

IMPACT OF CORPORATE GOVERNANCE PRACTICE ON TELECOMMUNICATION COMPANY’S PERFORMANCE: EXPERIENCE FROM PUBLICLY LISTED TELECOMMUNICATION COMPANIES IN INDONESIAN STOCK EXCHANGE (IDX)

Achmad Faisal*

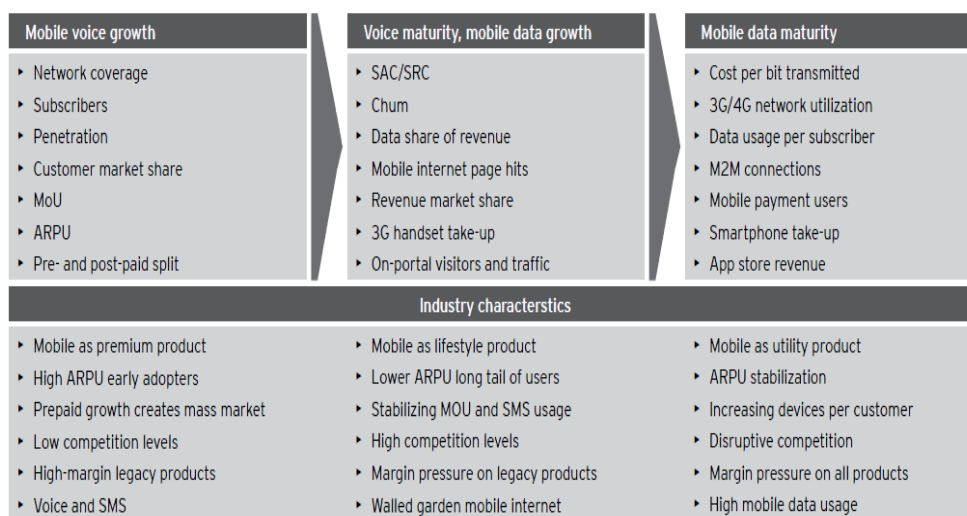
Telecommunication business is one of the most dynamic and capital intensive industry. Hyper-competition supported by technological shift from voice and sms platform into data and multimedia modes tends to erode profitability margin and leave the legacy’s high profitability margin plunges into profitability margin’s dilution. The persistent condition will decrease company’s performance and the value of company. Good Corporate Governance Practices ie. Board Size, Board Composition, Capital Structure, Human Capital Investment over Total Debt, Audit Governance and Director’s Compensation are expected to increase company’s performance by creating better accountability and efficient control of the company. This condition will lower agency costs and absorb the tendency of decreasing value of the company.

Key Words : Good Corporate Governance, Performance, Human Capital Investment

1. Introduction

Telecommunication industry nowadays is in a very highly competitive level. Almost every aspects of life are touched by telecommunication services, and this fact boost the attractiveness of the industry and invites global players to be in the competition. Mobile telecommunication growth especially in mobile data and multimedia forms a second business lifecycle curve in which voice and sms is in a maturity stage while mobile data and multimedia is in a rapid growth and support the industry’s revenue generation.

**Figure 1
Mobile Data Evolution**

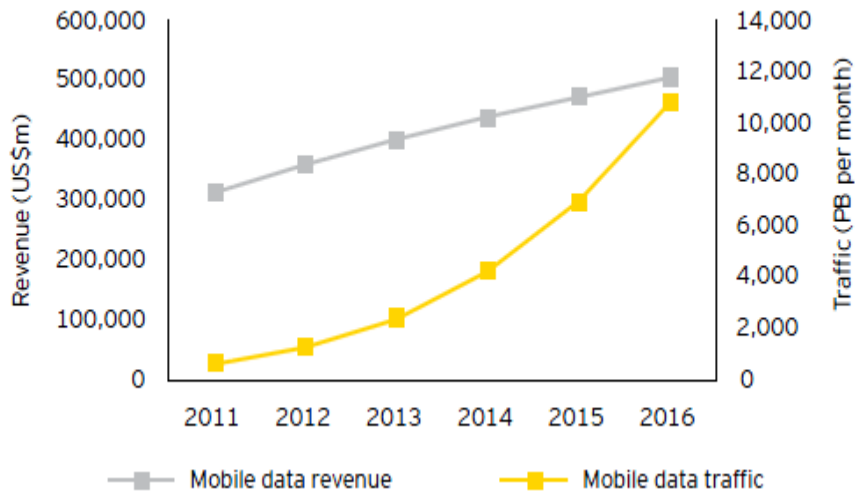


Source : Ernst & Young Analysis

*Achmad Faisal, Doctorate Student of Graduate School of Economy , Catholic University of Parahyangan – Bandung , INDONESIA,

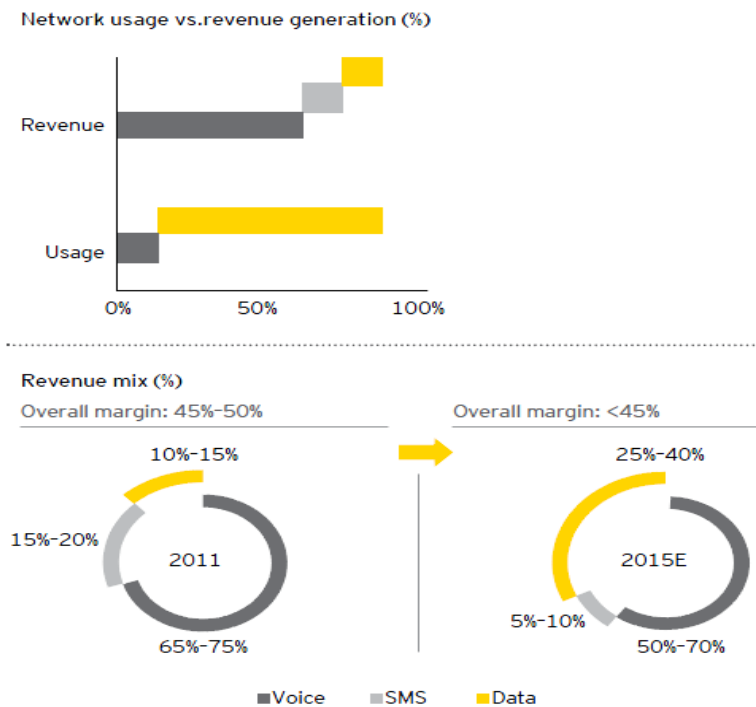
Telecommunication Industry characteristics in this phase marked by high competition levels, margin pressure on legacy product due to mobile traffic Growth (see Figure 2) , and mobile telecommunication lifestyle. If this condition sustains, then overall industry will suffer profitability margin's dilution in one hand, but create more revenue generation from new products on the other.

Figure 2
Mobile Data Traffic vs Revenue



Source : Mobile Regional & Country Forecast 2012 – 2017, Ovum , August 2012; Cisco Visual Networking Index 2011-2016, May 2012

Figure 3
The Effect of Data Communication on Profitability

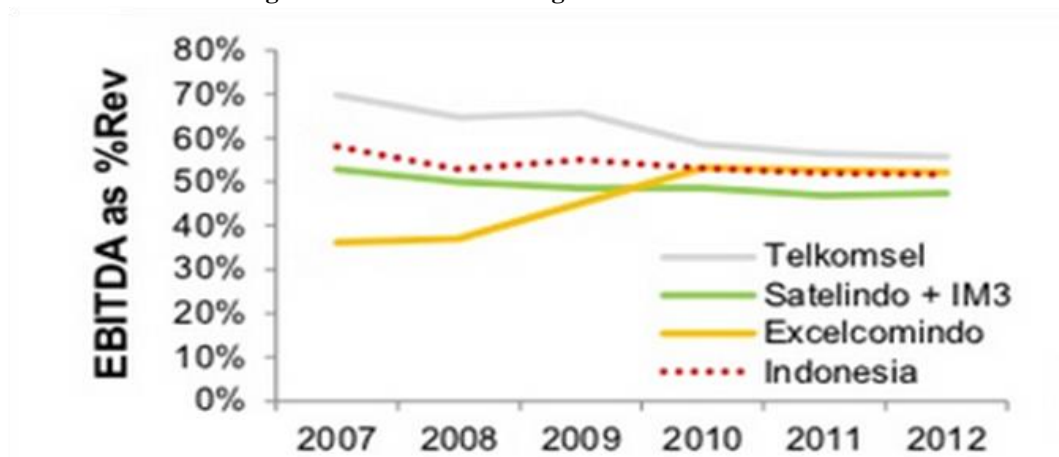


Source : Telecommunications, Hong Leong Investment Bank, May 2012 via Thomson One.

It is predicted that the overall EBITDA Margin of telecommunication industry decrease from 45-50% to below 45% as the new product growth exceeds the legacy's (Figure 3).

The trend of decreasing margin has also been experienced in Indonesia Telecommunication business for the past 5 years from 2007-2012. There are 5 major players in Telecommunication Business in Indonesia, of those all have their stocks listed in Bursa Efek Indonesia. The 5 major players are PT. Telekomunikasi Indonesia, (TLKM) a state owned company and four other publicly owned companies, i.e PT. Indosat (ISAT), PT. XL Axiata (EXCL), PT. Mobile 8 / Smart Fren (FREN) and PT. Bakrie Telecommunication (BTCL). The decreasing EBITDA Margin Trend is shown on Figure 4 below :

Figure 4
Decreasing Trend in EBITDA Margin in Indonesian Telco Business



Source : *Country & Industry Assessment – Indonesia & Philippines TELECOM Report by Gaurav Johari 15 October 2012*

EBITDA Margin is one of the most-commonly used financial indicators for Telco Industry because it enables clearer peer comparison by stripping out the impact of financing and accounting decisions. Furthermore, EBITDA allows trend to be tracked over time and enables baseline profitability to be evaluated without capital expenses, making it preferable to Net Income as an indicator of a company's ongoing operational strength. EBITDA is also widely used in other important ratios that are tracked and reported in the sector for purposes such as company's valuations (EV/EBITDA) and gearing (Net Debt/EBITDA).

By implementing Good Corporate Governance practice within the company, it is expected to offset profitability decline issue and hence, the steady growth in profitability as well as the value of the company will come along together into positive and sustainable increase.

As we know that Telecommunication Industry is a very highly capital intensive industry that must be supported by highly skilled and knowledgeable human capital. The financial, operational, and regulatory exposure in this business is very high. The telecommunication industry entails good management and control by the Board in order to cope with the above risks.

This paper will examine the influence of the size of the Board of Directors (BoD) and the independency of the Board of Commissioners (BoC) to profitability and value of the company. The structure and independence of The Board is one of 5 Global Themes of Corporate Governance stated by The FTSE/ISS Corporate Governance Index Series Overview which accounts for about 44% of contribution to Good Corporate Governance practice.

Other crucial issue which needs to be properly governed is the equity structure, due to the nature of telecommunication industry with high capital investments. As the proxies of this governance, the paper test company's policy on *leverage* (DER) as well as the company's policy in investing on human capital per debt issued (Human Capital Investment / Transactional Debt or Human Capital Investments / Total Debt). Human Capital Investments (HCI) in this paper are all R&D Expenses and Training Costs incurred by the company for the fiscal year. From the Creditor's and Lender's perspective, investment in Human Capital is a very risky investment and generate intangible assets that serve as poor collateral. On the other hand, for the company's future growth, HCI is very essential and serves as competitive advantage in order to keep up with technology and business trend of the industry.

As the protection to shareholders especially to minority shareholders, the accountability of all information audited by qualified independent auditor and disseminated by the company must be considered as a good marketing campaign for the company's stock which in turns will increase company's value. The proxy of this variable is the Audit Fee with the

presumption that the higher the audit fee, the more thorough is the audit and the more accountable is the result. Also, the reputation of external independent auditor may be assessed by its pays.

Other factor of corporate governance that is also considered as the key factor to the better governance of the company is the compensation to directors. To be better off in managing the high-tech telecommunication company, the quality of its directors should be positively related to their pays. Directors with ample telecommunication knowledge and experience and proven as a good manager in the industry deserve to receive good remunerations and fringe benefits from the company. As the consequence of this pays, the principal of the company expects the business to be conducted in a properly fashion and generate good sustainable profitability. In the long term , the principal expect the company to increase in its value.

The Board of Director's stock ownership of the company is the last governance practice which is hoped to have the positive impact on the company's profitability and value since by Agency Theory, the Agent (BoD) is presumed to be bounded in a contractual nexus with it's Principal. By being given the company's stock ownership, we hope the Agent has an improved sense of belonging of the company so as it could act to the interest of the principal.

Considering all independent variables related to performance represented by profitability and value of the company, it can be hypothesized as follows :

- Board Size (X1) has positive influence on profitability and value
- Board Composition (X2) has positive influence on profitability and value
- Leverage (X3) has positive influence on profitability and value
- Human Capital Investments / Transactional Debt (X4) has positive influence on profitability and value
- Human Capital Investments / Total Debt Ratio (X5) has positive influence on profitability and value
- Director's Compensation (X6) has positive influence on profitability and value
- Audit Quality (X7) has positive influence on profitability and value.
- Director Stock Ownership (X9) has positive influence on profitability and value
- Profitability (EBITDA Margin or Z2) and X1 to X9 has positive influence on value.

All data include independent variables such as Board Size, Board Composition, DER, Human Capital Investment, Total Debt, Audit Fee, and Compensation for Directors as well as Profitability (EBITDA Margin) data of Telecommunication Company listed in Indonesian Stock Exchange are available in every Annual Report since the Initial Public Offering (IPO) of the company. The stock price movement of each company since the IPO are also available and used as the basis to calculate Tobin's Q , the proxy of Value of the company.

2. Literature Review

The agency theory is perceived to be the foundation of Good Corporate Governance practices in modern firms. It was first established in early 1970's by Stephen Ross and Barry Milnick in their Research Paper published by AER Proceedings. The theory stated that there is a compensation system that consistently can alter agent's behavior so that the agent could act to maximize Principal's interest. Jensen and Meckling (1976) enriched The Agency Theory and introduced Agency Costs. The agency costs is the expenses incurred by the principal to make his agent act on behalf of his interest. There are two types of Agency Costs according to accounting and economic literature (Ang, et.al -2000, Singh & Davidson III-2003, Florackis & Ozkan-2004) i.e Expense Ratio and Assets Utilization Ratio. Expense Ratio refers to the ratio of Operational Costs over sales while Asset Utilization Ratio is the ratio of Annual Sales divided by Total Assets. Assets Utilization Ratio measures how effectively is the management of the company in using or organizing its assets. Expense ratio measures how effectively the management of the company controls operating costs. High Assets Utilization Ratio indicates Low Agency Costs, while High Expense Ratio indicates High Agency Costs. This paper will test whether compensation received by telecommunication company's directors has a positive effect on company's profitability and value by reducing those type of agency costs.

Another governance practice which is also related to the Agency Theory is The Board Size and Board Compositions. The size of company's directors on one hand can enrich the diversity background and knowledge of the team but on the other hand could sparks agency conflicts among them. The higher the independent commissioners composition is expected to increase company's accountability and professional conducts and solve the agency conflicts.

Similar theory with The Agency Theory relevant to the practice of good corporate governance in this paper is the Transaction Costs Economy (TCE) by O.E Williamson (1988). It has some commonalities between Agency Costs Theory (AT) and TCE, in which both work out of a managerial discretion setup. They also adopt an efficient-contracting orientation to economic organization. And both argue that the board of directors in the corporation arises endogeneously.

Both TCE and AT take exception with the Neoclassical Theory of the Firm whereby the firm is regarded as a production function to which a profit maximization objective has been ascribed. Rather TCE regards the firm as a governance structure and AT considers it a nexus of contracts. TCE assumes that human agents are subject to bounded

rationality and are given to opportunism. Bounded Rationality is defined as behavior that is intendedly rational, but only limitedly so. As indicated, TCE examines alternative forms of economic organization with reference to their capacity to economize on bounded rationality while simultaneously safeguarding the transactions in question against the hazard of opportunism. Although AT is more concerned with the latter, an incomplete contracting in its entirely orientation is employed by both TCE and AT. AT & TCE maintain that the Board of Directors arises endogeneously as a control instrument. As originally described by Fama, the board is principally an instrument by which managers control other managers. "If there is a competition among the top managers themselves, then perhaps they are the best ones to control the board of directors.

The Capital Structure Theory, as stated by Modigliani & Miller (1958) : *The market value of any firms is independent of its capital structure and is given by capitalizing its expected returns at the rate appropriate to its class* is another good starting point to explain the relation between *good corporate governance* practice especially in capital structure with company's valuation. As is complemented by Stephen Ross (1977), in real world, the debt financing has the advantage over equity financing in which the payment of debt principal and interest is excluded from the corporate income tax calculation (tax deductible benefit). The higher the ratio, the better the tax benefit, but too high leverage will higher the exposure / risk of bankruptcy due to the higher payment of its due principal and interest. There is an optimum leverage ratio which will result maximum benefit for the company.

Human Capital Investment (included R&D costs and Training expenses) can enhance competitive advantage in telecommunication industry but HCI is subject to serious exchange hazards that require strong governance safeguards. According to TCE, debt and equity are alternative governance structures for safeguarding the capital invested in a firm, with the suitability of each depending on the type of the investment made by the firm. As investments in HCI generate intangible assets that serve as a poor collateral, lenders of debt are reluctant to fund such investments (Kochhar, 1996; Long & Malitz, 1985; Williamson 1988). Furthermore, the rigidity of debt contracts can impair the financial flexibility needed to pursue a sustained program of Research & Development Investment (O'Brien, 2003). There should be a governance mechanism in *Capital Structure* that can maximize the Human Capital Investment with the optimal capital structure / leverage so that the company can invest in the Intangible Assets without losing the benefit of using the Leverage.

The Efficient Market Hypothesis (EMH) Theory is another relevant theory underlying this paper. EMH Theory evolved in the 1960s from the Ph.D. dissertation of Eugene Fama. Fama persuasively made the argument that in an active market that includes many well-informed and intelligent investors, securities will be appropriately priced and reflect all available information. If a market is efficient, no information or analysis can be expected to result in outperformance of an appropriate benchmark. "An 'efficient' market is defined as a market where there are large numbers of rational, profit-maximizers actively competing, with each trying to predict future market values of individual securities, and where important current information is almost freely available to all participants. In an efficient market, competition among the many intelligent participants leads to a situation where, at any point in time, actual prices of individual securities already reflect the effects of information based both on events that have already occurred and on events which, as of now, the market expects to take place in the future. In other words, in an efficient market at any point in time the actual price of a security will be a good estimate of its intrinsic value." Regarding to the presumption of "important current information almost freely available to all participants", the accountable information of the firm can be generated by accountable people inside the company, and the information is audited by the most trusted and competent Audit Firm.

3. The Methodology, Samples and Model

In order to test our hypothesis, we have conducted an empirical study to the 5 biggest and public telecommunication company, listed in Indonesian Stock Exchange (IDX) i.e PT. Telekomunikasi Indonesia (TLKM), PT. Indosat (ISAT), PT. XL Axiata (EXCL), PT. Smart Fren/ Mobile 8 (FREN) and PT. Bakrie Telekomunikasi (BTEL).

Following is the data of each company's IPO :

Figure 5
IPO of Each Company in IDX

Number	Code	Name	IPO Date
1	BTEL	Bakrie Telecom Tbk	3-Feb-2006
2	EXCL	XL Axiata Tbk	29-Sep-2005
3	FREN	Smartfren Tbk	29-Nov-2006
4	INVS	Inovisi Infracom Tbk	3-Jul-2009
5	ISAT	Indosat Tbk	19-Oct-1994
6	TLKM	Telekomunikasi Indonesia Tbk	14-Nov-1995

Following are the highlight of each company :

T-Code : TLKM
 Established : 23 October 1856
 Listing : 14 November 200
 Market Cap : IDR 152 Trillions
 Major Shareholder : Government of Indonesia (51.19%)
 Number of shares : 20.159.999.280 shares

T-Code : ISAT
 Established : 10 November 1967
 Listing : 19 October 1994
 Market Cap : IDR 26.5 Trillions
 Major Shareholder : Qtel Asia (55.79%), Government of Indonesia (14.29%)
 Number of shares : 5.433.933.500 shares

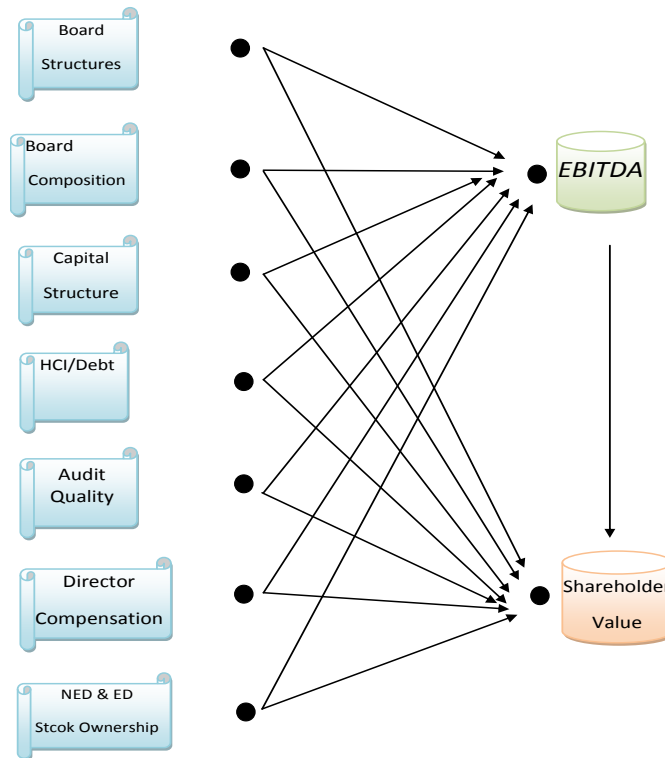
T-Code : EXCL
 Established : 6 October 1989
 Listing : 29 September 2005
 Market Cap : IDR 42.5 Trillions
 Major Shareholder : Axiata Investment Indonesia (66.69%), Etisalat International Indonesia (13.31%)
 Number of shares : 8.508.000.000 shares

T-Code : BTEL
 Established : 13 August 1993
 Listing : 3 February 2006
 Market Cap : IDR 6.3 Trillions
 Major Shareholder : PT. Bakrie and Brothers, Tbk (16.85%), Credit Suisse Singapore Branch (8.08%).
 Number of shares : 28.482.417.579 shares

T-Code : FREN
 Established : 16 December 2002
 Listing : 29 november 2006
 Market Cap : IDR 1.85 Trillions
 Major Shareholder : PT. Wahana Inti Nusantara / Sinar Mas Group (32.8%), PT. Global Nusa Data (24,8%) dan PT. Bali Media Telekomunikasi (24.1%).
 Number of shares : 37.036.013.434 shares

Those 5 companies data represent more than 95% of the population (in terms of Market Capitalization) of The Telecommunication Sub Sector in Jakarta Stock Exchange. The collection of secondary data start since the IPO of the company and covers The Number of Directors, Percentage of Independent Commissioners, Debt to Equity Ratio, Human Capital Expenses (R&D Expenses and Training Expenses), Transactional Debt (Debt issued by securitization), Total Debt, Director’s Total Pay and Benefits, Audit Fee and Ownership of Company’s Stock by The Directors. Since the IPO start- date of each company is not the same, the data forms Unbalanced Data Panel, and the data are processed using Panel Two Stage Least Squares Method. The Model of this paper is represented as follows :

Figure 6
The Model



The Model run by Eviews – 7 , with the mathematical equations as follows :

Equation 1 :

$$Z2_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + \beta_6 X_{6it} + \beta_7 X_{7it} + \beta_9 X_{9it} + e_{it} \quad (1)$$

Note :

X_1 = Board Size (BS)

X_2 = Board Composition (BC)

X_3 = Capital Structure (CS)

X_4 = Human Capital Investment / Transactional Debt

X_5 = Human Capital Investment / Total Debt

X_6 = Director’s Compensation (DC)

X_7 = Audit Quality

X_9 = NED & ED Ownership (MSOP)

$Z2$ = Ebitda Margin

Equation 2 :

$$Y_{it} = \beta_0 + \beta Z_{2it} + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + \beta_6 X_{6it} + \beta_7 X_{7it} + \beta_9 X_{9it} + e_{it}$$

Note :

X_1 = Board Size (BS)

X_2 = Board Composition (BC)

X_3 = Capital Structure (CS)

X_4 = HCI / Transactional Debt

X_5 = HCI/ Total Debt

X_6 = Director's Compensation (DC)

X_7 = Audit Quality

X_9 = NED & ED Ownership (BSOP)

Y = SHV

Z2= EBITDA Margin

4. The Findings

From the data processing and analysis, it can be summarized the findings as follow :

Equation 1 Regression Results :

Dependent Variable: Z2

Method: Panel Two-Stage Least Squares

Date: 03/16/14 Time: 10:15

Sample (adjusted): 2002 2012

Periods included: 11

Cross-sections included: 5

Total panel (unbalanced) observations: 39

Instrument specification: X1 X2 X3 X4 X5 X6 X7 X9 C

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.457409	0.469322	-0.974616	0.3384
X1	-0.019863	0.038198	-0.520002	0.6073
X2	0.311023	0.506369	0.614221	0.5442
X3	0.024961	0.007015	3.558259	0.0014
X5	201.2529	73.47358	2.739119	0.0108
X6	-0.001147	0.002386	-0.480672	0.6346
X7	0.004857	0.007041	0.689775	0.4962
X9	0.334961	0.203998	1.641981	0.1122

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.845301	Mean dependent var	0.334956
Adjusted R-squared	0.782275	S.D. dependent var	0.463632
S.E. of regression	0.216336	Sum squared resid	1.263629
F-statistic	13.41202	Durbin-Watson stat	1.574599
Prob(F-statistic)	0.000000	Second-Stage SSR	1.263629
Instrument rank	13		

Mathematical Model of Equation 1 :

$$Z2 = -0.457409 - 0.019863X1 + 0.311023X2 + 0.024961X3 \\ + 201.2529X5 - 0.001147X6 + 0.004857X7 + 0.334961X9$$

Equation 2 Regression Results :

Dependent Variable: Y

Method: Panel Two-Stage Least Squares

Date: 03/16/14 Time: 10:18

Sample (adjusted): 2002 2012

Periods included: 11

Cross-sections included: 5

Total panel (unbalanced) observations: 37

Instrument specification: X1 X2 X3 X4 X5 X6 X7 X9 C

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.79296	4.756480	2.689586	0.0126
Z2	14.38517	6.449183	2.230542	0.0349
X1	-0.103207	0.226650	-0.455359	0.6528
X2	-2.391989	4.217691	-0.567132	0.5757
X3	-0.567892	0.167197	-3.396540	0.0023
X4	0.135257	0.892735	0.151508	0.8808
X5	-388.2795	1668.318	-0.232737	0.8179
X9	-11.12094	2.542221	-4.374499	0.0002

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.957708	Mean dependent var	2.751212
Adjusted R-squared	0.939099	S.D. dependent var	3.984896
S.E. of regression	0.983394	Sum squared resid	24.17661
F-statistic	3.736432	Durbin-Watson stat	1.648118
Prob(F-statistic)	0.003048	Second-Stage SSR	216.2072
Instrument rank	13		

Mathematical Model of Equation 2 :

$$Y = 12.79296 + 14.38517Z2 - 0.103207X1 - 2.391989X2 \\ - 0.567892X3 + 0.135257X4 - 388.2795X5 - 11.12094X9$$

From those two equations (Equation 1 and Equation 2) above it can be interpreted as follows :

- The Board size of the company has a negative but not significantly related to profitability and value of the company.
- The Board Composition has a positive but not significantly related to profitability and value of the company.
- The Leverage has a positive and significantly related to profitability but has a negative and significantly related to value of the company.

- The Ratio of Human Capital Investment over Transactional Debt has a positive but not significantly related to value of the company.
- The Ratio of Human Capital Investment over Total Debt has a positive and significantly related to profitability but has a negative and not significantly related to value of the company.
- The Director's Compensation has a negative but not significantly related to profitability.
- The Audit Fee has a positive but not significantly related to profitability.
- The Director's Stock Ownership has a positive but not significantly related to profitability, and has a negative and significantly related to value of the company. However due to the percentage of the stock which is less than 0,01% of total capitalization, this finding needs to be re-evaluated.

5. Summary and Conclusions

From all those findings above we can conclude that the Board Size in Telecommunication Industry has no significant impact on the performance of the company. The size of the Board can be determined and aligned with the company's goal. If the company want to expand its business, then it can elaborate the specific tasks into some specific directorate and add directors, but if the company intends to consolidate its business some department / directorate may be merged or deleted.

The independency of The Board of Commissioners in Telecommunication Industry has a positive impact on the value of the company although it has little significance. Assuming that independent commissioners signal more independent opinion about the company's management, it is a good hint to company's stakeholder that the company is run properly. The leverage strategy of the company in telecommunication industry is like a double-edged sword. On one hand the leverage has a positive effect on profitability because it signals the company's ability to raise more debt and pay its principal and interest punctually, but too much in raising the leverage will also increase the risk of bankruptcy. The risk of increasing more debt also could hamper Human Capital Investment program since from Creditor's and Lender's perspective, investment in Human Capital is a very risky investment and generate intangible assets that serve as poor collateral.

The Human Capital Investment Ratio over Debt indicates that the more the company invest in this intangible assets, the more the chance of the company to grab more profitability, since this intangible assets could create innovations and good future products that can enhance more revenue generation.

The Director's Compensation in Telecommunication Business in Indonesia has negative but no significant effect on the company's profitability. It means that the Board of Commissioners has done the effective monitoring to the Board of Director's compensation as so there is no excessive compensation to them. The proper compensation level in the Telecommunication Business for Directors in Indonesia has been achieved.

The Audit Quality as is represented by Audit Fee as the proxy has no significant effect to performance. Rather it has benefit for non management shareholder such as investors and regulator. Audit Quality is considered as the important element of efficient market because audit can enhance the credibility of financial information, directly support better governance practice (Francis et.al - 2003).

End Notes

I am very grateful to have this paper reviewed and commented to improve the quality.

References

Ang, JS, and Cole, RA, and Lin JW (2000) " Agency Costs and Ownership Structures", *The Journal of Finance*, Vol. 4 No. 1, February 2000, pp. 81-106.

Agrawal, A and Knober C.R (1996) " Firm Performance and Mechanisms to Control Agency Problems between Managers and Shareholders ", *Journal of Financial and Quantitative Analysis*, Sept 1996 pp.377-397

Che Haat, Mohd Hasan "Corporate Governance, Transparency and Performance of Malaysian Companies", *Managerial Auditing Journal* Vol 23 no. 8, 2008 pp 744-778

Demsetz, H (1983) " The Structure of Ownership and The Theory of The Firm", *Journal of Law and Economics*, Vol 26, No. 2, June 1983, pp. 375-390

Ernst & Young “ Top 10 Risks in Telecommunications 2012

Fama, E, and Jensen, M (1983), “Separation of Ownership and Control”, *Journal of Law and Economics*, Vol 26, No. 2, June 1983, pp. 301-325

Francis, J Khurana, and Pereira, R (2003) “ The Role of accounting and auditing in corporate governance and the development of financial market around the world” *Asia Pacific Journal of Accounting and Economics* vol 10, pp. 1-31.

FTSE – ISS Corporate Governance Index Series Overview, April 2005

Gruszczynski, Marek “Corporate Governance and financial Performance of Company in Poland”, *International Advances in Economic Research* vol 12, May 2006

Junarsin, Eddy, “Executive Compensation and Firm Performance : An Empirical Examination”, *European Journal of Economics, Finance and Administrative Sciences*, Issue 28, 2011

Meckling, WH and Jensen, MC, (1976), “ Theory of The Firm : Managerial Behavior, Agency Costs and Ownership Structure ”, *Journal of Financial Economics*, October 1976, V.3 No. 4 pp. 305-360.

Mitnick, BM (2006) “ Origin of The Theory of Agency – An Account by One of The Theory's Originators”, *Katz Graduate School of Business , University of Pittsburgh*, 2006.

Mokhtar, Shabnam Mohamad “Corporate Governance Practice and Firm Performance : The Malaysian Case”, *Journal of Money, Investment and Banking*, Issue 11, 2009

Morgan Stanley Research Asia Pacific, “ Indonesia Telecommunications : Accelerating Growth in 2H 2011, Time To Add”, 5 September 2011

Ovum, Mobile Regional & Country Forecast 2012 – 2017, August 2012; Cisco Visual Networking Index 2011-2016, May 2012

PEFINDO Credit Rating Indonesia, “Telecom Industry”, March 2010

Shakir, Roselina “Board Size, Board Composition, and Property Firm Performance”, *Universiti Malaysia* (2008)

Sigler, Kevin K, “CEO Compensation and Company Performance”, *Business and Economic Journal* Vol 2011, April 30, 2011

Townsend, David “ Project on Rural ICT Policy Advocacy, Knowledge Sharing and Capacity Building – Country Case : Indonesia”, *Asian Development Bank – International Telecommunication Union* , September 2010

Wah Lai, Kam “Does Audit Quality Matter More for Firms with High Investment Opportunity”, *Journal of Account Public Policy* Vol 28, 2009 , pp 33-50

W Lin, Jerry “Audit Quality, Corporate Governance and Earning Management : A Meta Analysis”, *International Journal of Auditing* vol 14 (2011) pp 57-77

Zhang, G (1997) “ Moral Hazard in Corporate Investment and Disciplinary Role of Voluntary Capital Rationing “, *Journal of Management Science*, June 1997, pp. 737-750.