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THE EFFECT OF COMPANY SIZE, AUDIT COMMITTEE, BOARD OF DIRECTORS AND BOARD OF COMMISSIONERS ON COMPANY VALUE

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Abstract

Finding out whether the Board of Directors, Board of Commissioners, Audit Committee, and Company Size significantly impact Firm Value in Primary Consumer Goods (Non-Cyclical Consumption) Companies Listed on the Indonesia Stock Exchange (IDX) for the 2020-2024 Period is the main objective of this research. As supplementary data, this study uses financial data available on the Indonesia Stock Exchange website (www.idx.co.id). As a result of using purposeful sampling, 77 core consumer goods businesses were included in the sample. Multicollinearity, autocorrelation, normality, and heteroscedasticity tests were among the data-preparation tests. The method used to analyse the data included multiple linear regression, correlation, coefficient of determination, partial t-testing, and simultaneous F-tests. According to the study's findings, there is a partial impact of the Board of Directors variable on Company Value, a partial impact of the Board of Commissioners variable on Company Value, an impact of the Audit Committee variable on Company Value, an impact of Company Size on Company Value, and a combined impact of the Board of Directors, the Board of Commissioners, company size, and audit committee on Company Value.

Keywords: Board of Directors; Board of Commissioners; Audit Committee; Company Size; and Company Value.

INTRODUCTION

The Indonesian economy is expected to recover in 2024, after contracting by 2.07% in 2020 due to the COVID-19 pandemic. Both the actual rate and the government's target are lower than in 2023. The manufacturing industry and household consumption, the two main engines of the economy, are growing below potential. Exports are also slowing. According to the Central Statistics Agency (BPS), Indonesia's GDP at current prices (ADHB) for 2024 is IDR 22,139 trillion. Meanwhile, GDP at constant prices (ADHK) is IDR 12,920 trillion.

In the first quarter of 2024, the economy grew by 5.11 per cent. Furthermore, the second quarter's figure was 5.05%, the third quarter's figure was 4.95%, and the fourth quarter's figure was 5.02%. With these achievements, Indonesia's economy grew by 5.03 per cent in 2024. It was lower than the 5.05 per cent growth in 2023 and below the government's target of 5.2 per cent.

The primary consumer goods sector faces additional challenges, including declining market share to multinational companies as customer preferences shift toward cheaper local brands. For example, Unilever Indonesia saw its market share decline from 38.5% to 34.9% in the third quarter of 2024, impacted by consumer boycotts and competition from local brands such as Wings Group and Mayora Indah. In February, Unilever first announced that a boycott of its brands by Indonesian buyers in response to geopolitical tensions was hampering its sales growth in Southeast Asia. In October, the company announced that its market share in Indonesia had fallen from 38.5% a year earlier to 34.9% in the third quarter.

Despite challenging trading conditions, the Jakarta-listed business group generated $2.39 billion

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in 2023, contributing 3.8 per cent to group sales. Unilever has been striving to increase its market share for nearly a decade amid a shift toward cheaper local brands. It is despite the company owning major brands such as AXE deodorant, Cornetto ice cream, and Royco flavouring powder.

This phenomenon demonstrates that despite positive national economic growth, the primary consumer goods sector faces pressure from changing consumer behaviour, intense competition, and challenges in maintaining corporate value. It highlights the importance of corporate strategies to improve operational efficiency, drive product innovation, and maintain sound business practices, thereby helping maintain and enhance corporate valuations amid changing market conditions.

Frequently fluctuating company values also indicate industry decline, as demonstrated by the data above. It is an important signal for assessing business conditions and can influence investors' perceptions of how well a company manages its assets, as evidenced by rising stock prices (Dewi & Rahyuda, 2020). This increase in stock prices implies higher stock returns, providing a basis for investor decision-making. Consequently, investors prefer sustainable and environmentally friendly businesses with high returns (Renaldi et al., 2020).

LITERATURE REVIEW

Agency Theory

Agency theory, according to Adityamurti and Ghozali (2017), is defined as an agreement between one party, or several directors or individuals, who delegate responsibility for decision-making regarding company operations to another individual (the agent).

Meanwhile, according to Sudarmanto et al. (2021:8), agency theory refers to the granting of authority by company owners to company management to carry out company operations in accordance with applicable provisions.

The author argues that agency theory explains the interaction between principals (capital owners) and agents (management teams). In this type of partnership, both parties agree to work together toward a common goal: increasing business value. This goal can result in shareholder wealth, improved management performance, and increased investor confidence.

Company Values

According to Ningrum (2022), a business's value is determined by its net worth and its ability to generate enough revenue to attract investors (Sari & Riswan, 2022). Investors and a company's value are directly correlated.

Board of Directors

The board of directors oversees the operations of a limited liability company. Under the Limited Liability Company Law, a group of individuals, consisting of at least one member, is referred to as the "Board of Directors," also known as directors (Muniep Mujati Suaidah 2020:23).

Board of Commissioners

The Board of Commissioners is a fundamental component of effective corporate governance, tasked by the FCGI (Indonesian Corporate Governance Forum) with reviewing management, maintaining accountability, and ensuring the implementation of the company's strategy. Essentially, the board of commissioners provides oversight and direction to company management.

Audit Committee

The long-term sustainability and performance of an organisation, particularly in financial reporting, are overseen by an Audit Committee established by the board of commissioners (Putri, 2023). The Audit Committee is responsible for financial reporting, risk management, audit implementation, and overall corporate governance. It is an impartial and expert body appointed by the board of commissioners (Mirnayanti, 2022).

Company Size

Effendi & Ulhaq (2021) define company size as the sum of a company's assets, sales, market capacity, and personnel. Toni & Anggara (2021) state that the natural logarithm of total assets is a measure of company size. Irawan & Kusuma (2019) emphasise that a company's value increases with its scale. In their article for Muharramah & Hakim (2021), Rudangga and Sudartha emphasise that a business's profitability is directly related to its value.

METHOD

This investigation is a quantitative analysis based on secondary sources. The information used comes from the financial records of consumer product companies for the period 2020–2024. The research data covers five years, with 77 participants in the sample. The primary data sources were the company websites and the official website of the Indonesia Stock Exchange (www.idx.co.id).

Before entering the analysis stage, which includes testing for normality, autocorrelation, multicollinearity, and heteroscedasticity, the data undergo a series of tests to ensure its validity and reliability, as well as to test classical assumptions. This research includes various statistical methods for data analysis, including t-tests, F-tests, multiple linear regression (which relates one dependent variable to many independent variables in a single model), correlation analysis, coefficient of determination analysis, and hypothesis testing.

RESULTS AND DISCUSSION

1. Data Prerequisite Test Results (Classical Assumption Test)
   a. Normality Test

Ghozali (2021:196) states that, in regression models, researchers use normality and residual tests to verify that the independent and confounding variables are normally distributed. The results are as follows:

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Table 1 Kolmogorov - Smirnov Normality Test Results One-Sample Kolmogorov-Smirnov Test

N			295
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		.52757282
Most Extreme Differences	Absolute		.096
	Positive		.096
	Negative		-.046
Test Statistic			.096
Asymp. Sig. (2-tailed)[c]			.072
Monte Carlo Sig. (2-tailed)[d]	Sig.		.069
	99% Confidence Interval	Lower Bound	.058
		Upper Bound	.077

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 303130861.

Source: SPSS Output Version 27.2025.

Considering that the significance value of the variable is 0.200, if it exceeds 0.05, it can be assumed that the data used in this study show normally distributed residual values.

b. Autocorrelation Test

According to Kuncoro (2018:115), "because there is a relationship between consecutive observations over time, the autocorrelation test is an inevitable consequence. Due to the lack of independence of residuals between observations, this problem arises." Here are the results:

Table 2 Autocorrelation Test Results

Model	Durbin-Watson
1	.827

a. Predictors: (Constant), SQRTX4, SQRTX3, SQRTX1, SQRTX2
b. Dependent Variable: SQRTY

Source: SPSS Output Version 27.2025.

The Durbin-Watson test shows a value of 0.827 in the table above. The following data are displayed: -2 < 0.827 < +2, which meets the test requirements. Therefore, in this study, autocorrelation was not observed in the data.

c. Multicollinearity Test

According to Ghozali (2021:157), "The purpose of this multicollinearity test is to determine whether the regression model detects a relationship between the independent variables." The results are as follows:

Table 3

Multicollinearity Test Results

Model		Collinearity Statistics Tolerance	VIF
1	(Constant)		
	SQRTX1	.786	1.273
	SQRTX2	.753	1.327
	SQRTX3	.969	1.032
	SQRTX4	.716	1.396

Dependent Variable: SQRTY

Source: SPSS Output Version 27.2025.

a.The DD Tolerance value is 0.786 > 0.10, and the VIF value is 1.273 < 10.0.

b. The DK Tolerance value is 0.753 > 0.10, and the VIF value is 1.327 < 10.0.

c.The KA Tolerance value is 0.969 > 0.10, and the VIF value is 1.032 < 10.0.

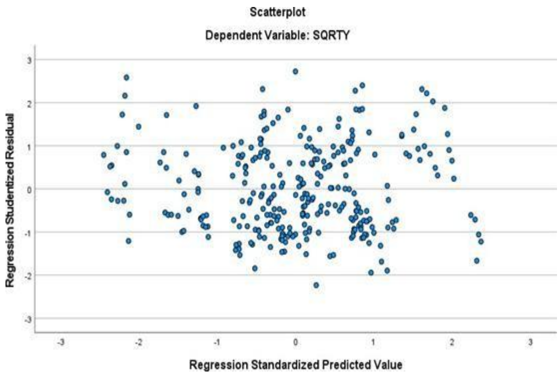
d. UK Tolerance value 0.716 > 0.10 and VIF value 1.396 < 10.0.

The data are suitable for use because the Tolerance values are above 0.10 and the Variance Inflation Factors (VIF) are below 10.0, indicating that the regression model in this study is free from multicollinearity.

d. Heteroscedasticity Test

According to Ghozali (2021:178), "The heteroscedasticity test evaluates whether the regression model exhibits an imbalance of variance across residuals between observations; if the variance is consistent, it is called homoscedasticity, but if it varies, it is called heteroscedasticity." The results are as follows:

Figure 1 Heteroscedasticity Test Results (Scatterplot)



Source: SPSS Output Version 27.2025.

The points are spread along the Y-axis, resulting in a scatterplot with no clear pattern. It indicates the absence of heteroscedasticity in the regression model.

2. Data Analysis Test Results

a. Multiple Regression Analysis

According to Ghozali (2021:250), "This multiple regression technique is used by researchers to predict the status (increase or decrease) of a dependent variable when two or more independent variables are adjusted (either increased or decreased)." Here are the results:

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Table 4 Results of Multiple Linear Regression Analysis

Model		Unstandardized Coefficients B	Std. Error
1	(Constant)	-2.543	1.548
	SQRTX1	.022	.095
	SQRTX2	.017	.084
	SQRTX3	-.069	.482
	SQRTX4	.731	.267

Source: SPSS Output Version 27.2025.

Based on the results above, the resulting regression equation is: Y = -2.543 + 0.022X1 + 0.017X2 – 0.069X3 + 0.731X4

Information:

When evaluated independently of the influence of the Audit Committee, Firm Size, Board of Directors, and Board of Commissioners, the Firm Value is -2.543, as indicated by the constant (a) of -2.543. The coefficient for the Board of Directors is 0.022, meaning that a one-unit increase in the Board of Directors will result in a 0.022-unit increase in Firm Value. The coefficient for the Board of Commissioners of 0.017 means that for every one-unit increase in the Board of Commissioners, there will be a 0.017-unit increase in Firm Value. The coefficient for the Audit Committee is -0.069, meaning that a one-unit increase in the Audit Committee will result in a -0.069-unit loss in Firm Value. The coefficient for firm size is 0.731, meaning that for every one-unit increase in firm value, there will be a 0.73 increase, depending on its size.

b. Correlation Test

According to Ghozali (2021:145), "correlation analysis aims to see how two or more important variables relate to each other. To determine whether these variables are related, we can conduct a correlation analysis. We can determine whether the relationship is strong (strong correlation) or weak (weak correlation) and whether it is significant or not." The results are as follows:

Table 5 Correlation Test Results

		SQRTX1	SQRTX2	SQRTX3	SQRTX4	SQRTY
SQRTX1	Pearson Correlation	1	.342**	.174**	.402**	.093
	Sig. (2-tailed)		.000	.003	.000	.111
	N	295	295	295	295	295
SQRTX2	Pearson Correlation	.342**	1	.030	.466**	.106
	Sig. (2-tailed)	.000		.606	.000	.070
	N	295	295	295	295	295
SQRTX3	Pearson Correlation	.174**	.030	1	.065	.007
	Sig. (2-tailed)	.003	.606		.266	.909
	N	295	295	295	295	295
SQRTX4	Pearson Correlation	.402**	.466**	.065	1	.208**
	Sig. (2-tailed)	.000	.000	.266		.001
	N	295	295	295	295	295
SQRTY	Pearson Correlation	.093	.106	.007	.208**	1
	Sig. (2-tailed)	.111	.070	.909	.001	
	N	295	295	295	295	295

Source: SPSS Output Version 27.2025

The next section presents the analysis of the findings: Board of Directors and Company Valuation, as indicated by the statistics mentioned previously. The correlation test between the Board of Directors and Company Value yielded a p-value of 0.111, which is above 0.05, indicating no relationship between the two variables. The correlation test showed no relationship between the Board of Commissioners and Company Value, with a significance value of 0.070, which is above the threshold of 0.05. Audit Committee and Corporate Valuation. The Audit Committee variable showed no relationship with Company Value, as the correlation coefficient was 0.909, which is above the 0.05 threshold—analysis of Business Size and Equity. The correlation test showed a relationship between Company Size and Company Value, with a significance value of 0.001, which was below the threshold of 0.05. The relationship between Company Size and Company Value was moderate, as indicated by a Pearson correlation of 0.208.

c. Determinant Coefficient Test

According to Ghozali (2021:147), "The coefficient of determination (R^2) measures the extent to which a model explains variability in the independent variable." Here are the results:

Table 6 Determinant Coefficient Test Results

Model Summary

Model	*R*	*R Square*	*Adjusted R-Square*
1	,261a	,190	,127

a. Predictors: (Constant), SQRTX4, SQRTX3, SQRTX1, SQRTX2

b. Dependent Variable: SQRTY

Source: SPSS Output Version 27.2025.

The R^2 value, as shown in the table, is 0.190, equivalent to 19%. The Board of Directors, Board of Commissioners, Audit Committee, and Company Size together account for 19.0% of the company's value. Fiscal performance, solvency, profitability, financial distress, and other factors account for the remaining 81.0%.

d. t-test (Partial)

According to Ghozali (2021:219), "The t-statistical test quantitatively assesses the extent to which the independent variable influences the variance of the dependent variable." Here are the results:

Table 7 t-Test Results (Partial)

Model		t	Sig.
1	(Constant)	-1.642	.102
	SQRTX1	.229	.819
	SQRTX2	.209	.835
	SQRTX3	-.144	.886
	SQRTX4	2.742	.006

Source: SPSS Output Version 27.2025.

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So the t table is 1.968 (based on Df 291 with a two-sided significance level of 0.05 / 0.025)

Based on the results above, the following is the explanation:

- Board of Directors Variables. The data shows a t-value of 0.229, which is smaller than the t-table value of 1.968. The significance value (sig) for the Board of Directors variable is 0.819, which is above the 0.05 probability threshold because 0.819 > 0.05. In other words, we accept Ho and reject H1, or the Board of Directors variable only slightly affects Firm Value and is not important.
- Board of Commissioners Variables: The t-value of 0.209 is smaller than the t-table value of 1.968. The significance value (sig) for the Board of Commissioners variable is 0.835, which exceeds the 0.05 probability threshold. It indicates that the Board of Commissioners variable has little or no influence on Company Value, so H1 is accepted, d and H2 is rejected.
- Audit Committee Variables. The analysis results show a t-value of 1.968 and a calculated t-value of -0.144, indicating that the calculated t-value exceeds the table t-value. The Audit Committee variable has a significance value (sig) of 0.886, exceeding the 0.05 threshold because 0.886 > 0.05. In short, we accept H0 and reject H3, indicating that the Audit Committee variable has a small, although statistically insignificant, effect on Firm Value.
- Company Size Variable: The calculated t-value is 2.742, above the t-table value of 1.968. The Audit Committee variable shows a significance value (sig) of 0.006, which is below the probability threshold of 0.05, or 0.006 < 0.05. Indicates that the Company Size variable has a positive and significant influence on Company Value, so we reject Ho and accept H4.

e. F Test (Simultaneous)

According to Kasmir (2022:295), "The F test is a simultaneous assessment of all independent factors in relation to the dependent variable." Here are the results:

Table 8 F Test Results (Simultaneous)

Model		F	Sig.
1	Regression	3.002	.019[b]
	Residual		
	Total		

Source: SPSS Output Version 27.2025

Then the F-table is 2.40 (based on DF(N1) = 4 and DF(N2) = 290).

Testing the fourth hypothesis (H4):

Based on the table above, the F count is 3.002, which means that the F count value > F table (3.002 > 2.40). Based on the data, the p-value of 0.019 is below the 0.05 threshold. It shows that the variables of Company Size, Audit Committee, Board of Directors, and Board of Commissioners collectively have a significant influence on Company Value, thereby rejecting Ho and accepting H5.

CONCLUSION

The author's research on this issue produced several important conclusions. During the 2020–2024 period, most companies listed on the Indonesian Stock Exchange (IDX) were concentrated in the core consumer goods sector, indicating the sector's strong contribution to national economic activity and market stability. The findings also reveal that the number of members in the audit committee, board of commissioners, and board of directors does not significantly determine company value when viewed individually. This suggests that merely increasing the size of governance bodies is insufficient to improve corporate performance or investor perception. However, when these governance variables are considered together with company size, they collectively have a significant effect on firm value. In other words, company value is more effectively influenced by the synergy between internal governance mechanisms and organisational scale rather than by the separate existence of each governance component. Therefore, companies should focus on strengthening governance quality, coordination, and strategic management to enhance overall market value and long-term competitiveness.

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