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The 2nd International Conference on Business and Banking Innovations (ICOBBI) 2020
"Nurturing Business and Banking Sustainability"

Surabaya, 14 - 15th August 2020

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FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 2nd International Conference on Business and Banking Innovations (ICOBBI) with the topic "*Nurturing Business and Banking Sustainability*". This proceeding contains several researches articles from many fields in Marketing, Management Technology, Finance, Banking, Human Resources Management, Information System Management, and Islamic Economics.

The 2nd International Conference on Business and Banking Innovations was held on 14th – 15th August 2020 by virtual (online) meeting and organized by the Master Management Study Program of STIE PERBANAS Surabaya in Collaboration with six Higher Education Institutions in Indonesia and five Universities from Asia countries. Keynote speakers in this conference were: Prof. Angelica M..Baylon, Ph.D (Director of the Maritime Academy of Asia and the Pacific, Philippines), Chonlatis Darawong, Ph.D. (Head of the Master of Business Program Sripatum Chonburi University - SPU Graduate School Bangkok, Thailand), Prof. Madya Dr. Reevany Bustami (Director of Centre for Policy Research and International Studies Universiti Sains Malaysia), Associate Prof. Dr. Ellisha Nasruddin (Graduate School of Business Universiti Sains Malaysia), Associate Prof. Pallavi Pathak Ph.D. (School of Management Sciences, Varanasi, India) and Prof. Dr. Tatik Suryani (Head of the Master of Management Study Program of STIE Perbanas Surabaya, Indonesia).

I would like to give high appreciation to the Rector of STIE Perbanas Surabaya for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the six universities, namely Universitas 17 Agustus Surabaya, Universitas Surabaya, Universitas Dr. Soetemo Universitas Dian Nuswantoro Semarang, STIE 66 Kendari, Institut Institut Bisnis dan Keuangan Nitro Makassar which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website https://pascasarjana.perbanas.ac.id.

Chair of the Master Management Study Program
STIE Perbanas Surabaya

Prof. Dr. Tatik Suryani, M.M.

Tabel of Content

Financial

The Impact of Capital Structure Towards Firm Performance Moderated by Corporate Governance in LQ-45 Company in BEI at 2013-2018

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A B S T R A C T ← 1 1

This research's goal is to analyze the impact of capital structure to firm financial performance moderated by corporate governance. There are several past research which showing different results, and there are some developments that used moderating variable in the research. This research uses quantitative approach with multi-ple linear regression. This research uses non-financial firms in LQ-45 which regis-tered in BEI within 2013-2018 as sample. This research shows that short-term debt to total asset negatively affects financial performance (ROA, ROE, and Tobin's Q). Long-term debt to total asset doesn't affect ROA, but it positively affects ROE and Tobin's Q. The number of BOD doesn't moderate the impact of short-term debt to total asset on ROA and ROE. But, the number of BOD moderates the impact of short-term debt to total asset on Tobin's Q and it moderates the impact of long-term debt to total asset on financial performance (ROA, ROE, and Tobin's Q). The number of BOC moderates the impact of short-term debt to total asset on financial performance (ROA, ROE, and Tobin's Q). But, number of BOC doesn't moderate long-term debt to total asset to financial performance (ROA, ROE, and Tobin's Q).

1. INTRODUCTION

As the time goes by, competition in the economic world becomes more and more fierce. Every company should be more competitive in improving firms' performance to maximize firms' value. There are factors that make companies can compete well, such as low cost of capital, which derives from the optimum comparison between debt and firms' equity. Companies that have optimum capital structure can maximize firms' value which leads to maximizing shareholder's wealth. In general, capital structure refers to two factors. The first factor is how the company funds its assets with internal funding, such as common stock, preferred stock, and retained earnings. The second factor is how the company funds its assets with external funding, such as debt whether short term debt or long-term debt, such as bond or bank's lending.

In the research that is conducted by Yazdanfar and Ohman (2015) found that the composition of optimal debt can increase the profitability and firms' value. Align with that research, Sheikh and Wang (2013) states that capital structure can give material impact to the firms, which makes firms should be careful in deciding its debt composition. Meanwhile, Modigliani and Miller (1963) states that it is very important to consider trade off theory to reach optimum capital structure. In other words, there is advantage that can be gotten by companies, like tax shield benefits, should be larger than bankruptcy cost that can be arisen from issuing debt.

This research refers to the past research which was conducted before. But, in this research there are moderation variables to research how far the effect of corporate governance can moderate the impact of capital structure to fims' performance. The past research, which was conducted by Elmagrhi et al. (2018) uses corporate governance as moderating variables, but the research is conducted to non-profit organizations. While this research is using commercial firms to test, are there any significance impacts of capital structure to firms' performance which are moderated by corporate governance.

The research that is conducted by Yazdanfar and Ohman (2015); Dawar (2014), and Sheikh and Wang (2013) reaches the conclusion of short-term debt to total asset and long-term debt to total asset will have negative and significant impact to firms' performance. In line with pecking order theory, SME which uses internal funding tends to have higher profitability level than SME which uses capital from external funding or debt (Yazdanfar and Ohman, 2015). In other words, the lower firms' leverage, the lower cost of debt,

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which leads to higher firms' profitability. Meanwhile, Dawar (2014) states that higher company's debt level could cause higher interest rates which leads to higher interest expense and lower firms' performance. Different from the findings, the research that is conducted by Muchiri et al. (2016) finds that short-term debt to total assets gives insignificant impact to firms' financial performance. This finding is caused by the amount of debt in firms' capital structure is not affecting the firms' performance and firms' value (Muchiri et al, 2016).

This research uses variables such as, ROA, ROE, and Tobin's Q as dependent variables to measure firms' performance, short-term debt to total asset and long-term debt to total asset as independent variables to measure capital structure and corporate governance (the size of board of directors and board of commissioners) as moderating variables. This research's goals is to find if there is a significant impact of capital structure to firms' performance which is moderated by corporate governance in all companies that are listed in LQ45 and listed in BEI within 2013-2018. The formulation of the problem which is used in this re-search are:

1. Is short term debt to total assets negatively impact firms' performance with significance?
2. Is long term debt to total assets negatively impact firms' performance with significance?
3. Is corporate governance can moderate the impact of capital structure to firms' performance?

2. THEORETICAL FRAMEWORK AND HYPOTHESES

a. Agency Theory

Agency theory discusses the existence of a relationship between shareholders (principal), as the supervisor in the company who gives authority / responsibility and the manager (agent), as the party who accepts authority / responsibility. The concept in agency theory says that the company is managed by managers, not by owners (shareholders). Shareholders hope that managers can maximize shareholder value, but in fact in agency theory it is explained that there are differences in interests between shareholders and managers because managers tend to prefer to maximize their own welfare rather than maximize the welfare of company shareholders. This then led to agency problems. This agency problem makes shareholders have to bear agency costs that arise because the company has to supervise the activities of the management (Jensen and Meckling, 1976). This is because managers have more information about the condition and prospects of the company than shareholders, which is often referred to as asymmetry information (Brigham and Houston, 2012).

According to Jensen (1986), agency problems arise because managers prefer to invest firm resources that increase their personal gain rather than maximize firm value. Jensen (1986) argues that debt can reduce agency costs because it can put pressure on managers, thus encouraging managers to act more efficiently and accurately in making investment decisions. Therefore, one way that can be used to discipline company managers to continue to maximize shareholder welfare behavior is to increase corporate debt as an agency cost (Grossman and Hart, 1982; Jensen, 1986; Harris and Raviv, 1991).

b. Pecking Order Theory

Pecking order theory is a theory that suggests companies to get funding sources that have the lowest risk and also the least costs (Myers and Majluf, 1984). In the pecking order theory, there is an order of preference for funding sources from those with the lowest risk, namely retained earnings, debt, and equity (additional paid-in capital / issuance of new shares). Companies tend to prefer internal funding sources rather than external sources because they have the lowest risk. In this theory, if internal funding is insufficient, the company will use external funding. Myers (1984) states that companies with high levels of profitability have low levels of debt, because companies with high profitability have abundant internal sources of funds.

c. Financial Performance

According to Jumingan (2006), financial performance is a description of the company's financial condition which involves the flow of funds used by the company in a certain period, which can be measured by several financial indicators. The financial performance of a company can be seen from two measures, namely the accounting-based measure and the market-based measure. Basically, this accounting-based measure focuses on the company's revenue reaction to policy changes taken by the management, without taking into account external factors that come from outside the company. In this research, accounting-based measures of financial performance are proxied by Return on Assets (ROA) and Return on Equity (ROE). Measurement of financial performance using a market-based measure is a measurement method of evaluating investors regarding the returns that the company will generate in the future. In this re-search, the market-based measure of financial performance is proxied by Tobin's Q. The following formulas can be used to calculate the values of ROA, ROE, and Tobin's Q:

ROA = ______ ……………………………………………………………………………………..(1)

ROE = ______ ……………………………………………………………………………………..(2)

Q = $\frac{(\quad + \quad)}{(\quad + \quad)}$ ……………………………………………………………………………………(3)

d. Capital Structure

Capital structure theory discusses how to obtain the funds needed by the company, both internally and externally. This theory is very important because by determining the optimal capital structure, the company can maximize stock prices. Short-term debt is often referred to as current debt. According to Sheikh and Wang (2013), short-term debt is debt with a repayment period of less than 1 year. Therefore, short-term debt tends to have a greater risk than long-term debt. In contrast to short-term debt, long-term debt according to Kieso (2008: 238) "consists of the sacrifice of economic benefits that are very likely in the future due to current obligations that are not paid in one year or the company's operating cycle, whichever is longer." Long-term debt has a lower risk than short-term debt. This study uses short-term debt and long-term debt variables because basically short-term debt and long-term debt have different uses. Short-term debt is usually used for the company's operational activities, but long-term debt is usually used for long-term investment. The following formula can be used to calculate the value of short-term debt to total assets and long-term debt to total assets:

STD = ______ …………………………………………………………………………………...(4)

LTD = ______ ……………………………………………………………………………………(5)

e. Corporate Governance

According to Supriyatno (2000: 17), The Indonesian Institute for Corporate Governance defines Good Corporate Governance "as a process and structure applied in running a company with the main objective of increasing shareholder value in the long term, while still paying attention to the interests of other stockholders." According to Sheikh and Wang (2013), good corporate governance can improve company performance and reduce capital costs. Corporate governance that will be discussed in this research is the size of the board of directors and the board of commissioners.

According to UU No. 40 of 2007 concerning limited liability companies, the board of directors is "the Company's organ which is authorized and fully responsible for the management of the Company for the interests of the Company, in accordance with the aims and objectives of the Company and represents the Company, both inside and outside the court in accordance with the provisions of the articles of association." In agency theory, the board of directors is often referred to as an agent (management party). In a company, especially a public company, usually the number of members of the board of directors is more than / equal to 2 people. According to the National Committee on Governance (2006), the board of commissioners is a member of a company that has the duty and responsibility to supervise and provide input to members of the board of directors, and ensure that the company implements good corporate governance. In agency theory, the board of commissioners is often referred to as the principal.

3. RESEARCHMETHOD

a. Types of Research

This research is a basic research type that aims to develop the findings of previous research. Based on its objectives, this research is a type of causal research because this research seeks to examine the impact of the independent variables (short-term debt to total assets and long-term debt to total assets) on the dependent variable (ROA, ROE, and Tobin's Q) on the company. non-financial in LQ-45 which is listed on the Indonesia Stock Exchange in the 2013-2018 period.

b. Variable

In this research, there are 3 types of variables, namely dependent, independent, and moderating variables. The dependent variable in this research is firm performance proxied by ROA, ROE, and Tobin's Q. While the independent variable in this research is the capital structure proxied by short-term debt to total assets and long-term debt to total assets. In addition, there is also a quasi-moderator variable, where the moderating variable also functions as an independent variable. The moderating variable in this research is corporate governance which is proxied by the size of the board of directors and the board of commissioners.

c. Types of Data, Data Sources, and Measurement Scale

The data used in this research is a type of quantitative data which is a combination of time series and cross sections or commonly referred to as panel data. The data used in this research is secondary data derived from the annual reports of companies listed on the Indonesia Stock Exchange (BEI). The type of measurement scale used in this research is the ratio scale. The ratio scale is used because it is a unit of measure that can describe the true value of the object of research that is measured and can be operated mathematically.

d. Population, Sample, and Sampling Technique

The sample is part of the population to be studied and which is considered to describe the population (Soehartono, 2004: 57). This research uses sampling with purposive sampling technique. The research sample which is determined based on purposive sampling means that the sample selection is based on certain criteria, which are:

1. The business entity has been listed on the Indonesia Stock Exchange for the period 2013-2018.
2. The business entity is a non-financial LQ-45 member, for more than 2 periods (1 period = 6 months) from 2013-2018.
3. The business entity issues annual reports consistently every year during 2013-2018.
4. The business entity has complete variable supporting data in the annual report for the 2013-2018 period.

e. Data Analysis Technique

In this research, the data analysis technique used is multiple linear regression. Analysis with multiple linear regression techniques aims to test the effect of two or more independent variables (explanatory) on the dependent variable (Ghozali, 2016: 57). Data analysis in this research used SPSS 23 software with the following stages:

1. Descriptive Statistics

   In Ghozali (2016: 19), descriptive statistics provide a description or description of data seen from the mean, standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness (slope distribution).

2. Classic assumption test

   The classical assumption test is carried out before testing the hypothesis to get the best results (Ghozali, 2016: 105). In this research, the classical assumption test conducted was the normality test, autocorrelation test, multicoloniearity test, and heteroscedasticity test.

3. Model Feasibility Test

   The model feasibility test measures the appropriateness of the sample regression function in estimating actual values. Statistically, it can be measured using the coefficient of determination, the F statistical value, and the t statistical value (Ghozali, 2016).

f. Research Model

The following are the equations used in this research:

$$ROA_{i,t} = \alpha + \beta_1 STD_{i,t} + \beta_2 LTD_{i,t} + \beta_3 DIR_{i,t} + \beta_4 KOM_{i,t} + \beta_5 STD*DIR_{i,t} + \beta_6 STD*KOM_{i,t} + \beta_7 LTD*DIR_{i,t} + \beta_8 LTD*KOM_{i,t} + \varepsilon_{i,t} \quad (6)$$

$$ROE_{i,t} = \alpha + \beta_1 STD_{i,t} + \beta_2 LTD_{i,t} + \beta_3 DIR_{i,t} + \beta_4 KOM_{i,t} + \beta_5 STD*DIR_{i,t} + \beta_6 STD*KOM_{i,t} + \beta_7 LTD*DIR_{i,t} + \beta_8 LTD*KOM_{i,t} + \varepsilon_{i,t} \quad (7)$$

$$TOBQ_{i,t} = \alpha + \beta_1 STD_{i,t} + \beta_2 LTD_{i,t} + \beta_3 DIR_{i,t} + \beta_4 KOM_{i,t} + \beta_5 STD*DIR_{i,t} + \beta_6 STD*KOM_{i,t} + \beta_7 LTD*DIR_{i,t} + \beta_8 LTD*KOM_{i,t} + \varepsilon_{i,t} \quad (8)$$

g. Research Hypothesis

After forming a research model and the required variables, the hypothesis of this research will be summarized as follows:

H1: Short-term debt to total assets has a negative impact on firm performance.

H2: Long-term debt to total assets has a negative impact on firm performance.

H3: Corporate governance moderates the relationship between capital structure and company performance.

4. DATA ANALYSIS AND DISCUSSION

a. Object of Research

The objects in this research are non-financial companies that are included in the LQ-45 which are listed on the Indonesia Stock Exchange (IDX) for more than 2 periods from 2013 to 2018. The number of companies classified as LQ-45 in the 2013-2018 period is 74 companies. 7 of them are financial sector companies to be excluded in the sample selection. Then, the entire population of these companies will be selected based on certain criteria described in the previous chapter. The sample selection table used in this research will be described in Table 1. below.

Table 1. Sample Selection

Keterangan	Jumlah perusahaan
Total LQ-45 company	74
Financial company	(7)
Registered in LQ-45 ≤ 2 period	(17)
Does not present a complete annual report	(3)
Total final sample	47

Based on Table 1., the total sample to be used in this research consists of 47 companies, so that the total data to be processed is 282 data in a 6 year period (47 companies x 6 years).

b. Data Processing Process

1. Normality Test

Table 2. Normality Test Result

	STD	LTD	DIR	KOM	ROA	ROE	TOBQ
Asymp. Sig. (2-tailed)	0,000	0,000	0,000	0,000	0,000	0,000	0,000

In Table 2. you can see the Asymp value. Sig. (2-tailed) is 0.000. This value indicates that the data is not normally distributed because the significant value is less than 0.05 (5%). However, there are some normality assumptions that can provide theoretical justification for the normality of a data. One of them is the Central Limit Theorem in Berenson et al. (2012, p. 211) which states that "If the sample size is large enough, the distribution of sample means will be approximately normal even if the samples came from a population that was not normal." Berenson et al. (2012, p. 211) also states that "For most population distributions, regardless of shape, the sampling distribution of the mean is approximately normally distributed if samples of at least 30 are selected." Therefore, the data sample used in this research can be said to be a data distribution that is close to normal because it has a total of 282 samples of data.

2. Autocorrelation Test

According to Gujarati and Dawn (2010), autocorrelation is usually caused by time series data that follows a natural sequence between times which can lead to intercorrelation, especially if the time span between consecutive observations is short. Therefore, the autocorrelation test is only performed to analyze data in the form of time series. The form of data in this research is panel data, where the data used is a combination of time series and cross section. Because the type of data used in this research is not pure time series data, this research does not require an autocorrelation test between variables.

3. Multicollinearity Test

Tabel 3. Multicollinearity Test Result

VAR	TOLERANCE	VIF
STD	0,937	1,067
LTD	0,911	1,097
DIR	0,943	1,060
KOM	0,945	1,059

In Table 3. it can be seen that the Tolerance value of all variables> 0.1 and the VIF value of all variables <10. This shows that the data used in this research have passed the multicollinearity test.

4. Heteroscedasticity Test

Tabel 4. Heteroscedasticity Test Result

	Sig.		
VAR	**ROA**	**ROE**	**TOBQ**
STD	0,000	0,000	0,000
LTD	0,013	0,072	0,004
DIR	0,161	0,076	0,054
KOM	0,990	0,907	0,002

In Table 4. it can be seen that the Sig. for some variables less than 0.05. This indicates a symptom of heteroscedasticity in testing ROA, ROE, and Tobin's Q. Because of the heteroscedasticity symptom in the data of this research, the data transformation was carried out in log form. The purpose of transforming the data is to fulfill the classical assumption test, so that further testing can be continued.

c. Hypothesis Testing Results

1. Statistical Test Results F

Tabel 5. Statistical Test Results F

	F	Sig.
Log_ROA	9,450	0,000
Log_ROE	9,209	0,000
Log_TOBQ	11,824	0,000

From Table 5., it can be seen that the significance value for Log_ROA, Log_ROE, and Log_TOBQ is 0,000 or less than 0.05. This shows that the independent variables (short-term debt ratio, long-term debt ratio, board of directors, and board of commissioners) simultaneously have a significant impact on all dependent variables (ROA, ROE, and Tobin's Q).

2. Statistical Test Results t

Tabel 6. Statistical Test Results t

	B			Sig.		
	Log_ROA	Log_ROE	Log_TOBQ	Log_ROA	Log_ROE	Log_TOBQ
Constant	-3,040	-1,559	-0,657	0,000	0,068	0,292
Log_STD	-3,164	-2,839	-2,165	0,001	0,006	0,004
Log_LTD	0,412	1,354	1,060	0,429	0,013	0,007
Log_DIR	0,167	-0,286	0,239	0,823	0,714	0,658
Log_KOM	1,797	1,307	0,656	0,023	0,111	0,259
Log_STDDIR	0,757	0,895	1,562	0,381	0,321	0,015
Log_STDKOM	3,451	3,437	1,423	0,000	0,000	0,015
Log_LTDDIR	-1,151	-1,534	-1,623	0,015	0,002	0,000
Log_LTDKOM	0,076	-0,481	-0,174	0,896	0,429	0,689

In Table 6., the Log_STD variable in each table has a Sig value. < 0.05 and a negative Beta value. This shows that short-term debt to total assets has a negative impact on ROA, ROE, and Tobin's Q. Thus, H1 which states that short-term debt to total assets has a negative impact on financial performance (ROA, ROE, and Tobin's Q) is accepted.

Log_LTD in Table 6. has a Sig value. > 0.05 for Log_ROA, but Sig. < 0.05 and positive Beta values for Log_ROE and Log_Tobin's Q. This shows that long-term debt to total assets has no impact on ROA, but has a positive impact on ROE and Tobin's Q. Thus, H2 which states long-term debt to total assets negatively affect financial performance (ROA, ROE, and Tobin's Q) are rejected.

Sig value. Log_STDDIR > 0.05 for Log_ROA and Log_ROE, but Sig. Log_STDDIR < 0.05 for Log_TOBQ. This shows that the board of directors does not moderate the impact of short-term debt to total assets on ROA and ROE, but does moderate the impact of short-term debt to total assets on Tobin's Q. Meanwhile, the Sig. Log_STDKOM < 0.05 indicates that the board of commissioners moderates the impact of short-term debt to total assets on financial performance (ROA, ROE, and Tobin's Q).

Sig value. Log_LTDDIR < 0.05 indicates that the board of directors moderates the impact of long-term debt to total assets on financial performance (ROA, ROE, and Tobin's Q). However, the Sig. Log_LTDKOM

> 0.05 indicates that the board of commissioners does not moderate the impact of long-term debt to total assets on financial performance (ROA, ROE, and Tobin's Q).

d. Discussion

The first hypothesis which states that short-term debt to total assets has a negative impact on financial performance (ROA, ROE, and Tobin's Q) is accepted. This means that if the short-term debt to total assets value is getting smaller, the company's performance will be better, and vice versa. These results are consistent with previous research conducted by Yazdanfar and Ohman (2015), Dawar (2014), and Sheikh and Wang (2013). According to Yazdanfar and Ohman (2015), the lower the level of leverage, the lower the cost of debt, so the higher the company's profitability. In line with these results, research conducted by Dawar (2014) states that the lower the debt of a company, the lower the cost of debt, as a result, the risk of the company experiencing default is lower, so that it can improve company performance. Meanwhile, in a re-search conducted by Sheikh and Wang (2013), it was stated that the agency problem causes companies to use debt higher than they should, thereby increasing the influence of lenders which limits managers' decisions to invest. This will have a negative impact on the capital structure on company performance.

The second hypothesis which states that long-term debt to total assets has a negative impact on financial performance (ROA, ROE, and Tobin's Q) is rejected. The test results in this research prove that long-term debt to total assets has no impact on ROA. An increase in long-term debt will increase total assets, so even though the earnings increases, total assets will also increase, so that the ROA value will remain the same. Thus, the value of the long-term debt in the company does not affect the ROA. This is consistent with research conducted by Muchiri et al. (2016), where the results of the research state that long-term debt has no impact on company performance (ROA). These findings are also consistent with MM's (1963) capital structure mismatch theory that the amount of debt in the capital structure does not affect firm performance and value.

Meanwhile, the results of this research prove that long-term debt to total assets has a positive impact on ROE and Tobin's Q. This shows that the higher amount of long-term debt can cause company performance (ROE and Tobin's Q) to increase. These results are consistent with research conducted by Kyere-boah-Coleman (2007) and Margaritis and Psillaki (2010) which state that there is a positive relationship between capital structure and financial performance. According to research conducted by Margaritis and Psillaki (2010), it is stated that a higher level of leverage has an impact on increasing company efficiency. However, the results of this research contradict research conducted by Dawar (2014) which shows that long-term debt to total assets has a significant negative impact on ROE.

The results in this research prove that the number of boards of directors does not moderate the impact of short-term debt to total assets on ROA and ROE. However, the results of this research indicate that the number of boards of directors moderates (strengthens) the impact of short-term debt to total assets on Tobin's Q. If the number of boards of directors gets bigger and the value of short-term debt to total assets increases, the level of investor confidence in the company will decrease, this causes the market value of equity decline, so that Tobin's Q value also decreases. But ROA and ROE are different from Tobin’s Q, be-cause the values of ROA and ROE do not take into external factors such as investors' views, so the number of boards of directors does not moderate the impact of short-term debt to total assets on ROA and ROE.

Meanwhile, the results in this research prove that the number of boards of commissioners moderates (strengthens) the impact of short-term debt to total assets on financial performance (ROA, ROE, and Tobin's Q). Based on the degree of financial leverage theory, if the company's operating expenses are high, then a slight increase in interest expense will cause a larger decrease in net income. In other words, the increasing number of commissioners will strengthen the impact of short-term debt to total assets on financial performance. This supports the research previously conducted by Elmagrhi et al. (2018), where the results of the study show that trustee board diversity and corporate governance significantly moderate the relationship between capital structure and financial performance.

The results in this research prove that the number of board of directors moderates (weakens) the impact of long-term debt to total assets on financial performance (ROA, ROE, and Tobin's Q). This is because the more number of board of directors, the more complex the bureaucracy in the company, which causes the decision-making process will take longer.

Meanwhile, the results in this research prove that the number of commissioners does not moderate the impact of long-term debt to total assets on financial performance (ROA, ROE, and Tobin's Q). This is be-cause, in general, the installment of long-term debt expense is already scheduled, so the board of commissioners has no role in controlling the payment of these installments. Therefore, the number of commission-ers does not moderate the impact of long-term debt to total assets on financial performance.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The results of this research indicate that short-term debt to total assets has a negative impact on financial performance (ROA, ROE, and Tobin's Q). This is because the costs incurred by the company to pay off short-term debt are greater than using internal funding (retained earnings). Long-term debt to total assets has no impact on ROA, but has a positive impact on ROE and Tobin's Q. This is because companies choose to use long-term debt when they have definite cash flow at a later date, so the company's ROE is not deter-mined by the long ratio. -term debt to total assets, but it is determined by future cash flows that will be obtained by the company. Meanwhile, the number of boards of directors did not moderate the impact of short-term debt to total assets on ROA and ROE, but moderated (strengthened) the impact of short-term debt to total assets on Tobin's Q. The number of boards of commissioners moderated (strengthened) the impact of short-term debt to total assets to financial performance (ROA, ROE, and Tobin's Q). Conversely, the number of the board of directors moderates (weakens) the impact of long-term debt to total assets on financial performance (ROA, ROE, and Tobin's Q). Meanwhile, the number of commissioners did not moderate the impact of long-term debt to total assets on financial performance (ROA, ROE, and Tobin's Q).

For investors, this research can be used as a reference in choosing a company to invest, by considering the company's capital structure and corporate governance. In addition, this research can be a basic reference for further research. This research has limitations in terms of the object of research, which only includes LQ-45 companies on the IDX. Therefore, further researchers are expected to be able to conduct re-search with a broader research object.

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