Do executive compensation and government ownership affected performance banking listed in Asean?

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Abstract

This study identifies and analyzes the relationship between executive compensation and government ownership affected performance banking listed in ASEAN. The research sample is 96 ASEAN-listed companies. This study examines the static between the framework, which controls for the specific effects of each of the factors being tested. This study finds that executive compensation has an effect positively on ROE and Tobin's Q. This finding indicates that investors perceive these as advantageous conditions. This suggests that executive compensation affect how board of executive improve bank performance. Another result shows that government ownership has a positive effect on bank performance.

Keywords: Bank Performance; Executive Compensation; Government Ownership; Tobin's

1. INTRODUCTION

The banking world today has become one of the institutions that play a very important role in the economy of a country, especially in the field of economic financing. The Bangkok Declaration, August 8, 1967, regarding the economic cooperation of Southeast Asian countries, also marked the establishment of the Association of southeast Asian Nations (ASEAN), consisting of 5 (five) countries, namely: Indonesia, Malaysia, Philippines, Singapore, Thailand; then 5 (five) neighboring countries merged, Brunei Darussalam (1984), Vietnam (1995), Laos and Myanmar (1997), and Cambodia (1999).

Various agreements in the economic field were built within ASEAN, in an effort to realize a single market that is free trade among its members, and one of the agreements is on the services sector, ASEAN Framework Agreement on Services (AFAS) 1995, and investment sector, ASEAN Investment Area (1998). This is the beginning of the idea of forming the ASEAN Economic Community (AEC). The banking sector, as the main supporter of the realization of free trade, then prepares itself by referring to the agreements mentioned above (Santosa, 2015).

AEC creates financial integration so that the banking industry in each country to improve competitiveness with other ASEAN countries through performance that can be seen by the bank performance (Malik et al. 2020). As we know, over the past two decades, researchers have extensively analyzed the relation between executive compensation and firm performance (Fosberg and James, 1995; Darmadi, 2011; Sun et al., 2013; Subekti and Kurniawan, 2015; Doucouliagos, 2019; Muslih, 2019; Shaddady and Alnori, 2020). Executive compensation is considered significant to motivate executives to perform their managerial duties in line with the best interest of shareholders and improve professional growth (Roberts and Milgrom, 1992). From the viewpoint of economic theory, this argument makes a lot of sense, but we found some difficulties might be met practically. For example, what use is it for a manager to make investment decisions today that will influence greatly bank profitability in over ten years when he might not be in the office to benefit from it? This will tempt managers to concentrate on the short-term performance of the bank to increase their compensation.

Although researchers have extensively analyzed the relationship between executive compensation and firm performance, they had posted mixed results. Amewu and Alagidede (2020) found that executive compensation induced by M&A in Africa negatively affected the performance of listed firms between 2005 to 2016. Brick et al. (2006), Ozkan (2011), and Gligioti (2013) also confirmed similar results. However, a study by Magnan et al. (2009), Sun et al. (2013), Dodonova and Khoroshilov (2014), Upneja and Ozdmeir (2014), and Subekti and Sumargo (2015) established a positive connection between those variables.

The interrelation among ownership and board characteristics in shaping governance and enhancing performance has been one of the most controversial topics in corporate governanceliteratures. Internal and external corporate governance mechanisms play important roles in minimizing principal-agent conflicts. The governance mechanisms gaining wider in the literature include ownership structure which is viewed as an important tool in minimizing the cy problems (Dong and Ozkan, 2008). Likewise, the ownership structure divided is into three condiconditions as families controlled, government and, foreign-controlled firms. The ASEAN countries have been making significant progress in their financial system development, particularly in banking sector development (Djalilov and Lam, 2019). Such as in Indonesia, as an emerging market, is dominated by family firfarmsut its SOEs performance is better compared to family firms (Brahmana et al., 2014). Likewise with Malaysia, the government ownership through GLICs play an important role for enhanced firm performance (Fauzi and Musallam, 2015). While there are many studies investigating the relation between government ownership and firm performance in developed country (Tian and Estrin, 2007; Abolhassani et al., 2019; Alfaraih et al., 2012; Mrad and Hallara, 2012; Aguilera et al., 2020), this study will investigate the relation between those variables in ASEAN countries as a developing country, especially banking sector.

This research will produce at least two results from different perspectives. First, this study will provide the effect of executive compensation on bank performance. Then, this study also produces the effect of government ownership on bank performance in ASEAN countries. Bank performance will be measured by two measurement which are Market-based Performance dan Accounting-based Performance. Market-based Performance proxied by Tobin's Q and Accounting-based Performance proxied by Return on Equity (ROE) (Aguilera et al., 2020).

2.   HYPOTHESIS DEVELOPMENT

Executive Compensation and Bank Performance

The focus of the studies on pay-performance relationship has shifted to direct linkages between executive compensation and firm performance (Canarella and Nourayi, 2008). Compensation is naturally related to the firm performance (Shao et al., 2012). The relationship between compensation and executive compensation can be explained with optimal contracting hypothesis that approached from agency theory. Many researchers have utilized an agency theory approach to examine this relationship. Agency theory type I is a theory based on contract between principal and agent on the firm (Jensen and Meckling, 1976). An agency problem in an organization happen when the executives of the company, who run the company on behalf of the owners, pursue goals and objectives that are not consistent with those of the organization. Optimal contracting hypothesis sees manager compensation contract as a remedy of agency problem. Based on optimal contracting hypothesis, executive compensation scheme is expected to maximize the shareholders' value. In other words, the purpose of executive compensation scheme is to enhance firm performance that will also enhance shareholder value (Subekti and Sumargo, 2015).

The term of executive compensation in in ASEAN countries like Malaysia, Thailand, Singapore, Vietnam, and Philliphine usually refers to compensation towards Board of Director. While in Indonesia, the term of executive compensation refers to compensation towards Board of Director and Board of Commissioner. However, because Indonesia adopts two-tier system, the proxy of executive compensation in this research is the total compensation that is received by Board of Director and Board of Commissioner.

Researchers find that lower capitalized, troubled banks offer greater equity-based incentive compensation to their executives, this is necessary but not sufficient to ascertain that greater incentive compensation affects bank risk as well. Moreover, examining how the compensation structure affects the valuation and performance of banking firms further helps determine whether the risk-taking incentives induced by executive compensation is beneficial to firm value. Nonetheless only a small number of studies (e.g. Cheng et al., 2010; Guo et al., 2014; Le Cao et al., 2020). Guo et al. (2014) found that both the proportions of bonus and long-term incentives are positively related to bank valuation and performance. Cheng et al. (2010) and Le Cao et al. (2020) have the same results. Based on existing description, the hypothesis in this study is as follows:

H_1: Executive compensation has an overall positive effect on bank performance

Government Ownership and Bank Performance

The theoretical literature pertaining to the influence of government ownership on firm performance offers a broad spectrum of potential effects of government ownership. Nonetheless, most prior research has generally found that government ownership is negatively associated with firm financial performance, which suggests that the drawbacks associated with government ownership outweigh the advantages. This research is often based on an agency theoretical logic, and argues that this negative effect is rooted in the limited willingness and ability of government owners to advance firm performance.

Government ownership may entail agency conflicts that negatively afeect the willingness of SOEs to pursue business objectives. A core tenant of agency theory is that conflicts of interests do not only include business goals that often are at odds with the business goal of enhacing firm performance (Musacchio and Lazzarini, 2014). Najid and Rahman (2011) claimed that state-owned firm generally lack sufficient entrepreneurial drive and tend to be politically rather than commercially motivated which leads to a poor

financial performance. Kartikawati (2007) and Fauziah (2011) state that the concentration of government ownership has a negative effect on company performance. The government can slow down the performance of the company because the government has not been able to manage the company properly. Even the government can intervene in the company's performance for the sake of the government's interest alone. Alfaraih et al. (2012) had a negative relationship is observed between government ownership and KSE firm performance in Kuwait. Even though, The findings of empirical studies regarding the influence of government ownership on firm performance present mixed results. For example, Fauzi and Musallam (2015) found that GLICs ownership is positively and significantly related to firm performance in Malaysia. This finding suggest that GLICs ownership imporves firm performance, while board ownership destroys firm performance. Zulaikah et al. (2019) studied that government ownership has a positive relationship on Bank performance in Indonesia. Based on the description above, the hypothesis is formulated as follows:

H_2: Government ownership has a negative effect on bank performance

3.   METHOD, DATA, AND ANALYSIS

This study uses panel data consisting of 190 observations. Data is taken from 97 public banks listed on stock exchange website countries in Asean. The criteria is this research does not use annual report and financial statement company which not listed on stock exchange website in the year of observation. Countries that are the object of observation are Indonesia, Malaysia, Singapore, Thailand, Phillipines, and Vietnam. The data collection method uses secondary data obtained from annual reports and financial statements company using a nonprobability sampling technique with purposive sampling type. It determines based on the availability of data from 2018 to 2019. We estimate that the available data from 2018-2019 is enough to represent a sufficient number of samples for this research. The research sample used Unbalanced Data Sample. The criteria must be listed The research uses multivariate regression models and statistic panel data models.

Research data is taken from the company's Annual Report. The Annual Report and Financial Statement is downloaded from the website of the stock exchanges of each country, namely from Indonesia Stock Exchange, Bursa Malaysia, Singapore Stock Exchange, The Stock Exchange of Thailand, The Phillipines Stock Exchange, Inc., dan Ho Chi Minh City Stock Exchange. Table 1 is details of the research sample used is as follows:

Table 1. Details of the research sample

No	Country	Total of banks	Number of years observation	Total banks × Number of years observation	Research samples that meet the criteria	Percentage of Each Countries Contribution (%)
1	Indonesia	44	2	88	87	45,7
2	Malaysia	8	2	16	16	8,4
3	Singapore	8	2	16	14	7,3
4	Thailand	11	2	22	22	11,5
5	Phillipines	13	2	26	26	13,6
6	Vietnam	13	2	26	25	13,1
	Total				**190**	**100%**

Dependent Variable used in this study is bank performance measured by two measurement approaches are Market-based Performance dan Accounting-based Performance. Market-based Performance proxied by Tobin's Q and Accounting-based

Performance proxied by Return on Equity (ROE) (R. Aguilera, et al., 2020; Duran, van Essen, Heugens, Kostova, & Peng, 2019; Miller, Washburn, & Glick, 2013). Tobin's Q is measured by the formula taken from Smithers and Stephen (2002). Tobin's Q is used as a consideration variable because performance measurement using Tobin's Q is at least able to provide an overview of the fundamental aspects and the market view of the company (the extent to which outside parties, including investors, give a value of the company).

Table 2. Variables, Description and References

Variable	Abreviation	Description	References
Dependent			
Return on Equity	ROE	$\dfrac{Net\ Profit}{Total\ Equity}$	Najid (2011), Mrad & Hallara (2012)
Tobin's Q	Tobin's Q	$\dfrac{EMV + D}{EBV + D}$	Mrad & Hallara (2012)
Independent			
Executive Compensation	COM	$\dfrac{Total\ Executive\ Compensation}{Total\ Employee\ Compensation}$	
Government Ownership	GOV	The percentage of Government Ownership	Shaddady & Alnori (2020)
Control			
Bank Size	SIZE	Log of Total Asset	Najid (2011), Fauzi & Musallam (2015)
Age of Bank	AGE	Total Year of Establishment of Bank	Najid (2011)
Growth of Bank	GROWTH	$\dfrac{Current\ Period - Prior\ Period\ Income}{Prior\ Period\ Income}$	
Leverage	LEV	$\dfrac{Total\ Liabilities}{Total\ Asset}$	Najid (2011), Shaddady & Alnori (2020)
Gross Domestic Product	**GDP**	**The standard measure of the value added created through the production of goods and services in a country during a certain period**	

There are two independent variables and five control variables that affect dependent variable or bank performance measured by ROE and Tobin's Q. For independent variables, COM which means executive compensation and measured by percentage total executive compensation divided total employee compensation. Then, GOV which presented percentage total government ownership of company shares.

There are five control variables is being used in this study. Firm/bank size (SIZE), total year of establishment of bank (AGE), the percentage of growth income (GROWTH),

bank leverage (LEVERAGE) are from company perspective and Gross Domestic Product (GDP) is from country perspective. GDP is being one of important indicators to determine the economic conditions in a country in certain period. Table 2 provides the abreviation, description and references of the variables used in this study.

The formula is:

Tobin's Q = $\dfrac{EMV+D}{EBV+D}$

Where

EMV	: Market value of Equity (Closing Price x Outstanding Shares)
EBV	: Book value of Equity
D	: Book value of Liability

Consistent with previous empirical studies that examine the relationship between bank performance, executive compensation and government ownership, two multivariate regression models are developed and used as follows:

$ROE = \alpha + \beta_1 COM + \beta_2 GOV + \beta_3 SIZE + \beta_4 AGE + \beta_5 GROWTH + \beta_6 LEV + \beta_7 GDP + \varepsilon$………………………………………………………………….Model 1

$Tobin's\ Q = \alpha + \beta_1 COM + \beta_2 GOV + \beta_3 SIZE + \beta_4 AGE + \beta_5 GROWTH + \beta_6 LEV + \beta_7 GDP + \varepsilon$……………………………………………………………… Model 2

4. RESULTS

Descriptive Statistics

Table 3 below contains a descriptive analysis of this study. Return on Equity (ROE) will be the ratio to measure bank performance from accounting-based perspective. Table 3 shows that a mean for ROE is 8,14, ranging from -89,03 to 77,40. Tobin's Q will be the ratio to measure bank performance from market-based perspective. Table 3 shows that the mean for Tobin's Q is 1,02, ranging from 0,15 to 3,56. Based on statistical description, the scale of Tobin's Q is more stable from ROE owned by companies in these ASEAN countries. Furthermore, the descriptive statistic shows that executive compensation range from 0,06 to 88,20, with a mean of 6,97. In addition, the percentage of Government Ownership has a mean of 14,18, ranging from 0,00 to 95,28.

For control variables in this study, the statistical description shows bank size (SIZE) has a mean of 12,68, ranging from 8,53 to 15,11. Then, age of bank (AGE) range from 3 to 168, with a mean of 50,83. Growth income of bank (GROWTH) has a mean of -31,79, ranging from -4560,62 to 1626,58. This means income of bank listed in this study have average growth decreased from 2018 to 2019. In addition, leverage of bank (LEV) has a mean of 0,81, ranging from 0,11 to 0,95. It is worrying that the high level of leverage comes together with the low level of ROE. Besides, Gross Domestic Product (GDP) has a mean of 6,96, ranging from 0,45 to 1,12.

Table 4 is a cross-correlation matrix that shows the correlation between the dependent variable and the independent variable. From the table, it can be seen Market-based performance of bank as measured by Tobin's Q has a negative correlation with Return on Equity (ROE), Age of Bank (AGE), and Leverage of Bank (LEV). While, Accounting-based performance of bank as measured by Return on Equity (ROE) has a negative correlation with executive compensation rate (COM), leverage of bank (LEV) and also for country variable as Gross Domestic Product (GDP). In addition, executive compensation rate (COM) also has a negative correlation with the percentage government ownership (GOV) at shareholding structure of bank, bank size (SIZE), age of bank (AGE), and leverage rate of bank (LEV). Then, the percentage of growth income (GROWTH)

seems has a negative correlation with leverage of bank (LEV) and also for country variable as measured by Gross Domestic Product (GDP).

Table 3. Statistical Description

Variable	Obs	Max	Min	Mean	Std. Dev.
Dependent and Independent					
ROE	190	77,40	-89,03	8,14	13,96
Tobin's Q	190	3,56	0,15	1,02	0,36
COM	190	88,20	0,06	6,97	10,56
GOV	190	95,28	0,00	14,18	26,34
Control					
SIZE	190	15,11	8,53	12,68	1,40
AGE	190	168,00	3	50,83	32,01
GROWTH	190	1626,58	-4560,62	-31,79	400,17
LEV	190	0,95	0,11	0,81	0,15
GDP	190	1,12	0,24	6,96	3,61

Note: **ROE: Return on Equity, COM: Executive Compensation, GOV: Government Ownership, SIZE: Bank Size, AGE: Age of Bank, GROWTH: Growth income of Bank, LEV: Leverage, GDP: Gross Domestic Product**

Table 4. Matrix Cross Correlation

Correlation Matrix	Tobin's Q	ROE	COM	GOV	SIZE	AGE	GROWTH	LEV	GDP
Tobin's Q	1,0000	-	-	-	-	-	-	-	-
ROE	-0,2203* 0,0023	1,0000	-	-	-	-	-	-	-
COM	0,0848 0,2449	-0,1503 0,0385	1,0000	-	-	-	-	-	-
GOV	0,0175 0,8104	0,0464 0,5246	-0,1904* 0,0085	1,0000	-	-	-	-	-
SIZE	0,1439* 0,0476	0,0483 0,5077	-0,0282 0,6993	0,2261* 0,0017	1,0000	-	-	-	-
AGE	-0,0661 0,3650	0,1101 0,1305	-0,1501* 0,0388	0,0455 0,5332	-0,1217 0,0943	1,0000	-	-	-
GROWTH	0,0799 0,2733	0,3428* 0,0000	0,0455 0,5327	0,0504 0,4901	0,0121 0,8684	0,0490 0,5017	1,0000	-	-
LEV	-0,0482 0,5093	-0,0815 0,2636	-0,2987* 0,0000	0,0740 0,3104	0,2577* 0,0003	0,1719* 0,0177	-0,0875 0,2298	1,0000	-

Correlation Matrix	Tobin's Q	ROE	COM	GOV	SIZE	AGE	GROWTH	LEV	GDP
GDP	0,1476* 0,0422	-0,3358 0,0000	0,1237 0,0889	0,0890 0,2223	0,3453* 0,0000	-0,1169 0,1083	-0,1618* 0,0257	-0,1253 0,0849	1,0000

Note: ROE: Return on Equity, COM: Executive Compensation, GOV: Government Ownership, SIZE: Bank Size, AGE: Age of Bank, GROWTH: Growth income of Bank, LEV: Leverage, GDP: Gross Domestic Product
* Correlation is significant at ≤ 0,05 level

Table 4 is a cross-correlation matrix that shows the correlation between the dependent variable and the independent variable. From the table, it can be seen Market-based performance of bank as measured by Tobin's Q has a negative correlation with Return on Equity (ROE), Age of Bank (AGE), and Leverage of Bank (LEV). While, Accounting-based performance of bank as measured by Return on Equity (ROE) has a negative correlation with executive compensation rate (COM), leverage of bank (LEV) and also for country variable as Gross Domestic Product (GDP). In addition, executive compensation rate (COM) also has a negative correlation with the percentage government ownership (GOV) at shareholding structure of bank, bank size (SIZE), age of bank (AGE), and leverage rate of bank (LEV). Then, the percentage of growth income (GROWTH) seems has a negative correlation with leverage of bank (LEV) and also for country variable as measured by Gross Domestic Product (GDP).

Regression Results

Panel A of Table 5 provides the re-estimating using Panel Data Regression (combined cross-section and time series data) with Fixed Effects Methods is done to determine the effect of heterogeneity between companies. We use Fixed Effects Methods is based on the result of Chow Test and Hausman Test. The results in Table 5 explain the effects selected in estimation model and the coefficients and significance of each independent variable.

In Panel A, based on accounting performance measure, executive compensation (COM) shows a positive but insignificant coefficient to Return on Equity (ROE). Besides, government ownership (GOV) shows a positive but insignificant coefficient to Return on Equity (ROE). In Panel B, based on market-based measure, executive compensation (COM) shows a positive but insignificant coefficient to Tobin's Q. However, the result is different for government ownership (GOV) that shows a positive and significant coefficient to Tobin's Q. This is also in line with government ownership (GOV) result in Panel A, which also positively affects Return on Equity (ROE).

In Panel A, growth income of bank (GROWTH) and leverage ratio of bank (LEV) have positive and significant coefficient to Return on Equity (ROE) as measured for accounting-based performance. Gross Domestic Product (GDP) shows a negative coefficient on the Return on Equity (ROE), but it is not significant.

Table 5. Multivariate Regression Analysis Results

Explaining Executive Compensation and Government Ownership based on Accounting and Market Performance Measures

	Panel A: Accounting Performance Measures Return on Equity (ROE)		Panel B: Market Performance Measures Tobin's Q	
Variable	Coefficient	t-statistic	Coefficient	t-statistic
Constanta	-84,5128	0,466	-8,3768	0,003
COM	0,4005	0,665	0,0016	0,541
GOV	0,4877	0,442	0,0620	0,000***
SIZE	-6,7924	0,376	0,9178	0,000***
AGE	2,9055	0,196	-0,0035	0,323
GROWTH	0,0068	0,002***	-0,0000	0,547
LEV	75,1920	0,004***	-3,6067	0,000***
GDP	-5,23	0,185	-2,12	0,974
Obs	R²	p-value (F-stat.)	R²	p-value (F-stat.)
190	0,265	0,0020	0,120	0,0000

Note: *,**,*** significant at the 0,10, 0,05, and 0,01 levels respectively (one-tailed)

In Panel B, bank size (SIZE) shows a positive and significant coefficient to market-based performance which measured by Tobin's Q. It is different result that affected financial performance based on accounting measured by Return on Equity (ROE). Age of bank (AGE) and percentage growth income (GROWTH) shows a negative coefficient but it is not significant. Then, leverage (LEV) has a different affected to Tobin's Q which shows negative and significant coefficient. Both on Return on Equity (ROE) and Tobin's Q, Gross Domestic Product (GDP) as measured for country's control perspective, shows negative and insignificant coefficient.

5. DISCUSSION

The Effect of Executive Compensation on the Bank Performance

Based on the regression results, this study indicate that the executive compensation has a positive effect and insignificant on bank performance, both accounting-based measured by Return on Equity (ROE) and market-based measured by Tobin's Q. This means that compensation like salary, bonus, insentif, etc., which given for executive board will positively influence bank performance. This is possible because by implementing *pay to performance* for the bank's top executives, problems related to self-interest are reduced. It is because these interests will shift to be the same as the interests of the bank. This study is consistent with research conducted by (Brick, et al., 2006) that compensation's directors and managers has a significant positive relationship after controlling for monitoring proxies but also find evidence that excess compensation (both director and CEO) is associated with firm underperformance. In addition, research conducted by Cui, et al. (2019) found that AH-share firms in China and Hongkong Stock Exchange have much higher sensitivity of executive compensation to firm performance.

This study has inconsistent results with the research conducted by (Doucouliagos, et al., 2019) regarding the existence of a negative relationship between director compensation and bank performance in Australian banking. Amewu and Alagidede (2020) said that executive compensation negatively affect the performance of listed firms.

The Effect of Government Ownership on the Bank Performance

The results of this study indicate that the government ownership has a positive and significant effect on bank performance market-based measured by Tobin's Q and positive insignificant effect on accounting-based measured by Return on Equity (ROE). This means that the presence of government ownership in structure shareholders on bank will be more effected to market-based performance. It means that public and investors will be trusting more and increase value of share bank if government has a part and control the bank. This study is consistent with research conducted by (Fauzi and Musallam, 2015) that found GLICs ownership is positively and significantly related to company performance, while board ownership is negatively and significantly related to company performance in Malaysia. In addition, research conducted by Razak et al., (2008) found there is a significant impact of government ownership on company performance after controlling for company specific characteristics such as company size, non-duality, leverage and growth. Also, research from Tebourbi, et al., (2020) found the indicate that MO and government ownership are positively related to R&D investment. Conceptually, this study investigates novel factors affecting of R&D investment and their role in improving firm performance.

6. CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS

This study attempts to analyze the relationship between the executive compensation, government ownership, and bank performance using bank data in Asean countries. This study measures bank performance using a accounting-based measure (ROE) as well as market-based measure (Tobin's Q). This study uses a multivariate regression models and static panel data models with fixed effect models. This study uses secondary data from 97 banks listed on stock exchange in Asean, such as Indonesia, Malaysia, Singapore, Thailand, Phillipines, and Vietnam based on 190 bank data observations during 2018 to 2019 period as a sample. The research team found differences in the results obtained when using different economic variables on more than one performance measure, at least at the level of significance in the study of the relationship between variables.

The research team's study found that the executive compensation has a positive effect and insignificant on bank performance, both accounting-based measured by Return on Equity and market-based measured by Tobin's Q. This result support the hypothesis (H_1) that executive compensation positively effect bank performance. The government ownership shows a positive and significant coefficient to Tobin's Q. This is also in line with government ownership result which also positively affects Return on Equity. This result rejects the hypothesis (H_2) that government ownership negatively effect bank performance. In addition, growth income of bank and leverage ratio of bank have positive and significant coefficient to Return on Equity as measured for accounting-based performance. Gross Domestic Product shows a negative coefficient on the Return on Equity and Tobin's Q but it is not significant. This means Gross Domestic Product in ASEAN country has no effect to Bank Performance through Return on Equity and Tobin's Q.

Due to data limitations, the results of this study are based on data from two year period. The limitation of this study could be attributed to extend the research sample time such as three or five years. In addition, there is always the possibility of omitting other governance mechanisms that would assist in explaining variations in bank performance. Future research could examine additional governance mechanisms. Future research could investigate the change in the relationship between governance mechanisms and firm performance and add some control variables from country's perspective in Asean.

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