Abu Hassan Shaari Md Nor and Tamat Sarmidi
2. RESOURCE CURSE, ECONOMIC FREEDOM AND ECONOMIC
DEVELOPMENT
Tamat Sarmidi, Yaghoob Jafaria, Abu Hassan Shaari Md Noor
3. OIL PRICE SHOCK AND THE ROLE OF MONETARY AND FISCAL POLICY ON
INDONESIAN STOCK MARKET: A SIGN RESTRICTION VAR ANALYSIS
Rossanto Dwi Handoyo, Mansor Jusoh, Mohd. Azlan Shah Zaidi
4. INCOME DIFFERENCES AND INTRA INDUSTRY TRADE AMONG ASEAN
COUNTRIES
Amzul Rifin
5. ANOMALY OF CAPITAL MARKET: PUBLIC HOLIDAYS AND RELIGIOUS
HOLIDAYS
Danang Adi Putra, Eddy Suranta, Rini Indriani
6. THE INVESTIGATION OF FUNDAMENTAL EFFECTS, INTEREST RATE,
EXCHANGE RATE AND INFLATION ON STOCK RETURN OF BANKING
SECTOR IN INDONESIA STOCK EXCHANGE
Ridwan Nurazi

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SUB THEME
ACCOUNTING AND FINANCE

WEDNESDAY, OCTOBER 9th 2013

ROOM : MELATI

TIME : 13.00-14.30 PM

MODERATOR

Dr. Abdul Kohar

7. THE ANALYSIS OF BEARISH AND BULLISH BY USING CANDLESTICK ANALYSIS
Berto Usman
8. LEVERAGE AND CORPORATE DEMAND FOR INSURANCE IN MALAYSIA
Mohamad Abdul Hamid
9. EFFECT OF PROFITABILITY AND INVESTMENT OPPORTUNITY SET OF CASH DIVIDEND POLICY WITH THE LIQUIDITY AND LEVERAGE
Ayu Martazela, Fenny Marietza, Pratana Puspa Midiastuty
10. INFLUENCE OF FOREIGN BOARD MEMBERSHIP, BOARD INDEPENDENCE AND FOREIGN OWNERSHIP TO FIRM VALUE (EMPIRICAL STUDY ON MANUFACTURING COMPANY LISTED AT BEI YEAR OF 2009-2011)
Nikmah, Fitrawati Ilyas, Sigit Arifianto
11. THE EFFECT OF UNDERSTANDING OF TAX ACCOUNTING, SERVICE QUALITY OF TAX OFFICERS, AWARENESS OF TAXPAYERS AND TRANSPARENCY IN TAXATION TOWARD OBEDIENCE OF CORPORATE TAXPAYERS IN BENGKULU CITY
Sriwidharmanely, Darman Usman, Emilda Sulastri
12. DOES INCOME GAP MATTERS FOR THE HOUSEHOLD DEBT ACCUMULATION?
Mohd Afzanizam Abdul Rashid, Tamat Sarmidi, Nor Ghani Md Nor, Abu Hassan Shaari Md Noor

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SUB THEME
HUMAN RESOURCES MANAGEMENT

WEDNESDAY, OCTOBER 9th 2013

ROOM : CEMPAKA

TIME : 13.00-14.30 PM

MODERATOR

Dr. Ir. Lukman M.Baga, MEd

13. THE INFLUENCES OF LEADERSHIP ROLE, MOTIVATION AND EMPLOYEES COMMITMENT TOWARD EMPLOYEE'S PERFORMANCE AT THE DEPARTMENT OF MINES AND THE ENERGY OF NORTH BENGKULU DISTRICT
Praningrum, Melva Hero, and Syaiful Anwar
14. THE RELATIONSHIP BETWEEN TRANSFORMATIONAL LEADERSHIP CHARACTERISTIC, ORGANIZATIONAL COMMITMENT, AND JOB SATISFACTION OF THE EMPLOYEES OF FOUR STATE-OWNED BANKS IN PONTIANAK, WEST KALIMANTAN
Ilzar Daud
15. COMPREHENSIVE PERFORMANCE MEASUREMENT SYSTEMS AS A PROCESS OF ROLE CLARITY AND PSYCHOLOGICAL EMPOWERMENT: HOW THEY CAN REDUCE JOB TENSION AND IMPROVE MANAGERIAL PERFORMANCE
Fransiskus E. Daromes
16. MODEL OF SMEs PERFORMANCE IMPROVEMENT THROUGH THE DEVELOPMENT OF HUMAN CAPITAL AND SOCIAL CAPITAL
Angraini Sukmawati, Lindawati Kartika, M. Sjamsun, Fauzan
17. EFFECT OF HUMAN RESOURCES, CEILING BUDGET, AND THE QUALITY OF REGULATION CHANGES IN LOCAL GOVERNMENT PROVINCIAL BUDGET BENGKULU
Lismawati, Dita Try Maliza
18. THE ORGANIZATIONAL COMMITMENT ON RELATION BETWEEN BUDGET PARTICIPATION AND MANAGERIAL PERFORMANCE
Isma Coryanata

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SUB THEME
KNOWLEDGE AND MANAGEMENT INNOVATION

WEDNESDAY, OCTOBER 9th 2013

ROOM : KENANGA

TIME : 13.00-14.30 PM

MODERATOR

Dr. Ir. Suharno, MADev

19. ANALYSIS OF CORPORATE GOVERNANCE MECHANISM AND EARNINGS MANAGEMENT: SHORT TERM AND LONG TERM ACCRUAL MODELS
Wiyadi and Sutanta
20. CORPORATE GOVERNANCE MECHANISM AND EARNING MANAGEMENT WITH INTEGRATED MODEL
Rina Trisnawati, Suleksi Ekawati
21. THE IMPACT OF HOMESTAY TOURISM DEVELOPMENT PROGRAM TO THE LOCAL COMMUNITY: A CASE STUDY OF HOMESTAY IN JOHOR
Othman R; Salleh, N.H.M; Mohd Idris, S.H; Naufal, M
22. THE IMPACT OF INDIVIDUAL INVOLVEMENT IN SOCIAL NETWORKING SITES
Willy Abdillah, Ferry Tema Atmaja, Effed Darta Hadi, Susri Adeni
23. THE IMPACT OF SERVICE ORIENTATION ON ORGANIZATIONAL PERFORMANCES IN THE PUBLIC SECTOR
Lizar Alfansi, Ferry Tema Atmaja, Fachri Eka Saputra, Effed Darta Hadi

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SUB THEME ECONOMIC AND TRADE

WEDNESDAY, OCTOBER 9th 2013

ROOM : MAWAR

TIME : 14.45-16.00 PM

MODERATOR

Dr. Harya Kuncara, SE, M.Si

24. AGRO INDUSTRY DOWNSTREAMING THROUGH TAX EXPORT AND PRODUCTIVITY INCREMENT POLICIES ON PRIMARY EXPORT COMMODITIES
Lestari Agusalim, Rina Oktaviani, Lukytawati Anggraeni
25. THE ECONOMIC GROWTH CONVERGENCE ANALYSIS OF ASEAN+3 COUNTRIES AND THE FACTORS THAT INFLUENCE THE ECONOMIC GROWTH
Manda Khairatul Aulia, Wiwiek Rindayati
26. THE INFLUENCES OF EXPENDITURE DEVELOPMENT AND LABOR FORCE TO THE ECONOMICS GROWTH IN BENGKULU PROVINCE
Handoko Hadiyanto
27. ANALYSIS OF THE SRAGEN MUNICIPALITY GOVERNMENT ORGANIZATIONAL CAPACITY
Agung Riyardi, Widodojono, Muzakar Isa
28. FOREIGN SHOCKS, MONETARY POLICY, AND MACROECONOMIC FLUCTUATIONS IN A SMALL OPEN ECONOMY: A SVAR STUDY OF MALAYSIA
Zulkefly Abdul Karim
29. VOLATILITY OF FOOD PRICE AND ITS INFLUENCING FACTORS IN INDONESIA
Arini Hardjanto, Yusman Syaukat, Bonar M. Sinaga

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SUB THEME ACCOUNTING AND FINANCE

WEDNESDAY, OCTOBER 9th 2013

ROOM : MELATI

TIME : 14.45-16.00 PM

MODERATOR

Dr. Amzul Rifin

30. ACCOUNTABILITY CAMPAIGN FUNDS: EFFECT OF THE LEVEL OF PUBLIC UNDERSTANDING AND POLITICAL PARTY MEMBERS ON ACCOUNTABILITY (STUDY OF PERCEPTION KPU AND PANWASLU IN BENGKULU CITY)
Fachruzzaman, Morry Putrado
31. FINANCIAL PERFORMANCE OF LOCAL GOVERNMENT, LKPD OBTAINING WTP OPINION, AND CAUSE CONTROVERSY DECISION IN THE PROVINCE BENGKULU
Kamaludin, Fachruzzaman
32. THE EFFECT OF REPUTATION, ETHICS AND SELF ESTEEM ON BUDGETARY SLACK WITH LOCUS OF CONTROL AS A MODERATING VARIABLE
Lisa Martiah Nila Puspita, Etika Yessianti
33. THE EFFECT OF FIRM SIZE, DEBT TO EQUITY RATIO TO PROFITABILITY WITH EARNINGS GROWTH AS MODERATING VARIABLE ON THE FIRM OF REAL ESTATE LISTED IN INDONESIA STOCK EXCHANGE
Danang Adi Putra, Madani Hatta, Pratana Puspa Midiastuty
34. ANALYSIS RELATED EARNINGS OF GENUINESS AREA, TRANSFER OF CENTRAL GOVERNMENT, BY INDEPENDENCE AREA THE LOCAL GOVERNMENT AREAS IN PROVINCE BENGKULU
Fachruzzaman, Ahmad Fajri Afrendi

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SUB THEME
HUMAN RESOURCES MANAGEMENT

WEDNESDAY, OCTOBER 9th 2013

ROOM : CEMPAKA

TIME : 14.45-16.00 PM

MODERATOR

Dr. Ir. Lukman M. Baga, MEd

35. ADMINISTRATOR'S ROLE IN TRAINING PROGRAMS AS AN ANTECEDENT OF TRAINING TRANSFER
Azman Ismail, Ng KuehHua
36. PEKERJA TERANCAM DALAM PERKIRAAN UNDANG-UNDANG MENGIKUT STANDARD MINIMUM PEMBURUHAN MALAYSIA
Zulkifly Osman
37. CONSULTATION-BASED BUSINESS LEARNING: THE CRITICAL SUCCESS FACTORS
Ahmad Raflis Che Omar, Suraiya Ishak, Zaimah Darawi, Jumaat Abd. Moen
38. THE IMPACT OF EMPLOYMENT LINKAGES ON THE MALAYSIAN ECONOMY
Noorasiah Sulaiman & Ahmad Fikri Mohd Fauzi
39. CAREER DEVELOPMENT ON REGIONAL PUBLIC AND PRIVATE OFFICIALS (COMPARATIVE STUDY ON GENERAL HOSPITAL DR. M. YUNUS BENGKULU AND PT. BANK BENGKULU)
Slamet Widodo, Fahrudin JS Pareke, Berto Usman
40. DISPARITY, CONVERGENCE, AND DETERMINANT OF REGIONAL LABOUR PRODUCTIVITY IN INDONESIA
Aisyah Fitri Yuniasih, Muhammad Firdaus, Idqan Fahmi

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SUB THEME
KNOWLEDGE AND MANAGEMENT INNOVATION

WEDNESDAY, OCTOBER 9th 2013

ROOM : KENANGA

TIME : 14.45-16.00 PM

MODERATOR

Dr. Ir. Suharno, MADev

41. THE EFFECT OF EARNINGS MANAGEMENT ON CORPORATE SOCIAL RESPONSIBILITY AND GOING CONCERN OPI
Suwandi Ng, Sam Ronald
42. CORPORATE SOCIAL RESPONSIBILITY: A STUDY OF INDONESIAN CONSUMER
Maryono, Jun-Yen Lee
43. ANALYSIS OF SPATIAL CONCENTRATION AND AGGLOMERATION FACTOR OF MANUFACTURING INDUSTRY IN WESTERN REGION OF INDONESIA
Meilani Putri, Wiwiek Rindayati
44. EXAMINATION OF USE BEHAVIOUR OF ACADEMIC INFORMATION SYSTEM IN UNIVERSITY OF BENGKULU USING UAUT (UNIFIED THEORY OF ACCEPTANCE AND USE OF TECHNOLOGY) APPROACH
Effed Darto and Muhamad Abduh
45. SUPERVISORY BOARD AND AUDIT QUALITY POST REVISED CODE OF CORPORATE GOVERNANCE: THE CASE OF INDONESIA'S LISTED COMPANIES
Zaitul

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SUB THEME
CONSUMER BEHAVIOR

WEDNESDAY, OCTOBER 9th 2013

ROOM : KENANGA

TIME : 16.30-18.00 PM

MODERATOR

Dr. Mukhamad Najib

46. THE INFLUENCE OF AFFECTIVE COMMITMENT, NORMATIVE COMMITMENT AND CONTINUANCE COMMITMENT ON CUSTOMER LOYALTY OF PT. BANK KALBAR IN WEST KALIMANTAN
Nur Afifah
47. USING BENEVOLENCE VENDOR TO CREATE CONSUMER TRUST AT BUSINESS E -RETAILING
Seprianti Eka Putri
48. DISCRIMINATING FACTORS BETWEEN LIGHT USERS AND HEAVY USERS OF SAVING ACCOUNT CUSTOMERS IN BENGKULU CITY
Roosemarina A. Rambe
49. PERCEIVED VALUE : CONCEPTUAL MODEL FOR UPSCALE HOTEL
Levyda, Dwi Kartini, Faisal Afiff, Popy Rufaidah
50. THE EFFECT OF THE QUALITY OF TOURISM PRODUCTS AND THE BRAND IMAGE OF TOURISM ON THE IMAGE OF BANDA ACEH AS A TOURISM CITY (A study based on marketing approach)
Hafasnuddin
51. THE EFFECT OF COUNTRY OF DESIGN AND COUNTRY OF PRODUCT MANUFACTURING ON PERCEIVED QUALITY WITH INVOLVEMENT AS MODERATING VARIABLE: AN EXPERIMENTAL STUDY
Rindang Matoati, Suci Paramitasari Syahlani, Fachri Eka Saputra

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SUB THEME
SHARIA ECONOMIC AND FINANCE

WEDNESDAY, OCTOBER 9th 2013

ROOM : CEMPAKA

TIME : 16.30-18.00 PM

MODERATOR

Dr. Ir. Lukman M. Baga, MEd

52. THE CONTRIBUTION OF CLASSICAL MUSLIM SCHOLARS ON THE THEORIES OF ECONOMIC GROWTH
Tubagus Thresna Irijanto, Mohd. Azlan Shah Zaidi, Abdul Ghafar Ismail
53. THE APPLICABILITY OF ISLAMIC COMMERCIAL LAW IN ACTIVATING IDLE AGRICULTURAL LAND IN MALAYSIA
Muhammad Hakimi Bin Mohd Shafiai
54. PREDICTION MODEL OF ZAKAH MAAL COMPLIANCE
Imron Rosyadi
55. ISLAMIC DISCRETIONARY FUNDS AND CONVENTIONAL DISCRETIONARY FUNDS
Sulaeman Rahman Nidar, Isnaeni Zulkarnaen
56. KEBERKESANAN DAN KESESUAIAN MEDIUM PROMOSI AGIHAN ZAKAT: KAJIAN KES DI NEGERI SELANGOR
Hairunnizam Wahid, Sanep Ahmad

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SUB THEME
AGRIBUSINESS AND ENTREPRENEURSHIP

WEDNESDAY, OCTOBER 9th 2013

ROOM : MELATI

TIME : 16.30-18.00 PM

MODERATOR

Dr. Andriyono Kilat Adhi

57. THE IMPACTS OF INCREASING SOYBEAN PRICE ON TEMPEH INDUSTRIES PERFORMANCE AT CITEUREUP VILLAGE, BOGOR
Tita Nursiah, Nunung Kusnadi
58. TRANSFORMING ENTREPRENEURS INTO SOCIAL ENTREPRENEURS: THE CASE OF TURKEY
Mohammed Zain Bin Yusof, Iknor Azli Bin Ibrahim, Mohamad Abdul Hamid
59. CIRI-CIRI KEUSAHAWANAN DAN KEJAYAAN USAHAWAN DI KELANTAN DAN SELANGOR
Suhaila Abdul Kadir, Maisarah Ahmad
60. COMPETITIVENESS OF INDONESIAN SWEET POTATOES IN INTERNATIONAL MARKET
Netti Tinaprilla, Riana Ayu Wulandari
61. THE RELATIONSHIP BETWEEN GOAL ATTAINMENT AND INTENTION TO REMAIN IN A FRANCHISE SYSTEM IN MALAYSIA: A DISCOVERY OF ENTREPRENEUR'S GOAL ATTAINMENT THEORY
Mohd Hizam Hanafiah
62. THE STRUCTURAL MODEL OF ENTREPRENEURIAL INTENTION AMONG ECONOMIC STUDENTS
Mumuh Mulyana and Yulia Nurendah

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GRADUATE STUDENT FORUM

WEDNESDAY, OCTOBER 9th 2013

ROOM : MAWAR

TIME : 16.30-18.00 PM

MODERATOR

Dr. Sahara

63. ARE WE READY TO STRENGTHENING THE SUPPLY CHAIN SECURITY? A CASE STUDY IN PORT KLANG
Najmi bin Mohd Radzi, Azman Ismail
64. DOES SOCIAL CAPITAL INFLUENCE EMPOWERMENT? EVIDENCE FROM PASSION FRUIT FARMERS
Kustoro Budiarta, Thamrin, Andri Zainal
65. WHY DON'T WE IMPLEMENT THE 'GETTING PRICE RIGHT' FOR HORTICULTURE AND BEEF COMMODITY PRICE? (AN IDEA FOR FOOD PRODUCTS PRICE ACT)
Dina Nurul Fitria, Harianto
66. THE ROLE OF MANAGEMENT ACCOUNTING AND CONTROL SYSTEMS FOR MANUFACTURING COMPANIES
Lukluk Fuadah
67. OPTIMIZATION AND RISK MANAGEMENT MODEL ANALYSIS IN DISTRIBUTION CHANNELS HIGHLANDS VEGETABLES SUPPLY CHAIN IN AGAM REGENCY, WEST SUMATRA
Yuviani Kusumawardhani, Alim Setiawan, Lindawati Kartika, M Syamsun, Anggraini Sukmawati
68. THE INSTITUTIONAL ROLES IN IMPROVING FARMER'S CREATIVITY AND INNOVATION IN THE SYSTEM OF INTEGRATED FARMING IN GAPOKTAN SILIH ASIH, WEST JAVA
Diana Lestari Ningsih, Amzul Rifin

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SUB THEME
ECONOMIC AND TRADE

THURSDAY, OCTOBER 10th 2013

ROOM : KENANGA

TIME : 08.00-10.00 AM

MODERATOR

Dr. Aceng Hidayat

69. A STUDY OF SUMATRA CORRIDOR DEVELOPMENT TO IMPLEMENT
“MASTERPLAN FOR ACCELERATION AND EXPANSION OF INDONESIA
ECONOMIC DEVELOPMENT” AND AFTA 2015
Ma'mun Sarma, Sugeng Budiharsono, Ahmad Yani
70. THE IMPACT OF ASEAN ECONOMIC COMMUNITY (AEC) ON FOREIGN
DIRECT INVESTMENT
Darma Rika Swaramarinda, Achmad Fauzi
71. THE EFFECT OF SOCIAL SECURITY INCOME AND SAVING ON LABOR
SUPPLY OF ELDERLY IN INDONESIA
Ratu Eva Febriani
72. MANAGEMENT OF HOUSEHOLD FOOD SECURITY IN RURAL POVERTY
Ahmad Mardalis, Imron Rosyadi
73. AUTONOMOUS EMPOWERMENT MODEL FOR FARMERS TO ACTUALIZE
REGIONAL FOOD SECURITY
Maulidyah Indira Hasmarini, Didit Purnomo, Zainal Arifin
74. HONG KONG'S ACCESSION TO ACFTA: WILL IT BENEFITS ASEAN?
Jamal Othman
75. SURFING THE WAVES OF ASEAN ECONOMIC COMMUNITY: SPILLOVER
EFFECT OF FINANCIAL AND COMMODITY MARKETS AMONG ASEAN
COUNTRIES
Hawati Janor, Ruzita Abdul Rahim, Ahmad Raflis, Roslan Jaafar, Ehsan
Hossenidoust
76. SENSE-MAKING IN CONTENT ANALYSIS: A RESEARCH NOTE ON
NARRATIVE INTELLECTUAL CAPITAL INFORMATION DISCLOSURE IN
ANNUAL REPORTS
Mara Ridhuan Che Abdul Rahman, School of Accounting

14

SUB THEME
SHARIA ECONOMIC AND FINANCE

THURSDAY, OCTOBER 10th 2013

ROOM : CEMPAKA

TIME : 08.00-10.00 AM

MODERATOR

Dr. Dedi Budiman Hakim

77. THE EFFECTIVENESS OF ZAKAT DISTRIBUTION ON ASNAF'S SOCIOECONOMICS: MAQASID AL-SYARIAH APPROACH
Sanep Ahmad, Hairunizam Wahid, Rosbi Ab Rahman
78. TAWARRUQ DEPOSIT WITH WAKALAH PRINCIPLE: AN OPTION THAT TRIGGERS NEW ISSUES
Abdul Ghafar Ismail, Nik Abdul Rahim Nik Abdul Ghani, Mat Nor Mat Zain
79. THE IMPACT OF DISPLACED COMMERCIAL RISK ON FINANCIAL STABILITY IN ISLAMIC BANKING INSTITUTIONS
Noraziah Che Arshad, Roza Hazli Zakaria, Ahmad Azam Sulaiman @ Mohamad
80. MARKET STRUCTURE, COMPETITIVENESS AND CHALLENGES TO DEVELOP HALAL INDUSTRY IN MALAYSIA
Mohd Ali Mohd Noor
81. THE PERCEPTION OF TAX PAYERS ON TAX KNOWLEDGE AND TAX EDUCATION WITH LEVEL OF TAX COMPLIANCE: A STUDY THE INFLUENCES OF RELIGIOSITY
Mohd Rizal Palil, Mohd Rusyidi Md Akir, Wan Fadillah Bin Wan Ahmad

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SUB THEME
AGRIBUSINESS AND ENTREPRENEURSHIP

THURSDAY, OCTOBER 10th 2013

ROOM : MELATI

TIME : 08.00-10.00 AM

MODERATOR

Dr. Netti Tinaprila

82. AN OVERVIEW OF DEVELOPMENT AND OBSTACLES OF SMALL AND MEDIUM ENTERPRISES (SMES) IN BENGKULU PROVINCE
Muhamad Abduh, Benardin, Effed Darta
83. THE IMPACT CORPORATE GOVERNANCE QUALITY, INSTITUTIONAL OWNERSHIP ON FIRM VALUE AND RISK TAKING BEHAVIOR
Triyono
84. SUBJECTIVE RISK EXPECTATIONS, RISK ATTITUDE AND INVESTMENT PLAN: THE CASE OF OIL PALM SMALLHOLDERS IN INDONESIA
Eko Ruddy Cahyadi
85. INFLUENCES OF RISK MANAGEMENT TO FIRM VALUE
Ariane Satri Andina, Rini Indriani, Eddy Suranta
86. BUSINESS DEVELOPMENT OF PAPAYA BY CULTIVATING ON SUB OPTIMAL FIELD IN INDONESIA: A SOLUTION TO FRUIT IMPORT RESTRICTION
Anna Fariyanti, M.Firdaus, Yayah K.Wagiono, Heri Harti, Endang Gunawan
87. ANALYSIS EDUCATION INEQUALITY AND ITS IMPACT ON ECONOMIC GROWTH IN RIAU PROVINCE
Siswiny M.O. Br Tambunan, Sri Mulatsih, Sahara
88. RELATIONSHIP BETWEEN INNOVATION, COMPETITIVENESS, RISK, POLICIES AND ECONOMIC GROWTH IN BROILER FARM
Burhanuddin, Harianto, Rita Nurmalina, Rachmat Pambudy

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GRADUATE STUDENT FORUM

THURSDAY, OCTOBER 10th 2013

ROOM : MAWAR

TIME : 08.00-10.00 AM

MODERATOR

Dr. Jono M. Munandar

89. FACTORS INFLUENCING E-COMMERCE USE BY MICRO AND SMALL ENTERPRISES OF AGRIBUSINESS IN INDONESIA
Fitri, Heny K Daryanto
90. ENTERPRISE RESOURCE PLANNING
Anton Arisman
91. AN INNOVATION MODEL IN NEW INSTITUTIONAL ECONOMICS PERSPECTIVE IN PLANTATION AGRIBUSINESS
Dina Nurul Fitria, Harianto
92. CONSUMER VULNERABILITY IN URBAN AREA
Megawati Simanjuntak
93. SUPERIOR FARMER COMPETENCE MODEL IN FORMING THE CAPACITY BUILDING OF HIGHLAND VEGETABLE FARMING IN KARO DISTRICT, NORTH SUMATRA
Raysah Yunita Rahma, Alim Setiawan, Lindawati Kartika, M Syamsun, Anggraini Sukmawati
94. LEADERSHIP STYLE AND ORGANIZATIONAL CULTURE: A REVISITING OF JOB SATISFACTIONS DETERMINANT
Zulkarnain Siregar, Ramadhan Putra M. Noor
95. THE IMPACT OF TECHNOLOGICAL GROWTH ON ECONOMIC PERFORMANCE IN INDONESIA
Hery Ferdinan
96. ANALYSIS OF THE LEADING SECTORS AND THE FACTORS INFLUENCING EMPLOYMENT IN EAST KALIMANTAN
Farah Meiska Wijaya, Yeti Lis Purnamadewi
97. FAMILY ENTREPRENEURSHIP AS A SOLUTION TO FACE THE CHALLENGES OF ECONOMIC HARDSHIP OF INDONESIA
Megawati Simanjuntak

STEERING COMMITTEES

Dean of Faculty of Economics and Management IPB

Dr. Yusman Syaukat

MIICEMA Coordinator

Prof. Dr. Nor Ghani Md Nor (Universiti Kebangsaan Malaysia)

**Dean and Departmental Chair Forum of the State University Council of the
Western Indonesia Region Coordinator**

Dr. Ridwan Nurazi (University of Bengkulu)

ORGANIZING COMMITTEES

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Tresurer

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Supervisory Board and Audit Quality Post Revised Code of Corporate Governance: The Case of Indonesia Listed Companies

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Abstract

Indonesia is a unique of corporate governance system. Even, Indonesia follow the Europe Continental Corporate Governance System, the appointment and dismissal of supervisory board is different compare to the common practice in Continental Europe countries, such as Nederland. Code of Corporate governance is code of conduct that should be followed by the company in order to be perceived as having been practiced the principle of corporate governance. In Indonesia, code of corporate governance has been revised in 2006. However, there is a limited study conducted post this revision in Indonesia, especially its effect in audit quality. Therefore, this study intent to investigate the effect of the supervisory board on audit quality. By using 218 companies for three years, we find that supervisory board size and age have a positively significant relationship with the audit quality as predicted by resources dependent theory. In addition, profitable, higher financial risk and large companies tend to select the higher quality of audit firm. However, this finding fail to confirm the agency theory. The finding of this study have a number of an important implication for future practice, such as the mechanism of selecting and dismissing supervisory board independent.

Keyword; Corporate Governance, Supervisory Board, Audit Quality and Indonesia listed companies.

1. Introduction

The role of corporate governance in financial reporting quality has been debated over the decade. Supervisory board is one of the internal mechanisms to limit the discretionary behavior of the management and enhance the financial information quality. In addition, this condition led to the investor confidence to invest a particular company. Therefore, the good practice of corporate governance is an essential in a company. Indonesia started implementing the principle of corporate governance in the beginning of the year 2000. It was marked by establishing the forum for corporate governance and it released the code of corporate governance in early year of 2000.

There are two type of corporate governance system: Anglo-Saxon Corporate Governance and Continental Europe System. The later system has the two-tier board system (Supervisory Board and Management Board). Indonesia follows the Continental Europe System and the way supervisory board is appointed and dismissed, however, differ compared to the original system. The role of supervisory board as internal corporate governance mechanism in financial reporting quality has been suggested by Cohen et al (2004). In addition, many researchers have documented the significant effect of the existence of supervisory board on financial reporting quality (see for example, Osma, 2008; and Osma & Noguer, 2007).

To get the higher quality of financial report, the supervisory board and management have to select the higher quality of external auditor or audit firm. This term is well known as the audit quality. The issue of audit quality is at the heart of the agency theory and corporate governance since the demand for the external auditor is to reduce the opportunistic behavior of management and agency conflict, and protect the shareholder interest by ensuring the relevance and reliability of financial statement (Gana & Lajmi, 2011). Audit quality is the probability that the auditor discover the material misstatement and report in the company accounting system (DeAngelo, 1981b). Therefore, the higher audit quality increase the chance to detect any material misstatement in the financial report and the shareholder can gain access to information that is more useful (Wan-Abdullah, Ismail & Jamalludin, 2008).

The research that investigates the relationship between board characteristics and audit quality has been largely done. However, most of studies are conducted in Anglo-Saxon Corporate Governance System, such as US and UK (see for example, O'Sullivan, 2000; Beasley

&Petroni, 2001; Carsello, Hermanson, Neal & Riley, 2002; and Boo & Sharma, 2008). In emerging market, investigation on audit quality has also been done in Egypt (Suliman & Abd-Salem, 2012), Malaysia (Wan-Abdullah, Ismail & Jamaluddin, 2008), Tunisia (Makni, Kolsi & Affes, 2012) and among others. However, study in Continental Europe Corporate governance system is still limited as far as we concern (such as study was conducted in France, Germany and Canada by Piot (2005)). In addition, there is also lack of study has been done by using the supervisory board as determinants of the audit quality in Indonesia. Further, Indonesia has been revised the code of corporate governance in 2006. Besides, Indonesia government very much concern with the financial accounting information quality and it is evidenced by implementing the financial accounting standard that complied with the IFRS in early 2012. This condition may enrich the corporate governance and audit quality literature. Thus, this study aims to investigate the relationship between supervisory board characteristic and audit quality post revised code of corporate governance. Supervisory board characteristics in this study consists of the composition, size, shareholding, knowledge and expertise, and experiences.

2. Theoretical foundation and hypothesis development

The role of Supervisory Board lies in the agency theory (Jensen and Meckling, 1976). In addition, Supervisory Board has function to reduce the dysfunctional behavior and therefore, agency problem and cost. In term of accounting quality, Supervisory Board can oversee the financial reporting process (Cohen et. al, 2004). Supervisory board (also known as board of commissioner) is an organ of the company that have function and responsible collectively for overseeing and providing advices to the Board of Directors and ensuring that company implement the corporate governance principles (NCG, 2006). In addition, NGC (2006) emphasizes on the several characteristics of supervisory in order to be able to effectively exercise their duties, (i) the composition of the board of supervisory board shall enable them to make effective, right and timely decision and to act independently, (ii) the members of the Supervisory Board must be professional that possess the integrity and capability to enable them to carry out their function properly including to ensure that the Board of Director shall observe the interest of all stakeholders, and (iii) the oversight and advisory function of the Supervisory Board include the act of preventing, improvement, and suspension.

2.1. Supervisory Board Composition

Composition of Supervisory Board refers to the ratio of the supervisory board from outside to total board members. Outside Supervisory Board is also known as the supervisory board independence. Supervisory board independence has a particular incentive to prevent and detect the opportunistic reporting behavior by management (Fama and Jensen, 1983). To protect its reputation capital, avoid legal liabilities, and promote the shareholder interests, a more independent supervisory board may demand differently higher audit quality which is greater assurance (Carcello, Hermanson, Neal and Riley, 2002). In addition, Carcello et al (2002) find that there is a positive relationship between board independence and audit quality. Further, Soliman and Abdul-Elsalam (2012) also documented the positive significant relationship between Board Independent and audit quality in Egyptian company. Other study done by using the Belgium public company also concludes the positive relationship between board independent and audit quality (Gana and Lajmi, 2011). Therefore, the first hypothesis is as follow

H1: There is a significant positive relationship between supervisory board composition and audit quality

2.2. Supervisory Board Size

Supervisory board size refers to the number of supervisory board in a company. There are two arguments regarding to the board size. Jensen (1993) consider that large number of board would bring to the inefficient monitoring due to the communication and decision making process problem. In contrast, Pearce and Zahra (1992) state that large number of board increase the board performance due to the ability of board to bring the external resources into company. In addition, Gana and Lajmi (2012) find that a positive significant relationship between board size and audit quality. However, Krishnan and Visvanathan (2009) investigate the relationship between board size and audit quality, and thus, conclude that there is no significant effect of the board size and audit quality. Based on the theoretical reason and previous study, we offer the second hypothesis.

H2: There is a significant positive relationship between supervisory board size and audit quality.

2.3. Supervisory Board Shareholding

Supervisory board shareholding refers to board owning the company share. The contention of the board shareholding come from Jensen and Meckling (1976). They argue that

board should have small portion of stock in order to reduce gap between the interest of board and shareholder interests. Therefore, there is alignment between board and shareholder. In addition, Monk and Minow (1995) argue that the role of board become effective, it is not just because they have economic ties with the company, but also they are shareholders. Therefore, supervisory board with share would choose the high quality of external auditor because the high quality external auditor contribute to the high quality of accounting information. Thus, the next hypothesis is as follow,

H3: There is a significant positive relationship between supervisory board shareholding and audit quality.

2.4. Supervisory Board Knowledge and Expertise

The role of supervisory board knowledge and expertise in financial reporting process come from the resources dependent theory. This theory views that knowledge and expertise is often conceptualized as stock of information or background expertise that board member have (Payne, Benson, and Finegold, 2009). Sonnefelt (2002) classified the knowledge as business strategy, finance, Law, Governance, technology and society. In fact, Ravasi and Zattoni (2006) argue that board member should have functional knowledge, such as accounting, finance and marketing. In addition, Rindova (1999) suggest that board member should have expertise in form of problem solving, communication and team work. Therefore, supervisory board with knowledge and expertise would select the higher quality of external auditor. Thus, the following hypothesis offer

H4: There is a significant relationship between supervisory board knowledge and expertise and audit quality.

2.5. Supervisory Board experience

Supervisory board experience is another determinants of the audit quality (Gana and Lajmi, 2011). In addition, Board experience might further involve themselves in the promotion of company advantage (Kroll, Walters, and Wright, 2008). In line with Kroll et al (2008), Daya, Lonie and Power (1996) add that board experience would help in making information more transparence. Further, Kaplan and Reishus (1990) argue that board of director experience is more likely to have greater incentives to monitor effectively and safeguard their reputation. Thus, supervisory board would prefer to choose the higher quality of external auditor to safe their

reputation. Abdelsalam and Street (2007) classify the board experience into three proxy, which are age, directorship and tenure. Previous research conducted by Gana and Lajmi (2011) conclude that there is significant relationship between board experience and audit quality. Therefore, the next hypothesis is as follow,

H5: there is a significant relationship between supervisory board experience and audit quality.

3. Sample, data and model

We use the public listed company as object of this study. Based on the availability of data, we get the 218 companies (44.9% of total population). However, we utilize the three year data from 2006 to 2008 which come the total number of observation is 654 companies-years. Secondary data is used which are from multiple sources (annual report, Indonesia Capital market Directory, company websites and other sources). Further, there are three type of variables in this study, dependent variable (Audit Quality), independent variables (Supervisory Board Composition, Size, Knowledge and Experience, Shareholding, and Experience). Control variables (ROA, LEV, and SIZE).

Audit quality is a dummy variable which assign 1 if company is audited by a big 4 and otherwise. Supervisory board composition is measured by number of supervisory board independent to total board members. In addition, supervisory board size is total number of supervisory board as proxy. Further, supervisory board knowledge and expertise is measured by the ratio of number of supervisory board has an academic background of business and management to total board members. Thus, supervisory board experience is measured by three proxy, (i) Supervisory board age, (ii) supervisory board multiple directorship, and (iii) supervisory board tenure. Finally, the ROA is net income per total asset and debt to asset ratio is proxy for leverage. SIZE is a company size which measured by total asset. The research model is as follow,

$$AQ_{it} = a + \beta_1 BC_{it} + \beta_2 BZ_{it} + \beta_3 BS_{it} + \beta_4 BEK_{it} + \beta_5 BED_{it} + \beta_6 BEA_{it} + \beta_7 BET_{it} + \beta_8 ROA_{it} + \beta_9 LEV_{it} + \beta_{10} SIZE_{it} + e$$

In this study, we use the panel data analysis with *Logit* model. This model is applied to the typical data of dependent variable that is categorical variable. Therefore, the *Logit* model procedure is applied to this study.

4. Result and Discussion

This section discuss about the result of this study. This study finally have the 218 companies as sample. The table 4.1 shows the descriptive statistics.

Table 4.1
Descriptive Statistic

No	Variables	Descriptive Statistic before Outlier Test (n=654)			
		Min	Max	Means	SD
1	AQ	0	1	0.41	0.49
2	BC (%)	0	100	41.03	14.71
3	BZ (person)	1	12	4.33	1.91
4	BS	0	1	0.16	0.37
5	BEK (%)	0	100	49.98	24.87
6	BED (%)	0	100	64.23	28.49
7	BEA (years)	27.5	82.6	55.35	6.34
8	BET (years)	0.2	20.5	5.64	3.65
9	ROA (%)	-130	62.2	3.65	13.19
10	LEV (%)	0	238	53.31	29.78
11	SIZE (billion)	0.4	57929	5696.15	12489.51

Note; AQ is audit quality, BC is Board Composition, BZ is Board Size, BS is Board Shareholding, BEK is Board Expertise & Knowledge, BED is Board Experience (Multiple Directorship), BEA is board experience (Age), BET is Board Experience (Tenure), ROA is return on asset, LEV is debt to asset ratio, and SIZE is company size

We use the regression analysis to reject hypothesis. However, checking for outlier is firstly conducted by using the Grubb test procedure to detect and remedy the outlier data (Grubb, 1969). The result of the outlier test reported in Table 4.2 below.

Table 4.2
Result of Outlier Test

No	Variables	Outlier		Descriptive Statistic After Outlier Remedy (n=654)			
		# of Obs	%	Min	Max	Means	SD
1	AQ	-	0	0	1	0.41	0.49
2	BC	7	1.07	0	75	40.69	13.57
3	BZ	2	0.31	1	10	4.32	1.88
4	BS	-	0	0	1	0.16	0.37
5	BEK	0	0	0	100	49.98	24.87
6	BED	0	0	0	100	64.23	28.49
7	BEA	3	0.46	36.3	76	55.36	6.2
8	BET	1	0.15	0.2	19.7	5.64	3.64
9	ROA	5	0.76	-26.1	34	3.46	7.88
10	LEV	1	0.15	0	158	53.11	28.36
11	SIZE	12	1.83	0.4	29706.9	3751.96	6807.35

The next analysis is normality test. We utilize the Kurtosis and Skewness to detect normality. In addition, transformation is applied if variables are not normal. The rule of thumb says that Tolerance value of kurtosis and skewness is + 1 and - 1. The result of detection and remedy for normality is presented table 4.3 below.

Table 4.3
Normality Test and Transformation

Variable	Skewness		Kurtosis		Transformation	Skewness		Kurtosis	
	Stat	SE	Stat	SE		Stat	SE	Stat	SE
AQ	0.38	0.1	-1.86	0.19	dummy				
BC	0.35	0.1	0.86	0.19	none needed	0.35	0.1	0.86	0.19
BZ	1.1	0.1	0.91	0.19	Square root	0.63	0.1	-0.02	0.19
BS	3.38	0.1	10.36	0.19	dummy				
BEK	0.04	0.1	-0.3	0.19	none needed	0.04	0.1	-0.3	0.19
BED	-0.53	0.1	-0.34	0.19	none needed	-0.53	0.1	-0.34	0.19
BEA	-0.1	0.1	0.98	0.19	none needed	-0.1	0.1	0.98	0.19
BET	1.36	0.1	2	0.19	Square root	0.527	0.1	0.174	0.19
ROA	0.63	0.1	4.98	0.19	normal score*	-0.01	0.1	-0.19	0.21
LEV	0.47	0.1	0.96	0.19	none needed	0.47	0.1	0.96	0.19
SIZE	2.77	0.1	7.22	0.19	Logarithma	-0.48	0.1	0.24	0.19

*The data were transformed by computing normal scores using Van der Waerden's transformation defined by the formula $r/(w + 1)$, where w is the sum of the case weight and r is the rank ranging from 1 to w (see Owunsu-Anshah and Leventis, 2006).

The multicollinearity problem is detected by using the Pearson-Correlation. The result (see table 4.4) shows that there is no significant higher correlation among the independent variables and we can conclude that there is no multicollinearity problem in this model.

Table 4.4
Result of Pearson-Correlation

Ind. Var	BC	BZ	BS	BEK	BED	BEA	BET	ROA	LEV	SIZE
BC	1									
BZ	-0.06	1								
BS	-0.07	-0.08	1							
BEK	0.06	-0.00	-0.06	1						
BED	-0.15**	0.12**	-0.02	0.02	1					
BEA	0.03	0.15**	0.05	-0.10**	0.00	1				
BET	-0.09*	-0.13**	0.04	-0.08*	0.02	-0.28**	1			
ROA	-0.00	0.20**	-0.06	-0.03	-0.04	0.10**	-0.01	1		
LEV	0.05	-0.02	-0.04	0.06	-0.05	0.09*	-0.01	-0.25**	1	
SIZE	0.04	0.45**	-0.14**	-0.03	-0.02	0.18**	0.03	0.24**	0.09*	1

Notes: two-tailed, * and ** significant at 5% and 1% respectively

This study use a panel data approach to reject hypotheses and utilize the e-views software. The Hosmer and Lemeshaw test is applied to see the feasibility of model and the result show that that the model is feasible. It is indicated by H-L test of 7.9258 with the significant value of 0.4407 which is greater than 0.05. In addition, it means that no significant difference was found between the classifications of the observed and predicted. To regress data, binary logic model (BLM) use with option of quadratic hill climbing. To describe How far the independent variables could explain the dependent variable use the McFadden R-Square. In addition, McFadden R Square is 0.2159 which means that supervisory board characteristics and control variable could explain the audit quality about 21.59% and the rest is explained by other variables which is excluded in this study.

Table 4.5
Regression Result
(Audit Quality or AQ as Dependent Variable)

No	Variables	Coefficient	Standard Error	Z statistic	Probability
1	C	-9.520848	1.257834	-7.569243	0.0000
2	BC	-1.625563	0.727537	-2.234336	0.0255**
3	BZ	1.183916	0.252201	4.694346	0.0000***
4	BS	-0.483055	0.273838	-1.764021	0.0777*
5	BEK	-0.437974	0.38084	-1.150019	0.2501
6	BED	0.091781	0.335271	0.273751	0.7843
7	BEA	0.051295	0.017198	2.982582	0.0029***
8	BET	-0.086951	0.133322	-0.652185	0.5143
9	ROA	0.493815	0.106577	4.633406	0.0000***
10	LEV	0.721507	0.364344	1.980293	0.0477**
11	SIZE	0.751536	0.131605	5.71055	0.0000***

Note: * significant at 10%, ** significant at 5% and *** significant at 1%

The result of regression is shown in Table 4.5. Surprisingly, the first hypothesis is rejected due to negative direction of the effect supervisory board on audit quality. Thus, it means that supervisory board independence is not likely to select the higher quality audit firm. However, this finding do not support the previous researches, such as Carcello et al (2002), Soliman and Abdul-Elsalam (2012), and Gana and Lajmini (2011). In addition, a possible explanation for this might be that board independence may engulf the company in excessive monitoring (Bayersinger and Butler, 1985) and may lack the business knowledge to be truly effective (Paton and Baker, 1987). In addition, board independent might lack real independent (Demb and Neubeuer, 1992). In Indonesia, supervisory board independents appoint and dismiss by shareholders. Therefore, the shareholder would be select the board that benefit them.

Turning now to the second hypothesis which state that there is a positive relationship between supervisory board size and audit quality. The result indicate that this second hypothesis is accepted. It is encouraging to compare this finding with that found by Gana and lajmi (2012). However, this result differ from Krishnan and Visvanathan (2009) who find that there is no significant relationship between board size and audit quality. This result may be explained that by the fact that large number of supervisory board bring to diverse capability and resources as suggested by resources dependent theory (Pearce and Zhara, 1992). Contradict to the third hypothesis, supervisory board with share is less likely to select the higher quality of audit firm. It indicate by the negative signal of the effect of board shareholding on the audit quality

(significant at 10%). The present study do not seem to be consistent with the idea of Monk and Minow (1995) which argue that board with share become effective.

Supervisory board knowledge and expertise does not have a significant effect on the audit quality due to the p value greater than 0.05. The fifth hypothesis is partially accepted. Supervisory board age is positive significantly associated with the audit quality. It means that older supervisory board tends to select the higher audit firm. This finding is consistent with the finding of Gana and Lajmi (2012) who conclude that older supervisory board tend to have experience and therefore, choose the higher audit firm.

Three control variables have a significant relationship with the audit quality. In addition, ROA is proxy for profitability and the result show that profitable company tend to have the higher audit firm. Thus, company with higher debt also tend to select the higher quality audit firm. Further, large company would elect the higher audit firm to audit its financial statement. The reason for this is not clear but it may have something to do with the ability to pay the higher audit fee for big 4 audit firm.

5. Conclusion, Implication and Suggestion for future research

Supervisory board is assigned to reduce the management dysfunctional behavior. Regulation framework used to guide the company in a country is code of corporate governance. In Indonesia, Code of Corporate Governance has been revised in 2006. In this revision, the role of supervisory board had been strengthened in order to reduce the agency conflict and improve the accounting information quality and finally, increase the company performance. However, study to investigate the role of supervisory board on audit quality is rare, especially in Indonesia. Such business, system and culture of Indonesia might enrich the literature of corporate governance. In this investigation, the aim was to assess the role of supervisory board on audit quality.

This study have five hypothesizes and use 281 companies listed Indonesia stock exchange from 2006 to 2008 (Post revision Code of Corporate Governance). From the result, we can conclude that supervisory board size and experience have a significant positive relationship with the audit quality. In contrast, supervisory board composition and shareholding are

negatively significant associated with audit quality. However, supervisory board knowledge and expertise, tenure, and multiple directorship do not have any significant relationship with audit quality. One of the more significant findings to emerge from this study is that size and experience of supervisory board determining the audit quality as predicted by resources dependent theory. Whilst this study did not confirm agency theory. The evidence from this study suggest that in order to have the higher quality of audit firm, the number and age of supervisory board should be large and much older.

A number of important limitations need to be considered. First, this study do not considered other variable, such as audit committee as determinant of the audit quality. Second, the study did not classify sample into different industry. And finally, this study use the limited data which is from 2006 to 2008. Therefore, this research has thrown up many question in need of further investigation by searching other variables that might determine the audit quality. Thus, future research also can add the number of sample and data to get the more robust result.

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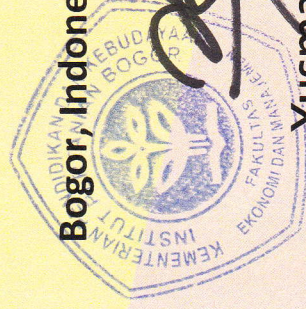
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ISSUES AND CHALLENGES



Bogor, Indonesia, October 9 - 10, 2013
Dean,

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