

ABSTRACT

This study aims to analyze the effect of Corporate Governance mechanisms proxied by Board Size (BS), Audit committee (AC), and Independent commissioner (IC) on Firm Value measured by Price to Book Value (PBV), as well as to examine the role of Return on Assets (ROA) as a mediating variable. This research is motivated by inconsistencies in previous studies (research gap) regarding the influence of Corporate Governance on financial performance and Firm Value. In addition, the implementation of Corporate Governance is considered important in improving the effectiveness of corporate management and increasing investor confidence in the company.

This study employs a quantitative approach using secondary data obtained from the financial statements of manufacturing companies listed on the Indonesia Stock Exchange during the period 2021–2024. The sampling technique used was purposive sampling, resulting in 136 observations. The data analysis methods applied in this study include multiple linear regression analysis to examine the direct effects between variables and the Sobel test to analyze the mediating effect of ROA. The study uses two regression models, namely Model 1 to examine the effect of BS, AC, and IC on ROA, and Model 2 to examine the effect of BS, AC, IC, and ROA on PBV.

The results indicate that in Model 1, Board Size has a negative and significant effect on ROA, Audit committee has no significant effect on ROA, and Independent commissioner has a positive and significant effect on ROA. In Model 2, Audit committee has a negative and significant effect on PBV, Independent commissioner has a positive and significant effect on PBV, Board Size has no significant effect on PBV, and ROA has a positive and significant effect on PBV. The mediation test results show that ROA is able to mediate the effect of Board Size on PBV in a negative direction and mediate the effect of Independent commissioner on PBV in a positive direction, but ROA is unable to mediate the effect of Audit committee on PBV. This study supports Agency Theory, Signaling Theory, Stewardship theory, and Resource dependence theory in explaining the relationship between Corporate Governance, financial performance, and Firm Value.

Keywords: Corporate Governance, Board Size, Audit committee, Independent commissioner, Return on Assets, Price to Book Value.