IMPACT OF RETURN ON ASSETS ON THE ROLE OF MECHANISM OF CORPORATE GOVERNANCE ON COMPANY VALUES IN THE CORPORATE GOVERNANCE PERCEPTION INDEX (CGPI) WINNING COMPANIES

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Abstract: Indonesia's economic growth is currently increasing, company value is important for companies in business competition so that companies try to make various efforts to increase their corporate value. One of the fundamental factors that can increase company value is by increasing the performance of the various activities the company carries out. Firm value is the value in the amount of money that buyers are able and willing to pay when the company is sold. The purpose of this study is to examine the effect of the board of commissioners on Return on Assets; to examine the effect of the board of directors on Return on Assets; to examine the effect of the board of directors on firm value; to examine the effect of the audit committee on firm value; and to examine the effect of Return on Assets on firm value.

This type of research used in this research is casual associative research (casual associative research). The populations in this study are CGPI-winning companies listed on the Indonesia Stock Exchange in 2017-2019. The sample selection was done by using purposive random sampling method. The analysis method used to test the hypothesis is path analysis and single test.

The results showed that: 1) The size of the board of commissioners has a direct effect on Return on Assets; 2) The size of the board of directors has a direct effect on Return on Assets; 3) The audit committee has a direct effect on Return on Assets; 4) The size of the board of commissioners has a direct effect on firm value; 5) The size of the board of directors has a direct effect on firm value; 6) The Audit Committee has a direct effect on company value; and 7) Return on Assets has no effect on firm value.

Keywords: Good Corporate Governance Mechanism, Company Value, Return on Assets

INTRODUCTION

Pertumbuhan ekonomi Indonesia saat ini semakin meningkat, sehingga memicu pertumbuhan perusahaan-perusahaan yang beradu keterampilan dalam berkompetisi. Kompetisi bisnis ini menuntut perusahaan-perusahaan untuk melakukan berbagai upaya untuk meningkatkan nilai perusahaan mereka. Salah satu faktor fundamental yang dapat meningkatkan nilai perusahaan adalah dengan meningkatkan performa dari berbagai aktivitas yang dilakukan perusahaan. Nilai perusahaan adalah nilai dari jumlah uang yang diterima pembeli ketika perusahaan dijual. Tujuan dari penelitian ini adalah untuk mengeksplorasi efek komisi pengawas terhadap Return on Assets; mengeksplorasi efek komite direktur terhadap Return on Assets; mengeksplorasi efek komite direktur terhadap nilai perusahaan; mengeksplorasi efek komite audit terhadap nilai perusahaan; dan mengeksplorasi efek Return on Assets terhadap nilai perusahaan.


Hasil penelitian menunjukkan bahwa: 1) Ukuran komisi pengawas memiliki efek langsung terhadap Return on Assets; 2) Ukuran komite direktur memiliki efek langsung terhadap Return on Assets; 3) Komite audit memiliki efek langsung terhadap Return on Assets; 4) Ukuran komisi pengawas memiliki efek langsung terhadap nilai perusahaan; 5) Ukuran komite direktur memiliki efek langsung terhadap nilai perusahaan; 6) Komite audit memiliki efek langsung terhadap nilai perusahaan; dan 7) Return on Assets tidak memiliki efek terhadap nilai perusahaan.

Kata kunci: Good Corporate Governance Mechanism, Company Value, Return on Assets

INTRODUCTION


Mahendra (2012) menyatakan bahwa nilai perusahaan dapat memberikan kekayaan maksimum bagi pemegang saham jika harga saham meningkat. Tujuan dari pembentukan perusahaan bukan hanya untuk mendapatkan kekayaan maksimum, tetapi juga untuk meningkatkan kekayaan pihak-pihak terkait pada perusahaan, seperti pemegang saham dan stakeholder. Salah satu cara untuk
increase the prosperity of these parties, among others, is by increasing company value. In general, the high value of the company can attract investors to invest in the company. This is because such companies are considered to have good and promising prospects in the long term.

In looking at the value of a company, we can use Tobin's Q value. Tobin's Q is a more accurate measure because Tobin's Q provides an overview not only of basic aspects, but also to see the extent to which the market values the company from various aspects by outsiders, especially investors. Tobin's Q ratio is a ratio that can explain the value of a company where a company's market value is equal to the cost of replacing its assets. So, if the value of Tobin's Q in the company is more than one, then the market value is greater than the listed company assets (Ningtyas, et al. 2014). The factors that influence firm value are Return on Assets, good corporate governance mechanisms, and so on.

According to Hani (2014) Return on Assets is the ability of capital invested in all assets to generate net profits. Return on Assets is a measure of the efficient use of capital within a company. For companies in general, the problem of the efficiency of using capital is more important than the problem of profit, because high profits are not the only measure that the company is able to work efficiently. This ratio is a ratio that helps investors and stakeholders to see the performance of a company easier. Because by using this ratio, investors will better know the profit a company generates in using its assets, so that investors will be careful when investing in the company. Good Corporate Governance is a process or system to direct and control a company in a better direction, by preventing the occurrence of fraud or an error from the management, which will be detrimental to stakeholders in particular, and stakeholders in general (Rusdiyanto, et al, 2019). Good Corporate Governance is able to increase company value, the company is expected to have good performance so that it can create large profits for company owners or shareholders in the company. Good Corporate Governance is a system that controls and regulates the company in creating added value for all its stakeholders.

Good Corporate Governance is a system that can control the company in order to achieve a balance between the authority and strength of the company (Sutedi, 2012). The occurrence of a public company that involves manipulation of financial statements at PT. Lippo Tbk and PT. Garuda Indonesia Tbk makes Indonesia a country that has weak corporate governance practices. In addition, the low awareness of companies in Indonesia in implementing corporate governance has an impact on poor corporate management; this also causes Indonesia to have a low index in the implementation of corporate governance. So that it makes various parties involved in the company realize the importance of corporate governance for a company. With the implementation of corporate governance in the company, all parties involved in the company will be able to monitor and know the actual condition of the company.

Corporate governance mechanisms are important and necessary for companies in assessing company performance. The corporate governance mechanism consists of many things, one of which is the board of commissioners, the board of directors and the audit committee. The board of commissioners is the one who has the authority and responsibility to supervise and become an advisor in the company. Meanwhile, the board of directors has the authority to carry out executive functions in the company.

The Audit Committee is also an important factor in the corporate governance mechanism. According to Bapepam No. Kep-29/M/2004 in Amin (2008) The Audit Committee is a committee formed by the Board of Commissioners in order to help carry out its duties and functions. The audit committee has the responsibility of ensuring daily operations run according to the rules and policies set by the company and ensures that the financial reports presented are in accordance with actual conditions and in accordance with financial accounting standards (Riniati, 2015).

Several studies have linked corporate governance mechanisms with firm value and financial performance. Among them is the Bintara research (2019) which shows that the size of the board of directors has a negative effect on Return on Assets, while the size of the board of commissioners has no effect on Return on Assets. Wahyuni (2021) found that: 1) The independent board of commissioners has a significant effect on Return on Assets; 2) Institutional ownership has a significant effect on Return on Assets; 3) The independent board of commissioners has no effect on firm value; 4) Institutional ownership has no effect on firm value; 5) Return on Assets does not mediate the independent of the board of commissioners on firm value, and 6) Return on Assets mediates institutional ownership of firm value.
The inconsistency of the results of previous research encourages the author to conduct research using the corporate governance mechanism proxied by the size of the board of commissioners, the size of the board of directors and the audit committee as the independent variable, the company value proxied by the Tobin's Q ratio as the dependent variable and Return on Assets as the variable. Intervening, with the title "The Impact of Return on Assets on the role of the Corporate Governance Mechanism on Company Value in companies that have achieved the Corporate Governance Perception Index (CGPI)".

From the description of the background of the research above, the main issues that will be discussed in this study can be formulated, namely: 1) Does the board of commissioners have an effect on Return on Assets?; 2) Does the board of directors affect Return on Assets?; 3) Does the audit committee affect Return on Assets?; 4) Does the board of commissioners affect the value of the company?; 5) Does the board of directors affect the value of the company?; 6) Does the audit committee affect the firm value?; and 7) Does Return on Assets affect firm value?

LITERATURE REVIEW

Signaling Theory

Signaling theory is a theory that discusses the ups and downs of prices in the market such as stock prices, bonds, and so on, so that it will influence investors' decisions. The response of investors to positive and negative signals is that they greatly affect market conditions, they will react in various ways in response to these signals. If the company gives a convincing signal to potential investors, investors will be attracted and this will have an effect on the price of securities.

According to Tandelilin (2010), this signal theory assumes that information asymmetry that occurs in the market causes information to be corrected by providing real action and will clearly be captured as a signal that differentiates it from others. The impact of an error signal will actually cause a negative response that is greater than a positive response when sending the wrong signal to the market.

Agency theory

Jensen and Meckling (1976) state that the agency relationship is a contract between the manager (agent) and the investor (principal). The occurrence of a conflict of interest between the owner and the agent is due to the possibility of the agent acting inconsistent with the interests of the principal, thus triggering agency costs. Conflict in agency theory is usually caused by decision makers who do not participate in taking risks as a result of decision making mistakes. According to decision makers, the risk should be borne by the shareholders. This is what causes the inconsistency between the decision maker (manager) and the shareholders. Conflicts between shareholders and company management can be minimized in a way, managers must run the company according to the interests of shareholders as well as in making decisions by managers must be adjusted to the interests of shareholders (Wahyuni, 2013).

Stakeholders Theory

According to Clarkson (1995) in Hasian (2017), stakeholders are divided into two groups, namely primary and secondary. Primary stakeholders are groups of stakeholders who do not take part or participate in the operations of a company. Secondary stakeholders are stakeholder groups that influence and are influenced by the company, but are not involved and are not so important for the survival of the company.

Stakeholder theory is a theory that states that a company is an entity that not only operates for its own interests, but must provide benefits to all its stakeholders, because the survival of a company is supported by stakeholders (Ghazali and Chariri, 2007 in Hasian, 2017). Shareholders, creditors, consumers, suppliers, government, society, analysts, and other parties are stakeholder groups that are taken into consideration by companies whether or not to disclose information contained in the company's financial statements. All stakeholders have the right to obtain information about company activities.
Good Corporate Governance (GCG)

According to Keasy, corporate governance is a structure, process, culture and system to create successful operational conditions for an organization (Haris 2008). Koesnohadi (Haris 2008) states that "Good corporate governance is a relationship among stake holders that is used to determine and control the strategic direction and performance of organization".

From the above understanding, it can be concluded that Good Corporate governance is a system of corporate governance to be better and can increase company value by promoting justice for all stakeholders, transparency regarding the condition of the company as part of the external environment. (Haris, 2008)

Corporate governance usually refers to a set of mechanisms that influence decisions to be taken by managers when there is separation between ownership and control. Some of these controls lie in the functions of the board of directors, institutional shareholders, and control of the market mechanism (Larcker et. Al.). The success or failure of the company will largely be determined by the decisions or strategies the company takes. The board plays a very significant role, even a major role in determining the company's strategy. Indonesia is a country that uses a twotier concept, where the board consists of the Board of Directors and the Board of Commissioners (Wardhani, 2006). So that the corporate governance mechanism which is an indicator of good corporate governance in this study is the size of the board of commissioners, the size of the board of directors, and the audit committee.

1. Board of Commissioners

The board of commissioners is the board whose job is to supervise and provide advice to the directors or directors of a Limited Liability Company (PT). Meanwhile, according to Bank Indonesia Regulation number 11/33/PBI/2009, the board of commissioners is a company organ that is tasked with conducting general and/or specific supervision in accordance with the articles of association and providing advice to the board of directors as referred to in Law No. 40 of 2007 concerning Limited Liability Companies.

2. Board of Directors

According to BPR Media, the board of directors is a company leader who is elected by shareholders to represent their interests in managing the company. While the board size or the size of the board of directors is the number of boards of directors in the company, the more boards in the company will provide a form of oversight of the company’s performance, the better, with good and controlled company performance, it will produce good profitability and will later be able to increase the company's stock price and the company's value will also increase (Purwaningtyas, 2011).

3. Audit Committee

The audit committee is a committee that is responsible for overseeing the external audit and is the main contact between the auditor and the company (Dewi & Jati, 2014). The existence of an audit committee in a company is expected to provide views on issues related to financial policy, accounting and internal control of a company.

Return on Assets

ROA is a ratio that measures the level of profitability of a company. ROA is used to determine the amount of net profit that can be obtained from the company's operations by using all of its assets. The level of ROA depends on the management of the company's assets by management which reflects the efficiency of the company's operations. The higher the ROA, the more efficient the company's operations and vice versa, the lower ROA can be caused by the large number of idle company assets, too much investment in inventory, excess banknotes, fixed assets operating below normal and others occur on the stock exchange (Teguh, 2014).

According to Brigham and Ehrhadrt (2005) ROA is the ratio of earnings before interest and taxes (EBIT) or net income divided by the book value of assets at the beginning of the fiscal year. Return on Assets measures the company's profit in relation to all disposal resources (shareholder capital plus borrowed short and long-term
funds). Therefore ROA is an excellent measure of return for shareholders. If the company has no debt, then the return on assets and return on equity will be the same. ROA measures how the company's profitability relates to total assets. ROA provides an idea of how efficient management uses its assets to generate profits.

Investors will like companies with high ROA values because companies with high ROA values can generate a greater level of profit than companies with low ROA values (Ang, 1997). The higher the ROA value, the better the company's performance on the use of its assets.

Based on Bank Indonesia Circular No.13/24/DPNP dated 25 October 2011 (Hafidz and Safira, 2018). Return on Assets can be calculated with the formula:

\[ ROA = \frac{Profit \ before \ tax}{Average \ Total \ Assets} \]

The value of the company

Firm value is the investor's perception of the company, which is often associated with stock prices. The high share price makes the company value also high. Firm value is commonly indicated by price to book value. A high price to book value will make the market believe in the company's future prospects. That is also what company owners want, because high company value indicates high shareholder prosperity (Lidenberg and Ross, 1981).

Several company performance indicators that can be used to view company performance such as market performance (Tobin's Q) are indicators to measure the value of the company, which shows a market performance that investors will respond to. Tobin's Q value describes a condition of investment opportunities that the company has or the company's growth potential (Fiakas, 2005). Tobin's Q value is generated from the sum of the stock market value (market value of all debt) compared to the value of all capital placed in production assets (replacement value of all production capacity), so Tobin's Q can be used to measure firm value, namely in terms of potential value. the market of a company.

Tobins' Q in its application has been modified, as used in this study refers to Fiakas, (2005); Bhagat and Bolton (2008) have been used consistently. Tobin's Q < 1 illustrates that a stock is in an undervalued condition. Management has failed in managing the company's assets, this shows the potential for low investment growth. Tobin's Q = 1 illustrates that a stock is in average condition, meaning that management is stagnant in managing assets, which indicates that the potential for investment growth is not developing. Tobin's Q > 1 illustrates that an overvalued stock means management is successful in managing assets, this shows the potential for high investment growth.

Previous Research

Previous research that can support this research is as follows: Nurul (2019) in his research entitled "Mechanisms of Corporate Governance Against Financial Performance in Banking Companies Listed on the IDX". The results of this study conclude that there is a significant effect of managerial ownership, institutional ownership, and company audit committee on financial performance.

Bintara (2019) in his research entitled "The Effect of The Mechanism of Good Corporate Governance and Company Size on Financial Performance". The results showed, 1) The size of the members of the Board of Directors has a negative effect on financial performance as proxied by ROA; 2) The size of the Board of Commissioners has no effect on Financial Performance, which is proxied by ROA in a negative direction; 3) The proportion of the Independent Commissioner has a positive effect on financial performance, which is proxied by ROA; 4) Sharia Supervisory Board variable does not affect financial performance as proxied by ROA; and 5) company size does not affect financial performance as proxied by ROA.

Yuliusman and Indra (2021) in their research entitled "The Relationship between Good Corporate Governance and Corporate Values Moderated by Disclosure of Corporate Social Responsibility and Profitability". The results of hypothesis testing are as follows: First, Good Corporate Governance affects firm value. Second, disclosure of Corporate Social Responsibility is able to moderate the relationship between Good Corporate Governance and company value. Third, profitability is not able to moderate the relationship between Good Corporate Governance
and firm value.

Nadya & Tieka (2021) in their research entitled "The Effect of Corporate Governance on Company Value with Financial Performance as a Moderation Variable". The results showed that partially, the financial performance before and after moderating the Independent Commissioner and the value of the company had a significant effect. Then, Financial Performance before and after moderating Institutional Ownership and Firm Value has a significant effect. Financial Performance before moderating the Audit Committee and Firm Value does not have a significant effect, whereas after being moderated by the Audit Committee Financial Performance has a significant effect on Firm Value.

Thought Framework

Based on the theoretical basis and previous studies, the researcher developed a research framework that was tested as shown in the following figure:

![Thought Framework](image)

Figure 1.1 Thought Framework

Hypothesis

The research hypothesis proposed is as follows:

Ha1: The Board of Commissioners has an effect on Return on Assets
Ha2: The Board of Directors has an effect on Return on Assets
Ha3: The Audit Committee has an effect on Return on Assets
Ha4: The Board of Commissioners has an effect on Company Value
Ha5: The Board of Directors has an effect on the Value of the Company
Ha6: The Audit Committee has an effect on Firm Value
Ha7: Return on Assets has an effect on Firm Value

RESEARCH METHOD

Types of research

The research used in this research is casual associative research (causal associative research). According to Sanusi (2011), associative-causal is research that looks for a relationship between two or more variables. The purpose of associative research is to find a relationship between one variable and another.

Operational Definition of Variables

The operational research variables on the impact of Return on Assets on the role of the Corporate Governance Mechanism on Firm Value can be summarized in the following table:
Table 1.1 Variable Operationalization

<table>
<thead>
<tr>
<th>Type of Variable</th>
<th>Operational Definition</th>
<th>Measurement</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Value</td>
<td>Investors’ perceptions of the company's success rate are closely related to its share price. (Bintara, 2018)</td>
<td>Adjusted Tobin’s Q</td>
<td>Ratio</td>
</tr>
<tr>
<td>Independent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Board of Commissioners</td>
<td>The board in charge of supervising and providing advice to the directors or directors of a Limited Liability Company (PT). (Bintara, 2019)</td>
<td>The number of commissioners outside the independent commissioners board divided by the total number of commissioners in the company</td>
<td>Ratio</td>
</tr>
<tr>
<td>The Board of Directors</td>
<td>Company leaders are elected by shareholders to represent their interests in managing the company (Bintara, 2019)</td>
<td>Number of Board of Directors</td>
<td>Ratio</td>
</tr>
<tr>
<td>The Audit Committee</td>
<td>The committee responsible for overseeing the external audit and is the main contact between the auditor and the company (Dewi &amp; Jati, 2014)</td>
<td>The number of audit committees outside the independent commissioners is divided by the number of audit committees in the company</td>
<td>Ratio</td>
</tr>
<tr>
<td>Intervening</td>
<td>Return on Assets</td>
<td>Profits before tax / Total Asset</td>
<td>Ratio</td>
</tr>
</tbody>
</table>

Types and Sources of Data

The data collected in this study are in the form of quantitative data, namely data that is measured in a numerical scale. The data used in this study are secondary data. Secondary data is data received by researchers indirectly. Secondary data in this study are in the form of annual financial reports produced by companies registered as Participants of the Corporate Governance Perception Index (CGPI) during 2017-2019. This financial report was obtained from the IDX website (www.idx.co.id) and the company’s website. Meanwhile, the Corporate Governance Index score is obtained through the IICD website (www.iicd.org), SWA Digital Magazine (www.swa.co.id), online research institutes (www.mitrariset.com), and several company annual reports featuring corporate Governance Index. And the stock price history is obtained from Yahoo Finance (http://finance.yahoo.com)

Population and Research Sample

The population of this research is the companies that have achieved CGPI which are listed on the Indonesia Stock Exchange in 2017-2019.

From the existing population, a certain number of samples were taken using purposive random sampling technique, namely the technique of determining the sample with certain considerations. In this study the considerations used are:

2. Issuing financial statements and published in the year in which the company is listed in the CGPI rating.
3. Having complete data related to the variables used in the study.

According to the above criteria, the number of company samples used was 27 companies for 3 periods, namely 2017, 2018, and 2019. Then the total sample size was 27 companies x 3 periods = 81 data to be used in this study.
Data collection technique

The data collection method in this research is literature study method and documentation method. The literature study method is by conducting literature reviews and reviewing various literatures such as various journals, articles and other literature books that support this research process. While the documentation method is the process of collecting data by recording documents related to this research.

Method of Analysis

Descriptive statistics

Descriptive statistics in this study are used to provide a description of the character of the research variables by using a frequency distribution table that shows the mode number, score range and standard division.

Test Prerequisite Analysis

To be able to use path analysis in hypothesis testing, it is necessary to first test the statistical prerequisites of the data. Testing prerequisite analysis includes tests for normality, homogeneity, and significance and linearity.

Hypothesis testing

The design of hypothesis testing used in this study is path analysis and single test. According to Ghozali (2013), to calculate the path coefficient through the following work steps: 1). Draw a path diagram that explains the relationship between variables that reflects the proposed conceptual hypothesis, 2). Calculating the amount of influence (structural parameters) between a causal variable and an effect variable.

The path analysis method used in this study is described in the following figure:

![Path Diagram](image)

Figure 1.2 Structure of the Path Diagram

The regression equation is as follows:

\[ X_2 = \beta_{2X1}X_1 + \varepsilon_1 \]  

\[ Y = \beta_{0X1}X_1 + \beta_{0X2}X_2 + \varepsilon_2 \]  

Where:

- \( Y \) = Firm Value
- \( X_1 \) = Good Corporate Governance Mechanism
- \( X_2 \) = Return on Assets
- \( \beta \) = path coefficient
- \( \varepsilon \) = Error
- \( \alpha \) = Constant
In this study, the significance level (α) 0.05 or 5% was used. This multiple regression analysis was carried out with the help of the SPSS (Statistical Package For Social Sciences) program Release 25.0 for Windows so that the coefficient of determination, the F statistical value and the t statistical value used in hypothesis testing can be obtained.

RESEARCH RESULTS AND DISCUSSION

Description of Research Data

The following shows the results of descriptive statistics on the research variables as follows:

Table 1.2 Descriptive Statistics Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Commissioners Size</td>
<td>81</td>
<td>0.20</td>
<td>0.80</td>
<td>0.56</td>
<td>0.121</td>
</tr>
<tr>
<td>Board of Directors Size</td>
<td>81</td>
<td>3.00</td>
<td>13.00</td>
<td>7.77</td>
<td>2.336</td>
</tr>
<tr>
<td>Audit committee</td>
<td>81</td>
<td>0.25</td>
<td>0.86</td>
<td>0.63</td>
<td>0.119</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>81</td>
<td>0.64</td>
<td>70.91</td>
<td>11.39</td>
<td>15.702</td>
</tr>
<tr>
<td>Company Value</td>
<td>81</td>
<td>0.15</td>
<td>0.90</td>
<td>0.63</td>
<td>0.220</td>
</tr>
</tbody>
</table>

Source: Primary data processed (2021)

Based on table 1.2 above, the descriptive statistical results of the research variables can be presented as follows: The average value of the board size variable is 0.56 people, which means that the size of the board of directors owned by each company has met the specified requirements. by the Financial Services Authority Regulation Number 33/POJK.04/2014 that the board of commissioners of an issuer or public company consists of at least three boards of commissioners (POJK, 2014). The value of the standard deviation is 0.121 people, this value shows the magnitude of the maximum increase and decrease in the size of the board of commissioners that may occur. The variable size of the board of commissioners ranges from the lowest value of 0.20 people, namely the company PT Bank Pembangunan Daerah Jawa Barat and Banten Tbk to the highest value of 65.44%, namely the company PT Unilever Indonesia Tbk.

The variable size of the board of directors has a mean of 7.77 people. This shows that the size of the board of directors owned by each company has met the requirements stipulated by the Financial Services Authority Regulation Number 33/POJK.04/2014 that the board of directors of an issuer or public company consists of at least two boards of directors (POJK, 2014). The value of the standard deviation is 2.336, this value is relatively small compared to the average value of the size of the board of directors of the sample companies. This shows that the size of the board of directors has a relatively small variation. The variable of the size of the board of directors ranges from the lowest value of 3 people, namely the PT Matahari Department Store Tbk company in 2019 to the highest value of 13 people, namely the company PT Bank Rakyat Indonesia (Persero) Tbk in 2019.

The audit committee variable has an average of 0.63 people. This shows that the audit committee owned by each company has met the requirements stipulated by the Financial Services Authority Regulation Number 55 /POJK.04/2015 that the audit committee consists of at least 3 (three) members who come from independent commissioners and parties from outside the issuer or public company (POJK, 2015). The value of the standard deviation is 0.119, this value is relatively small compared to the average value of the audit committee of the sample companies. The audit committee variable ranges from the lowest value of 0.25 people, namely the company PT Bank Pembangunan Daerah Jawa Timur Tbk in 2019 to the highest value of 0.86 people, namely the company PT Telekomunikasi Indonesia (Persero) Tbk in 2019.

The average value of the Return on Assets variable is 11.39%, with a standard deviation value of 15.702%, which means that the data used fluctuates greatly from 2017 to 2019. The variable Return on Assets ranges from the lowest value of 0.64%, namely the company, PT Bank Permata Tbk in 2017 up to the highest value of 70.91%, namely the company PT Multi Bintang Indonesia Tbk in 2017. The average Return on Assets value of 11.39%
shows that for every Rp 1 of funds invested by investors as capital shares, will generate a net profit of 11.39%.

Firm value in this study is measured by the amount of Tobin's Q value. Tobin's Q value is greater than one, which means that the company's stock price exceeds book value and indicates that the company's prospects are quite good. The average value of the firm value variable is 0.63%, this reflects that the go public company is not optimal so it can be stated that the Tobin's Q value of the company in the research sample has a stock price below market value or is still based on book value. The variable value of the company ranges from the lowest value of 0.15, namely the company PT Indocement Tunggal Prakarsa Tbk in 2017 to the highest value of 0.90, namely the company PT Bank Central Asia Tbk in 2018.

Test Prerequisite Analysis

Before the data is further analyzed using path analysis, a prerequisite analysis is first carried out which consists of:

Normality test

Normality testing using the Lilliefors test. The provisions in the error test are if the L statistic counts < L table (α = 0.05), then the error data is normally distributed. But if L count > L table (α = 0.05), then the data are not normally distributed. Thus the overall results of the calculation of the normality test using the Lilliefors test can be seen in the summary in table 1.3.

Table 1.3 Summary of Normality Test

<table>
<thead>
<tr>
<th>No</th>
<th>Estimation</th>
<th>n</th>
<th>L Count</th>
<th>L Table α = 0.05</th>
<th>L Table α = 0.01</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>X2 on X1a</td>
<td>81</td>
<td>0.0549</td>
<td>0.0984</td>
<td>0.1146</td>
<td>Normal</td>
</tr>
<tr>
<td>2</td>
<td>X2 on X1b</td>
<td>81</td>
<td>0.0040</td>
<td>0.984</td>
<td>0.1146</td>
<td>Normal</td>
</tr>
<tr>
<td>3</td>
<td>X2 on X1c</td>
<td>81</td>
<td>0.9677</td>
<td>0.0984</td>
<td>0.1146</td>
<td>Normal</td>
</tr>
<tr>
<td>4</td>
<td>Y on X1a</td>
<td>81</td>
<td>-0.1056</td>
<td>0.984</td>
<td>0.1146</td>
<td>Normal</td>
</tr>
<tr>
<td>5</td>
<td>Y on X1b</td>
<td>81</td>
<td>-0.1049</td>
<td>0.984</td>
<td>0.1146</td>
<td>Normal</td>
</tr>
<tr>
<td>6</td>
<td>Y on X1c</td>
<td>81</td>
<td>-0.1033</td>
<td>0.984</td>
<td>0.1146</td>
<td>Normal</td>
</tr>
<tr>
<td>7</td>
<td>Y on X2</td>
<td>81</td>
<td>-0.1012</td>
<td>0.984</td>
<td>0.1146</td>
<td>Normal</td>
</tr>
</tbody>
</table>

Source: Primary data processed (2021)

Homogeneity Test

Another requirement for the use of path analysis is that the variance of the dependent variable on the independent variable must be homogeneous. The homogeneity test of variance was carried out through SPSS and Excel using the Barlett test. A homogeneous variance if generated if χ2 count < χ2 table. The results of the calculation of the homogeneity test using the Barlett test can be seen in the summary table 1.4 as follows:

Table 1.4 Summary of Homogeneity Tests

<table>
<thead>
<tr>
<th>No</th>
<th>GalatEstimasi</th>
<th>( \chi^2 )</th>
<th>df</th>
<th>( \chi^2 )</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>X2 on X1a</td>
<td>45,203</td>
<td>67</td>
<td>87,108</td>
<td>Homogen</td>
</tr>
<tr>
<td>2</td>
<td>X2 on X1b</td>
<td>86,061</td>
<td>70</td>
<td>90,531</td>
<td>Homogen</td>
</tr>
<tr>
<td>3</td>
<td>X2 on X1c</td>
<td>5,648</td>
<td>69</td>
<td>89,391</td>
<td>Homogen</td>
</tr>
<tr>
<td>4</td>
<td>Y on X1a</td>
<td>19,644</td>
<td>67</td>
<td>87,108</td>
<td>Homogen</td>
</tr>
<tr>
<td>5</td>
<td>Y on X1b</td>
<td>31,338</td>
<td>70</td>
<td>90,531</td>
<td>Homogen</td>
</tr>
<tr>
<td>6</td>
<td>Y on X1c</td>
<td>8,234</td>
<td>69</td>
<td>89,391</td>
<td>Homogen</td>
</tr>
<tr>
<td>7</td>
<td>Y on X2</td>
<td>28,441</td>
<td>35</td>
<td>49,802</td>
<td>Homogen</td>
</tr>
</tbody>
</table>
Path Analysis Test

Calculation of Path Coefficient on Sub-Structure 1

The causal relationship between variables in Sub-structure-1, which is shown in Figure 1.3 below, consists of one endogenous variable, $X_2$ and one exogenous variable, $X_1$. The structural equation for sub-structure 1 is as follows:

$$X_2 = \rho x_2 x_1 a X_1 a + \varepsilon_1 \quad \quad (1)$$
$$X_2 = \rho x_2 x_1 b X_1 b + \varepsilon_2 \quad \quad (2)$$
$$X_2 = \rho x_2 x_1 c X_1 c + \varepsilon_3 \quad \quad (3)$$

Figure 1.3 Causal Relations in Sub-Structure 1

Information:

$X_{1a} =$ Board of Commissioners Size
$X_{1b} =$ Board of Directors Size
$X_{1c} =$ Audit committee
$X_2 =$ Return on Assets

The results of data processing, using SPSS version 25 computer software, are shown in table 1.5 as follows:

### Table 1.5 Results of Sub-Structure Path Analysis 1

<table>
<thead>
<tr>
<th>Information</th>
<th>$\rho$</th>
<th>t table</th>
<th>T count</th>
<th>Sig</th>
<th>$R^2$</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equation 1a</td>
<td>0.325</td>
<td>1,665</td>
<td>3,056</td>
<td>0.003</td>
<td>0.106</td>
<td>9,337</td>
<td>0.003</td>
</tr>
<tr>
<td>Equation 1b</td>
<td>-0.318</td>
<td>1,665</td>
<td>-2,984</td>
<td>0.004</td>
<td>0.101</td>
<td>8,904</td>
<td>0.004</td>
</tr>
<tr>
<td>Equation 1c</td>
<td>0.255</td>
<td>1,665</td>
<td>2,340</td>
<td>0.022</td>
<td>0.065</td>
<td>5,476</td>
<td>0.022</td>
</tr>
</tbody>
</table>

Source: Primary data processed (2021)

The results of the analysis of research model 1a in table 1.5 obtained the path coefficient of $X_1a$ to $X_2$ of $\rho x_2 x_1a = 0.325$. Meanwhile, the reflected coefficient or contribution of $X_1a$ to $X_2$ is (Rsquare) = 0.106 as in table 1.5, which means that 10.6% Return on Assets can be explained by the variable of good corporate governance mechanisms as measured by the size of the board of commissioners. The residual coefficient ($\rho x_2 E1$) = $\sqrt{1-0.106 = 0.946}$ is the influence of other variables outside the size of the board of commissioners. The results of the analysis of research model 1b in table 1.5 obtained the path coefficient of $X_1b$ to $X_2$ of $\rho x_2 x_1b = -0.318$. While the reflected coefficient or contribution of $X_1b$ to $X_2$ is (Rsquare) = 0.101 as in table 1.5, which means that 10.1% Return on Assets can be explained by the variable of good corporate governance mechanisms as measured by the size of the board of directors. The residual coefficient ($\rho x_2 E2$) = $\sqrt{1-0.101 = 0.948}$ is the influence of other variables outside the size of the board of directors. And the results of the analysis of research model 1c in table 1.5 obtained the path coefficient of $X_1c$ to $X_2$ of $\rho x_2 x_1c = 0.255$. While the reflected coefficient or contribution of $X_1c$ to $X_2$ is (Rsquare) = 0.065 as in table 1.5, which means that 6.5% Return on Assets can be explained by the variable of good corporate governance mechanisms as measured by the audit committee. The residual coefficient ($\rho x_2 E3$) = $\sqrt{1-0.065 = 0.967}$ is the influence of other variables outside the audit committee.
Thus the structural equation for research model 1 is as follows:

\[ X_2 = 0.325X_{1a} + 0.946\varepsilon_1 \text{ dan } R^2_{x2x1} = 0.106 \]  
\[ X_2 = -0.318X_{1b} + 0.948\varepsilon_2 \text{ dan } R^2_{x2x1b} = 0.101 \]  
\[ X_2 = 0.255X_{1c} + 0.967\varepsilon_3 \text{ dan } R^2_{x2x1c} = 0.065 \]  

(1)

(2)

(3)

Calculation of the Path Coefficient for the Sub-Structure 2

The causal relationship between variables in Sub-structure 2, which is shown in Figure 1.4 below, consists of one endogenous variable, \(X_2\) and one exogenous variable, \(X_1\). The structural equation for sub-structure 1 is as follows:

\[ Y = \rho_{yx1a}X_{1a} + \rho_{yx2}X_2 + \varepsilon_1 \]  
\[ Y = \rho_{yx1b}X_{1b} + \rho_{yx2}X_2 + \varepsilon_2 \]  
\[ Y = \rho_{yx1c}X_{1c} + \rho_{yx2}X_2 + \varepsilon_3 \]  

Figure 1.4 Causal Relations in Sub-Structure 2

Information:

\[ X_{1a} = \text{Board of Commissioners Size} \]
\[ X_{1b} = \text{Board of Directors Size} \]
\[ X_{1c} = \text{Audit Committee} \]
\[ X_2 = \text{Return on Assets} \]
\[ Y = \text{Company Value} \]

The results of data processing, using SPSS version 25 computer software, are shown in table 1.6 as follows:

Table 1.6 Results of Sub-Structure Path Analysis 2

<table>
<thead>
<tr>
<th>Information</th>
<th>( \rho )</th>
<th>( t \text{ _table} )</th>
<th>( t \text{ _count} )</th>
<th>Sig</th>
<th>( R^2 )</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equation 2a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X_{1a}</td>
<td>-0.517</td>
<td>1.665</td>
<td>-5.219</td>
<td>0.000</td>
<td>0.313</td>
<td>17,889</td>
<td>0.000</td>
</tr>
<tr>
<td>X_2</td>
<td>-0.106</td>
<td>1.665</td>
<td>-1.067</td>
<td>0.289</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equation 2b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X_{1b}</td>
<td>0.280</td>
<td>1.665</td>
<td>2.533</td>
<td>0.013</td>
<td>0.145</td>
<td>6,634</td>
<td>0.002</td>
</tr>
<tr>
<td>X_2</td>
<td>-0.185</td>
<td>1.665</td>
<td>-1.676</td>
<td>0.098</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equation 2c</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X_{1c}</td>
<td>-0.518</td>
<td>1.665</td>
<td>-5.384</td>
<td>0.000</td>
<td>0.326</td>
<td>18,837</td>
<td>0.000</td>
</tr>
<tr>
<td>X_2</td>
<td>-0.142</td>
<td>1.665</td>
<td>-1.479</td>
<td>0.143</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data processed (2021)
The results of the analysis of research model 2a in table 1.6 show the path coefficients of X1a and X2 to Y of ρyx1a = -0.517 and ρyx2 = -0.106. While the coefficient reflected or the contribution of X1a and X2 to Y is (Rsquare) = 0.313 as in table 1.6, which means that 31.3% of firm value can be explained by the variable size of the board of commissioners and Return on Assets. The amount of the residual coefficient (ρy^1) = √ 1 - 0.313 = 0.829 is the influence of other variables outside the variable size of the board of commissioners and Return on Assets. The results of the analysis of research model 2b in table 1.6 show the path coefficients of X1b and X2 to Y of ρyx1b = 0.280 and ρyx2 = -0.185. Meanwhile, the reflected coefficient or contribution of X1b and X2 to Y is (Rsquare) = 0.145 as in table 1.6, which means that 14.5% of firm value can be explained by the variable size of the board of directors and Return on Assets. The residual coefficient (ρy^2) = √ 1 - 0.145 = 0.925 is the influence of other variables outside the size of the board of directors and Return on Assets. And the results of the analysis of research model 2c in table 1.6 obtained the path coefficients X1c and X2 to Y of ρyx1c = -0.518 and ρyx2 = -0.142. Meanwhile, the reflected coefficient or contribution of X1c and X2 to Y is (Rsquare) = 0.326 as in table 1.6, which means that 32.6% of firm value can be explained by the audit committee variables and Return on Assets. The residual coefficient (ρy^3) = √ 1 - 0.326 = 0.821 is the influence of other variables outside the audit committee and Return on Assets.

Thus the structural equation for research model 2 is as follows:

\[ Y = -0.517X_{1a} - 0.106X_2 + 0.829\varepsilon_1 \text{ dan } R^2_{yx1a} = 0.313 \]..........................(1)

\[ Y = 0.280X_{1b} - 0.185X_2 + 0.925\varepsilon_2 \text{ dan } R^2_{yx1b} = 0.145 \]..........................(2)

\[ Y = -0.518X_{1c} - 0.142X_2 + 0.821\varepsilon_3 \text{ dan } R^2_{yx1c} = 0.326 \]..........................(3)

**Hypothesis test**

After testing the model, then testing the hypothesis to determine the direct and indirect effect between variables. The proposed hypothesis will be concluded by calculating the path coefficient value and the significance of each path under study. The results of the decisions on the proposed hypothesis are explained as follows:

1. **The size of the board of commissioners has a direct effect on Return on Assets**

   Based on the calculation results, it can be seen that the path coefficient value (px2x1a) is 0.325 with tcount = 3.056, at α = 0.05 it is obtained t table = 1.665. Because the value of tcount = 3.056 is greater than ttable = 1.665, the path coefficient is significant. The results showed that the size of the board of commissioners had a direct effect on Return on Assets with a positive direction of (0.325 x 0.325 x 100%) = 10.56%. Thus Ha1 was accepted.

2. **The size of the board of directors has a direct effect on Return on Assets**

   Based on the calculation results, it can be seen that the path coefficient value (px2x1b) is -0.318 with tcount = -2.984, at α = 0.05 it is obtained t table = 1.665. Because the value of t = -2.984 is greater than t table = 1.665, the path coefficient is significant. The results showed that the size of the board of directors has a direct effect on Return on Assets in a negative direction of (-0.318 x -0.318 x 100%) = 10.56%. Thus Ha2 is accepted.

3. **The audit committee has a direct effect on Return on Assets**

   Based on the calculation results, it can be seen that the path coefficient value (px2x1c) is 0.255 with tcount = 2.340, at α = 0.05 we get t table = 1.665. Because the value of tcount = 2.340 is greater than t table = 1.665, the path coefficient is significant. The results showed that the size of the board of directors has a direct effect on Return on Assets in a positive direction of (0.255 x 0.255 x 100%) = 6.50%. Thus Ha3 is accepted.

4. **The size of the board of commissioners has a direct effect on firm value**

   Based on the calculation results, it can be seen that the path coefficient value (pyx1a) is -0.517 with tcount = -5.219, at α = 0.05 it is obtained t table = 1.665. Because the value of t = -5.219 is greater than t table = 1.665, the path coefficient is significant. The results showed that the size of the board of commissioners had a direct effect on firm value in a negative direction of (-0.517 x -0.517 x 100%) = 26.73%. Thus Ha4 was accepted.
5. The size of the board of directors has a direct effect on firm value

Based on the results of the calculation, it can be seen that the path coefficient value ($p_{xy1b}$) is 0.280 with $t_{count} = 2.533$, at $\alpha = 0.05$ we get $t_{table} = 1.665$. Because the value of $t = 2.533$ is greater than $t_{table} = 1.665$, the path coefficient is significant. The results showed that the size of the board of directors had a direct effect on firm value with a positive direction of $(0.280 \times 0.280 \times 100\%) = 7.84\%$. Thus $H_5$ was accepted.

6. The audit committee has a direct effect on firm value

Based on the calculation results, it can be seen that the path coefficient value ($p_{xy1c}$) is -0.518 with $t_{count} = -5.384$, at $\alpha = 0.05$ it is obtained $t_{table} = 1.665$. Because the value of $t = -5.384$ is greater than $t_{table} = 1.665$, the path coefficient is significant. The results showed that the audit committee had a direct effect on firm value in a negative direction of $(-0.518 \times -0.518 \times 100\%) = 26.83\%$. Thus $H_6$ was accepted.

7. Return on Assets has a direct effect on firm value

Based on the calculation results, it can be seen that the path coefficient ($p_{xy2}$) is -0.106, -0.185, -0.142 with $t_{count} = -1.067, -1.676, and -1.479$. At $\alpha = 0.05$, it is obtained $t_{table} = 1.665$. Because the $t_{count} = -1.067, -1.676, and -1.479$ smaller than $t_{table} = 1.665$, then the path coefficient is not significant. The results showed that Return on Assets has no direct effect on firm value. Thus $H_7$ was rejected.

Discussion

1. The effect of board size on Return on Assets

From the research results, it is known that the size of the board of commissioners has a direct effect on Return on Assets in a positive direction. This means that the higher the number of commissioners in a company will increase the company's Return on Assets. The board of commissioners as one of the good corporate governance mechanisms is responsible for overseeing the financial reporting process and assessing the quality of corporate governance. The higher the number of the board of commissioners, the higher the supervisory function in company management and reduce the agency conflicts that occur between the principal and the agent so that the company's performance can increase. Increasing company performance is indicated by the increase in Return on Assets in the company.

The results of this study support the findings of Wahyuni (2020), which shows that the size of the board of commissioners has an effect on Return on Assets. However, the results of this study are not in line with the research conducted by Bintara (2019) which states that the size of the board of commissioners has no effect on Return on Assets.

2. The effect of board size on Return on Assets

From the research results, it is known that the size of the board of directors has a direct effect on Return on Assets in a negative direction. This means that the more the board of directors has an effect on the decline in Return on Assets. This can be caused by conflicts that arise as the number of members of the board of directors increases. Conflicts that can occur between the board of directors are misunderstanding and miscommunication in carrying out business continuity.

The results of this study support the findings of the NCO (2019), which shows that the size of the board of directors has a negative effect on Return on Assets.

3. The effect of the audit committee on Return on Assets

From the research results it is known that the audit committee has a direct effect on Return on Assets in a positive direction. This means that the high or low number of audit committees in a company can affect the company's Return on Assets.
The audit committee is responsible for overseeing the financial reporting process. The audit committee also connects shareholders and commissioners with management in an effort to handle control. The audit committee is a board of commissioners supporting committee whose task is to assist the board of commissioners to ensure that financial reports are presented fairly in accordance with generally accepted accounting principles, the company's internal control structure is well implemented, the implementation of internal and external audits is carried out in accordance with applicable audit standards, and follow-up to audit findings is carried out by management.

The results of this study support the findings of Nurul (2019), which shows that the audit committee has an effect on Return on Assets.

4. The effect of board size on firm value

From the research, it is known that the size of the board of commissioners has a direct effect on firm value in a negative direction. This means that the more board of commissioners owned by the company has an effect on the decline in firm value. It can be explained that the size of the board of commissioners is the main determining factor of the effectiveness of supervision of company management. The board of commissioners is responsible and authorized to supervise management actions, and provide advice to management if deemed necessary by the board of commissioners so that the board of commissioners is considered influential in increasing the value of the company.

The results of this study support the findings of Marini & Marina (2017), which states that the size of the board of commissioners has an effect on firm value. However, the results of this study are not in line with research conducted by Rosita & Wibowo (2020) which states that the size of the board of commissioners has no effect on firm value.

6. The effect of board size on firm value

From the research results, it is known that the size of the board of directors has a direct effect on firm value in a positive direction. So it can be interpreted that the more board of directors the company has, the higher the value of the company.

The size of the board of directors is the number of boards of directors in the company. The more board members in the company will provide a better form of oversight of the company's performance. With good and controlled company performance, it will produce good profitability. Increased profitability will indirectly increase the company's stock price and the company's value will also increase (Isshaaq et al. 2009). According to Sulong and Nor (2008), the size of the board of directors can increase company value because the large number of directors can increase control and monitoring of dividend value, government policies that affect companies, and foreign ownership, where these things can increase company value. The large number of board members will lead to many variations in opinion in decision making, so that the decision is believed to be the best decision so that it will increase company value (Beiner et al. 2004).

The results of this study support the findings of Marini & Marina (2017), which shows that the size of the board of directors has an effect on firm value. However, the results of this study are not in line with research conducted by Thendean (2019) which states that the size of the board of directors has no effect on firm value.

7. The effect of the audit committee on firm value

From the research results, it is known that the audit committee has a direct effect on firm value in a negative direction. This means that the more audit committees the company has, the smaller the firm value. The presence of an audit committee that supervises the performance of the board of commissioners and improves the quality of information flow between shareholders and managers, thereby helping to reduce agency problems and increase firm value (Obradovich and Gill, 2013). The audit committee plays a role in overseeing the company's financial reporting process which has been prepared through an audit process with the integrity and objectivity of the
auditors. The audit committee will effectively increase the credibility of the financial statements and help the board of commissioners to gain the trust of shareholders. In terms of financial data manipulation, the audit committee contributes in helping to examine data in financial reports so that they can be accounted for. Providing clear and transparent financial information will reduce misinformation and increase company value (Rouf, 2011).

The results of this study support the findings of Nurdiwaty (2020), which shows that the audit committee has an effect on firm value. However, the results of this study are not in line with research conducted by Nurhandika & Hamzah (2017) which states that the audit committee has no effect on firm value.

8. The effect of Return on Assets on firm value

From the research results, it is known that Return on Assets has no effect on firm value. This indicates that the increase in Tobin's Q value cannot cover the decline that occurs in the company's Return on Assets. The management of the company has not succeeded in increasing the value of the company for the owner of the company in accordance with the objectives of financial management to maximize the value of the company. The company must correct the prospects for activities carried out by the company to be more productive, so that shareholders will feel a greater benefit than the cost of capital.

These results support research conducted by Lutfia, et al. (2019), Lastanti & Salim (2019) which found that Return on Assets has no effect on firm value. However, the results of this study are not in line with research conducted by Leonardo & Khairunnisa (2019), and Susanti, et al (2019) which state that Return on Assets has a significant positive effect on firm value.

Conclusions

Based on the results of the analysis and discussion that has been carried out, the following conclusions can be drawn: 1) The variable size of the board of commissioners has a direct effect on Return on Assets in a positive direction; 2) The variable size of the board of directors has a direct effect on Return on Assets in a negative direction; 3) Audit committee variable has a direct effect on Return on Assets in a positive direction; 4) The variable of the size of the board of commissioners has a direct effect on firm value in a negative direction; 5) The variable size of the board of directors has a direct effect on firm value in a positive direction; 6) The audit committee variable has a direct effect on firm value in a negative direction; and 7) The variable Return on Assets has no effect on firm value.

Limitations

This research is inseparable from its shortcomings and limitations. Limitations in this study are as follows: 1) The measurement indicators for corporate governance mechanisms in this study only use the size of the board of commissioners, the size of the board of directors, and the audit committee; 2) Limited observation period during 2017-2019

Suggestions

As previously described, this study contains limitations. However, the results of this study can at least motivate further research. By considering the existing limitations, it is hoped that future research will improve the following factors: 1) For companies, applying corporate governance mechanisms in accordance with existing regulations, so as to increase company value. 2) For further researchers, increase the number of variables used as a proxy for the corporate governance mechanism in order to obtain more accurate research results on the effect of corporate governance mechanisms on firm value and increase the number of research samples and extend the study period by increasing the observation period. This is suggested so that in future studies more accurate results can be obtained.
References
