

The Effect of Board Size, Independent Board and Audit Committee, on Firm Value

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Submitted:14/07/2025; Fixed:25/07/2025; Approved: 30/07/2025

Abstract

Increasingly fierce business competition requires companies to increase company value to attract investors. One way that can be taken is to strengthen the implementation of Good Corporate Governance (GCG), especially through the role of the size of the board of directors, independent board, and audit committee. This study aims to analyse the effect of board size, independent board, and audit committee on firm value in financial sector service companies listed on the Indonesia Stock Exchange (IDX) for the period 2020-2023. This research method uses quantitative methods with secondary data obtained from the company's annual financial statements. The sampling technique used purposive sampling with a total of 13 companies as research samples. The data analysis technique used is multiple linear regression which is tested with the help of the SPSS version 25 programme. The results showed that board size has a positive and significant effect on firm value. The independent board also has a positive and significant effect on firm value. Meanwhile, the audit committee has no significant effect on firm value, although the regression coefficient shows a positive direction.

Keywords: Company Value, Board of Directors, Independent Board, Audit Committee

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INTRODUCTION

Intense business competition requires companies to survive by seeking capital and developing strategies, one of which is through the issuance of shares. Sources of capital can come from business owners as well as from creditors and investors. Companies need to convince creditors of the return of loans and interest, and convince investors that they will receive dividends in various forms. The development of science and information technology in the era of globalisation encourages competition between businesses and the improvement of corporate financial performance.

The main goal of the company is to maximise shareholder profits, which is reflected in the high share price and company value, so that it has an impact on increasing shareholder wealth (Mahomed, 2022). The level of company value that is often associated with stock prices shows the success of a company (Saifi, M. C. S. T. M., & Hidayat, 2017). A high share price makes the company value also high, and increases market confidence.

Not only on the company's current performance but also on the company's prospects in the future. because maximising profits for shareholders is the company's goal. The higher the share price, the higher the value of the company and the higher the wealth for its shareholders. The wealth of shareholders and companies is represented by the market price of shares which is a reflection of investment, financing, and asset management decisions (Carolina, C., Vernnita, V., & Christiawan, 2020).

A high share price makes the company value also high and increases market confidence not only in the company's current performance but also in the company's future prospects. Company value also reflects how a company is doing, which means that company value can be a benchmark for the public to assess whether the company is doing well or not. The company must carry out good management, namely by implementing Good Corporate Governance (GCG) (Rahmawati, 2021). The Corporate Governance mechanism is divided into two parts, namely internal mechanisms such as the structure and ownership of the board of commissioners and directors and external mechanisms such as corporate control and market mechanisms (Mahrani, M. and Soewarno, 2018).

Good Corporate Governance (GCG) is a concept proposed to overcome agency

problems. The company must carry out good management, so the company must implement good corporate governance. If the company can increase profits and reduce the level of risk of company losses in the future and can increase company value (Rahmawati, 2021).

Good Corporate Governance is a governance that applies the principles of transparency, accountability, responsibility, independence, and fairness (Effendi, 2016). Corporate Governance mechanisms are divided into two parts, namely internal mechanisms such as the structure and ownership of the board of commissioners and directors and external mechanisms such as corporate control and market mechanisms.

The Good Corporate Governance mechanism is divided into external and internal mechanisms of the company. External mechanisms are influenced by factors external to the company which include investors, auditors, creditors and institutions that authorise legality. While the internal mechanism is influenced by internal company factors, namely, the size of the board of commissioners, the size of the board of directors and the audit committee (Effendi, 2016).

The board of commissioners functions as a structure to oversee the management system, provide guidance to company managers, and is not involved in the business or has the ability to act independently. The number of members of the board of commissioners can be a measure of supervisory effectiveness. The increase in the number of members of the board of commissioners has an effect on increasing the effectiveness of supervision and the success of firm value. The board of directors is the entity within the company in charge of running and managing the company's business activities.

The audit committee is a group formed by the board of commissioners to support the implementation of the supervisory function of the board of directors' performance and is responsible for auditing the company's financial statements in risk management (Ahmad, G. N., Lullah, R., & Siregar, 2020). This contradicts research conducted by (Thendean & Meita, 2019) which found that the board of commissioners has no effect on firm value.

The independent board has a negative effect on firm value (Aryanto and Setyorini, 2019). However, it is inversely proportional to research conducted by (Utami, 2022) which found that the independent board has a positive effect on firm value. the audit committee has a function to support independent commissioners in terms of monitoring and controlling and minimising agency costs in the company (Puspitasari, 2022). The audit committee has a positive effect on the company (Khoirunnisa & Aminah, 2022).

RESEARCH METHODS

This research uses quantitative research. Secondary data is obtained through annual data sources on financial sector service companies listed on the Indonesia Stock Exchange in 2020-2023. The data collection technique uses purposive sampling method. Data processing in this study uses multiple linear regression methods to analyse the effect of each independent variable partially on the quality of financial reporting. Before performing regression, classical assumption testing is first carried out which includes tests of normality, heteroscedasticity, autocorrelation, and multicollinearity so that the results of statistical analysis are valid and can be trusted. All analyses were carried out with the help of the latest version of SPSS software.

RESULTS AND DISCUSSION

The results obtained using secondary data of financial sector service companies on the Indonesia Stock Exchange (IDX) in 2020-2023 which are obtained by consistently submitting semi-annual finances for two consecutive periods within a certain time span.

Before conducting data analysis, descriptive tests were first carried out to determine the overview or initial information of each research variable. This test aims to provide an understanding of data characteristics, such as minimum, maximum, average, and standard deviation values. After that, the analysis continued with the classical assumption test which included normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test.

These tests are carried out to ensure that the data meets the validity requirements in

regression analysis. After all the prerequisite tests are met, the next step is to conduct multiple linear regression analysis to determine the effect of the independent variables on the dependent variable simultaneously or partially.

Statistik Deskriptif

Tabel uji Statistik Deskriptif

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Dewan Direksi	52	2	6	4.19	1.269
Dewan Independen	52	3	7	5.12	1.149
Komite Audit	52	3	4	3.08	.269
Nilai Perusahaan	52	6403285	899617392	22744094.38	20754808.23
Valid N (listwise)	52				

Sumber: Data Sekunder, 2025, diolah

Table 1. Descriptive Statistics Test Table
 Source: Secondary Data Processing 2025

The results of descriptive analysis show that the board size variable (X1) has a minimum value of 2 and a maximum of 6, with an average of 4.19 and a standard deviation of 1.269. Independent board size (X2) has a minimum value of 3 and a maximum of 4, with an average of 3.08 and a standard deviation of 0.269. Meanwhile, firm value (Y) has a minimum value of 6,403,285 and a maximum of 899,617,392, with an average of 22,744,094.38 and a standard deviation of 20,754,808.23. This shows that there is considerable variation in each of the variables observed in this study.

Classical Assumptions

The classical assumption test is used to ensure that the regression model fulfils the basic requirements so that the analysis results obtained are valid, reliable, and can be interpreted accurately. After that, further testing is carried out which includes normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test to ensure that the data does not violate the classical regression assumptions

Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		52
Normal Parameters ^{a,b}	Mean	.0000009
	Std. Deviation	2026373202.12630630
Most Extreme Differences	Absolute	.182
	Positive	.182
	Negative	-.135
Test Statistic		.182
Asymp. Sig. (2-tailed)		.080 ^c
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Sumber: Data Sekunder, 2025, diolah

Table 2. Normality Test
 Source: Secondary Data Processing 2025

The normality test is carried out using the One-Sample Kolmogorov-Smirnov Test on the unstandardised residual values. Based on the output, it is known that the value of Asymp. Sig. (2-tailed) is 0.080. This value is greater than the significance level of 0.05, so it can be concluded that the residual data is normally distributed. This shows that the regression model has fulfilled the assumption of normality. In addition, the test statistic value of 0.182 with the highest extreme difference value (most extreme differences) is 0.182 in absolute terms, indicating no significant deviation from the normal distribution.

Multicollinearity Test

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Ukuran Dewan Direksi	.994	1.006
	Ukuran Dewan Independen	.973	1.027
	Komite Audit	.970	1.031

a. Dependent Variable: Nilai Perusahaan

Sumber: Data Sekunder, 2025, diolah

Table 3. Multicollinearity Test
 Source: Secondary Data Processing 2025

Multicollinearity test is conducted to determine whether there is a high correlation between independent variables in the regression model. The test results show that the Tolerance value for the variables of board size, independent board size, and audit committee are 0.994, 0.973, and 0.970, respectively, while the Variance Inflation Factor (VIF) value is 1.006, 1,027, and 1,031. All VIF values are well below the common threshold of 10, and the tolerance value is above the minimum limit of 0.10.

Heteroscedasticity Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4494574322.210	2272591906.291		1.978	.054
	Dewan Direksi	-144400822.657	149372568.049	-.135	-.967	.339
	Dewan Independen	135193296.817	166711480.993	.115	.811	.421
	Komite Audit	1003758337.160	713047388.312	-.199	-1.408	.166

a. Dependent Variable: ABRESID

Sumber: Data Sekunder, 2025, diolah

Table 4. Heteroscedasticity Test
 Source: Secondary Data Processing 2025

Multiple linear regression analysis, it is known that the board size variable has a regression coefficient of -144,400,822.657 with a significance value (Sig.) of 0.339. This value is greater than 0.05, thus indicating that the size of the board of directors has no significant effect on firm value. The independent board size variable has a coefficient of 135,193,296.817 with a significance value of 0.421, which also indicates that this variable has no significant effect on firm value. Meanwhile, the audit committee variable has a regression coefficient of 1,003,758,337.160, but with a significance value of 0.166, which means it has no significant effect on firm value.

The constant value of 4,494,574,322.210 indicates that if all independent variables are zero, the firm value is estimated at the constant value. Overall, the three independent variables in this model do not have a significant effect on firm value because the significance value is greater than 0.05.

Autokorelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.216 ^a	.147	.113	2088737687.322	1.706

a. Predictors: (Constant), Komite Audit, Ukuran Dewan Direksi, Ukuran Dewan Independen

b. Dependent Variable: Nilai Perusahaan

Sumber: Data Sekunder, 2025, diolah

Table 5. Autokorelation Test
 Source: Secondary Data Processing 2025

The Durbin-Watson test results with a value of 1.706, which is between the upper limit (DU = 1.676) and 4 - DU (2.324), it can be concluded that there is no autocorrelation, either positive or negative. This means that the residuals in this regression model are independent, so the classical assumption regarding autocorrelation has been fulfilled.

Multiple Linear Regression

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4211186012.894	3517826209.538		1.197	.237
	Ukuran Dewan Direksi	259100008.317	231219135.038	.158	1.121	.008
	Ukuran Dewan Independen	238492675.258	258058657.889	.132	.924	.000
	Komite Audit	672894534.801	1103751528.949	-.087	-.610	.545

a. Dependent Variable: Nilai Perusahaan
 Sumber: Data Sekunder, 2025, diolah

Table 6. Autokorelation Test
 Source: Secondary Data Processing 2025

The regression test results show that the board size variable has a positive effect on firm value, with a coefficient of 259,100,008.317 and a significance value of 0.008 (smaller than 0.05), so it has a significant effect. The independent board size variable also has a positive influence with a coefficient of 238,492,675.258 and a significance value of 0.000, which means significant. Meanwhile, the audit committee has a coefficient of 672,894,534.801, but its significance value is 0.545, greater than 0.05, so it has no significant effect on firm value. The constant value of 4,211,186,012.894 shows the company value when all independent variables are zero.

Detemination Coefficient Test R2

The Adjusted R Square value of 0.113 indicates the R Square value that has been adjusted for the number of variables in the model. Meanwhile, the Durbin-Watson value of 1.706 indicates that there is no autocorrelation in the model, so the residuals are free or do not affect each other.

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.216 ^a	.147	.113	2088737687.322	1.706

a. Predictors: (Constant), Komite Audit, Ukuran Dewan Direksi, Ukuran Dewan Independen
 b. Dependent Variable: Nilai Perusahaan
 Sumber: Data Sekunder, 2025, diolah

Table 7. Detemination Coefficient Test R2
 Source: Secondary Data Processing 2025

The Adjusted R Square value of 0.113 indicates the R Square value that has been adjusted for the number of variables in the model. Meanwhile, the Durbin-Watson value of 1.706 indicates that there is no autocorrelation in the model, so the residuals are free or do not affect each other.

Model Feasibility Test (F Test)

ANOVA*					
Model	Sum of Squares	df	Mean Square	F	Sig.
1	1027292948509143	3	3424309828363812900	1.785	.008 ^b
	9000.000		.000		
Residual	2094156060690767	48	4362825126439097900		
	00000.000		.000		
Total	2196885355541681	51			
	30000.000				

a. Dependent Variable: Nilai Perusahaan
 b. Predictors: (Constant), Komite Audit, Ukuran Dewan Direksi, Ukuran Dewan Independen

Sumber: Data Sekunder, 2025, diolah

Table 8. Model Feasibility Test (F Test)
 Source: Secondary Data Processing 2025

The ANOVA test results show that the calculated F value is 1.785 with a significance value (Sig.) of 0.008. Because the significance value is smaller than 0.05, it can be concluded that the regression model is simultaneously significant, meaning that the variables of board size, independent board size, and audit committee together have a significant effect on firm value.

T Test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4211186012.894	3517826209.538		1.197	.237
	Ukuran Dewan Direksi	259100008.317	231219135.038	.158	1.121	.008
	Ukuran Dewan Independen	238492675.258	258058657.889	.132	.924	.000
	Komite Audit	672894534.801	1103751528.949	-.087	-.610	.545

a. Dependent Variable: Nilai Perusahaan

Sumber: Data Sekunder, 2025, diolah

Table 9. T Test
 Source: Secondary Data Processing 2025

The regression test results show that the board size variable has a positive and significant effect on firm value, with a coefficient value of 259,100,008.317 and a significance of 0.008. The independent board size variable also has a positive and significant effect, with a coefficient of 238,492,675.258 and a significance value of 0.000. Meanwhile, the audit committee variable has a coefficient of 672,894,534.801, but has no significant effect on firm value because its significance value of 0.545 is greater than 0.05.

Factors such as the size of the board of commissioners and the presence of an audit committee have a positive influence on firm value. A larger board size tends to increase the effectiveness of management oversight, which can result in more transparent financial reports and increase investor confidence. In addition, the existence of an independent audit committee plays an important role in strengthening internal control and preventing manipulation of financial statements, which in turn can increase firm value and reputation in the eyes of investors. These findings are in line with the results of previous studies that show the importance of corporate governance structures in improving firm performance and value, especially in the context of the financial services sector which requires close supervision to support operational sustainability and financial stability.

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The results showed that board size and independent board have a positive and significant effect on firm value. In contrast, the audit committee has not shown a real influence on firm value. Board size has a positive effect because the diversity of expertise and experience of its members supports better strategic decision making. Meanwhile, an

independent board enhances oversight and objectivity, and strengthens investor confidence through the implementation of good corporate governance. Despite their function of overseeing financial statements and compliance, in practice audit committees are often a formality, inactive, or lack strong authority in strategic decision-making. This makes its influence on increasing firm value less significant.

RECOMMENDATIONS

Companies are advised to increase the effectiveness of the board of directors and independent board, as both are proven to have a significant effect on firm value. This can be done by ensuring that board members have good competence, experience, and integrity to support strategic decision making. Although the audit committee did not show a significant effect in this study, companies still need to strengthen the role and function of the audit committee, especially in terms of supervision and transparency in order to create better governance.

For investors, the structure of the board of directors and independent board can be an important indicator in assessing the potential of a company. Since both have an influence on firm value, investors can consider these aspects before making investment decisions. However, investors also need to consider other factors such as financial performance, industry conditions, and overall business prospects, because company value is influenced by various elements that interact with each other.

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