

ABSTRACT

National economic stability is highly influenced by the role of the banking sector as a financial intermediary. A sound banking performance, particularly under pressure, is a crucial factor for sustainable growth. The implementation of good corporate governance enhances transparency, accountability, and financial sector resilience, while weak governance poses risks of declining public trust. This study aims to develop a model that explains the role of corporate governance in improving firm's value in the banking sector, grounded in agency theory.

The research employs a quantitative method using multiple linear regression analysis, applied to banking sector companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2024. Secondary data were obtained from the annual financial reports of these banking companies. The panel data were analyzed using classical assumption tests (normality, multicollinearity, heteroskedasticity, and autocorrelation) as well as hypothesis testing (coefficient of determination, F-test, and partial t-test).

The results reveal that corporate governance structures, represented by board size, audit committee size, board independence, and institutional ownership, significantly influence firm's value as proxied by Tobin's Q. Specifically, board size, audit committee size, and board independence have a significant positive effect on firm's value, while institutional ownership shows a significant negative effect. This study is expected to provide significant contributions to the enhancement of corporate governance practices in the Indonesian banking sector.

Keywords: board size, audit committee size, board independence, institutional ownership, firm's value.

