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THE IMPACT OF CORPORATE GOVERNANCE AND BOARD CHARACTERISTICS TOWARD FIRM VALUE OF BUMN COMPANIES

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ABSTRACT

Since 2014, there has been a massive increase in infrastructure development. The interesting thing about this industry is a decrease in the share price of these companies, especially state-owned companies that are mostly working on the infrastructure development. According to this phenomenon, a study was conducted to determine the effect of corporate governance and the characteristics of the board of directors on firm value which is a reflection of value of share in the market price. The characteristics of the board of directors consist of age, gender, tenure, and educational background. The audit committee, independent commissioners, and the board of commissioners are proxies for corporate governance. The data used are state-owned infrastructure companies listed on the Indonesia Stock Exchange from 2015-2022. The number of companies is 8 companies. The analysis uses multiple regression analysis, and they processed with Statistical Product and Service Solution (SPSS version 29). The results of this study indicate that the audit committee, age of directors, and educational background of directors have a significant effect on firm value. Meanwhile, the independent commissioners, board of commissioners, gender of directors, and tenure of directors do not affect firm value. The conclusion is that the role of the audit committee and the age and education of the board of directors play an important role in firm value. This study implies that the selection of the audit committee and the age and educational background of board members are the prominent focus of recruitment in a company to increase firm value.

Keywords: *Board of Directors, Board Characteristics, Firm Value, Corporate Governance, State-Owned*

1. INTRODUCTION

Infrastructure is one of the foundations and an important focus for a country in its progress. Good infrastructure believed to reflect the progress of a country. Since 2014, there has been massive infrastructure development in Indonesia. The progress of this infrastructure remains the same performance of stated-owned companies in building infrastructure. Companies that build state infrastructure have affected by this progress. Because infrastructure sector companies participate in the infrastructure development, these companies will certainly experience an increase in both firm value and company finances.

This increase in corporate finance colud been seen in various ways. One of the easiest ways is to see the increase in share prices in market. The increase in share price in market is closely to related as an indicator in determining the value of a company. Unfortunately, in this era of infrastructure progress, there is an anomaly in Indonesia's economic sector. The anomaly that occurs is the decrease in market share prices in infrastructure companies that take a role in the infrastructure development process, especially in state-owned companies.

According to Fernando (2021) from NBC Indonesia, the decreasing in construction company shares by several state-owned companies in the construction sector are registered on the

Indonesia Stock Exchange (IDX). The decrease in share prices experienced by PT PP (Persero) Tbk and PT Waskita Karya (Persero) Tbk decreased by 1.61% and 3.75%, respectively.

This decrease in share price also indicates a decrease in company value. The company will to considere negligent in managing the company's operational activities. With this phenomenon, investors will hesitate to put their trust in the company. This causes conflicts between shareholders and management, which is the basis of agency theory. Good corporate governance will reduce agency conflicts (Santosa et al., 2020) while providing signals to investors in evaluating the company's financial condition. Therefore, companies need good governance implementation (Mahrani et al., 2018) to have trust from investor.

Companies will certainly try to increase company value in various ways. According to Azaria et al. (2021), efforts that are able to make to increase company value include implementing Good Corporate Governance (GCG). Good corporate governance is an action of processes, policies, and rules so that good corporate governance can affect the management and control of a company (Suaidah, 2020). The existence of governance practices in the company can be successful with diversity in the board of directors, which will play a direct role in company performance. Diversity of the board of directors is one considered to increase the value of the company.

However, this research only uses the audit committee, independent commissioner, board of commissioners, age of directors, gender of directors, tenure of directors, and educational background of directors as variables that can influence firm value. State-owned infrastructure companies listed on IDX as samples of this research because those companies have played a role in advancing Indonesia's Infrastructure, which is in line with the background of this research.

Agency Theory

Agency theory is a theoretical representation of the contractual relationship between a manager (agent) and a stakeholder (principal). A contractual relationship consisting of one or more people (principals) who have agreed to delegate certain responsibilities and authorities to a manager (agent) to determine the best solutions to problems of the company (Jensen & Meckling, 1976). Agency problems exist when a person (agent) cannot fulfil expectations and disregard the interests of another person (principal), even to the point of placing self-interest over the interests of the principal itself. The agency conflict influences the process of gaining ideal goals, so a control mechanism is needed to align the interests of different parties to achieve the company's goals (Octaviani & Harahap, 2022). Cited from Kusuma & Nuswantara (2021), One of the ways to minimize agency conflicts is implementing Good Corporate Governance (GCG) in the hope that it can increase the value of the firm.

Good Corporate Governance (GCG)

Good corporate governance (GCG) describes as a system of corporate control mechanisms to ensure that corporate activities managed by management are in line with stakeholders' expectations (Kusuma & Nuswantara, 2021). AsTheoretically, based on the Regulation of the Minister of State-Owned Enterprises Decree No. Kep.117 / M-MBU / 2002, Good Corporate Governance (GCG) consists of five principles, namely Transparency, Accountability, Responsibility, Independence, and Fairness. The Corporate Governance structure in Indonesia typically includes a Board of Commissioners, an Audit Committee, and other governance mechanisms because each company may have a different structure or arrangement. The Board of Commissioners represents shareholders in performing the function of handling the implementation of firm policies and strategies and also providing guidance and advice to the Board of Directors in the management of honesty, cautiousity, and responsibility while performing functions to strengthen the company's image (Octaviani & Harahap, 2022).

Audit Committee

One of the important components in implementing good corporate governance is the presence of an audit committee. According to Fitriyani (2020), the function of the audit committee is to ensure that day-to-day activities are carrying out in accordance with company policies, and it is hope that the audit committee will also be able to enhance the confidence of investors in the company to get a return on investment. The audit committee includes at least one member selected from the independent commissioner and at least two from outside the company (Kusuma & Nuswantara, 2021). The audit committee reduces agency conflicts because the audit committee is responsible for protecting shareholder's interests against profit management activities that often undertaken by management (Octaviani & Harahap, 2022). Fitri & Surjandari (2022), Agyemang-Mintah & Schadewitz (2018), and Rusmanto& Lisal (2019) show that the audit committee has a significant impact on company value, the better the audit committee in a company performs, the more the company value will increase
H1: Audit Committee has a significant impact on Firm Value

Indepedent Commissioners

Independent commissioners are responsible for ensuring the company's strategy and, supervise managers in managing the company and demand accountability (Octaviani & Harahap, 2022). According to Fahmi and Nabila (2020), in the general guidance of GCG, independent commissioners are defined as board members who are not affiliated with directors, other members of the board of commissioners, and controlling shareholders. Independent commissioners should not be involved in business or other relationships that may affect the company's ability to act independently or act solely in the interests of the company. The higher the proportion of independent commissioners, the tighter the monitoring, and it can reduce agency costs. The company will become more efficient and increase the value of the business (Octaviani & Harahap, 2022). This theory is in line with the findings of Rusmanto & Lisal (2019), Fitri & Surjandari (2022), and Susbiyani et al. (2022).
H2: Independent Commissioners has significant impact on Firm Value

Board of Commissioners

The Board of Commissioners provides advice and counsel to the Board of Directors when necessary or deemed necessary. Board of Commissioner's member with expertise in specific areas can also provide valuable advice in preparing and implementing the company's strategy. The board of commissioners represents the main internal mechanisms to control and limit opportunistic management behaviour to help harmonize the interests of shareholders and managers. Through these two functions, as mentioned above, the board of directors, measured by the number of board members, there expected to influence the value of the company (Octaviani & Harahap, 2022). It believed that the larger size of the board of commissioners will increase oversight of directors' activities to avoid possible fraudulent actions initiated by financial reporting authorities (Andre & Ruslim, 2023; Kusuma & Nuswantara, 2021; Lidyah et al., 2019).

H3: Board of Commissioner has significant impact on Firm Value

Diversity of the Board of Directors

To enhance corporate value, in selection of board made by shareholders, should been done strategically for the future of the company itself. The board of directors will be responsible for increasing the value of a company. Board members should elected by shareholders, who typically select a diverse composition of members. This diversity mgiht been considered to increase the value of the company because there are different types of experiences, knowledge, skills and responsibilities. The Age, Gender, Tenure, and Educational background of the board of directors are proxies in this research.This theory is in line with the findings of John et al. (2020), Zakaria et al. (2021), John et al. (2020), Saputra et al. (2023); Mulyati et al. (2021), Pramesti & Nita (2022), Zakaria et al. (2021), and Pramesti & Nita (2022) for age, gender, tenure, and educational background of board of directors, respectively.
H4: Age of Board of Directors has a significant impact on Firm Value
H5: Gender of Board of Directors has insignificant impact on Firm Value
H6: Tenure of Board of Directors has significant impact on Firm Value
H7: Educational Background of Board of Directors has a significant impact on Firm Value

Firm Value

Firm value is an investor's perception of the company, often tied to the stock price. A shareholder's view of a firm's value is the extent to which a firm's ability to manage its resources is aimed at maximizing the firm's primary objective, namely its profits, as reflected in its stock price (Purwanti, 2020). Stock prices represent a company's value because changes in a company's stock price can provide signals to shareholders about the company's performance (Setyowati et al., 2020). Other than stock prices, there is another way to calculate a company’s value. The ratio that is often used is Price to Book Value (PBV), which divides the share price per share by book value per share. The higher the PBV value, the more investors trust the company, and an increase in the PBV value will have a favourable impact on the stock price (Mahasidhi & Dewi, 2022).From the above description, it can described that the research framework used in this research is as follows:

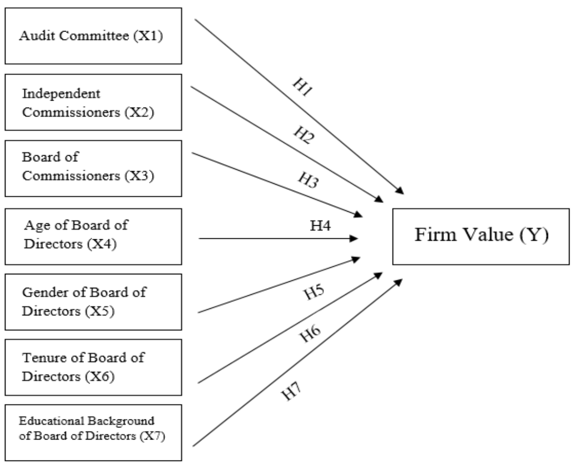

Figure 1. Research Framework

2. RESEARCH METHOD

This study uses quantitative methods to reveal the influence or relationship between variables.Quantitative methods are metrics where data is collected based on the numbers. This study uses secondary data.The data used for this study was taken from the company's annual report published on the company's official website.

The population of this research usedstate-owned infrastructure companies listed on the Indonesia Stock Exchange (IDX).In this research, a purposive sampling methodwas used, with the followingcriteria: (1)State-Owned Companies listed on IDX from the period 2015-2022; (2)State-Owned Companies that are in infrastructure categories; (3)State-Owned Companies thatissued financial reports. There are 8 state-owned infrastructure companies as population and 64 samples in total. The data was running using Microsoft Excel and Statistical Product and Service Solution (SPSS) version 29.

The operationalization of variables and measures used in this study is as follows:

Table 1. Operationalization of Variables and Measurements
Sources: Compiled by Authors (2023)

Variable	Indicator	Scale	Source
Audit Committee (X1)	Total personnel of the Audit Committee	Nominal	Sinaga, et al. (2021:385)
Independent Commissioners (X2)	$\frac{Total\ of\ Independent\ commissioners}{Total\ of\ Board\ of\ Commissioners} X\ 100\%$	Ratio	Jayanti, et al. (2023:88)
Board of Commissioners (X3)	Total personnel of the Board of Commissioners	Nominal	Octaviani & Harahap (2022:224)
Age of Directors (X4)	Measured by dummy (a value 1 for age more than 50 and 0 for age less or equal to 50)	Nominal	Sa'diyah & Sari (2021:213)
Gender of Directors (X5)	Measured by dummy (a value 1 for female and 0 for male)	Nominal	Sa'diyah & Sari (2021:213)
Tenure of Directors (X6)	Measured by dummy (a value 1 for tenure more than 5 years and 0 for tenure less or equal to 5)	Nominal	Imasuen, et al. (2022:50)
Educational Background of Directors (X7)	Measured by dummy (a value 0 for High School, 1 for Bachelor's degree, 2 for Master's deegre, 3 for Postgraduate degree)	Nominal	Jayanti, et al. (2023:88)
Firm Value (Y)	$\frac{Market\ Price\ per\ Share}{Book\ Value\ per\ Share}$ x 100%	Ratio	Pangestu &Lukman (2020:511)

3. RESULTS AND DISCUSSIONS

Before doing the regression test and path analysis, the 64 samples' findings were put through a traditional assumption test. The outcomes of the classical-assumption test as follows:

Table 2. The Results of Preliminary Test
Source: Output Data SPSS Version 29

	Normality Test		
Asymp. Sig. (2-tailed)[c]	Unstandardized Residual: 0.200		0.200 > 0.05 Normal
	Heteroscedasticity Test		
Audit Committee (X1)	Sig: 0.236		0.236 > 0.05 No heteroscedasticity
Independent Commissioners (X2)	Sig: 0.564		0.564 > 0.05 No heteroscedasticity
Board of Commissioners (X3)	Sig: 0.821		0.821 > 0.05 No heteroscedasticity
Age of Directors (X4)	Sig: 0.894		0.894 > 0.05 No heteroscedasticity
Gender of Directors (X5)	Sig: 0.057		0.057 > 0.05 No heteroscedasticity
Tenure of Directors (X6)	Sig: 0.132		0.132 > 0.05 No heteroscedasticity
Educational of Directors (X7)	Sig: 0.281		0.281 > 0.05 No heteroscedasticity
	Autocorrelation Test		
Durbin-Watson	dU < d < 4-dU 1.8443 < 2.087 < 2.1557		1.8443 < 2.087 < 2.1557 No autocorrelation
	Multicollinearity Test		
Audit Committee (X1)	Tolerance: 0.504	VIF: 1.985	Tol: 0.504 > 0.1 & VIF 1.985 < 10 Qualify for the regression test
Independent Commissioners (X2)	Tolerance: 0.324	VIF: 3.083	Tol: 0.324 > 0.1 & VIF 3.083 < 10 Qualify for the regression test
Board of Commissioners (X3)	Tolerance: 0.288	VIF: 3.469	Tol: 0.288 > 0.1 & VIF 3.469 < 10 Qualify for the regression test
Age of Directors (X4)	Tolerance: 0.656	VIF: 1.524	Tol: 0.656 > 0.1 & VIF 1.524 < 10 Qualify for the regression test
Gender of Directors (X5)	Tolerance: 0.839	VIF: 1.192	Tol: 0.839 > 0.1 & VIF 1.192 < 10 Qualify for the regression test
Tenure of Directors (X6)	Tolerance: 0.875	VIF: 1.143	Tol: 0.875 > 0.1 & VIF 1.143 < 10 Qualify for the regression test
Educational of Directors (X7)	Tolerance: 0.429	VIF: 2.329	Tol: 0.429 > 0.1 & VIF 2.329 < 10 Qualify for the regression test

Based on Table 2, the results of the normality test indicate that the Asymp. Sig. (2-tailed) is 0.200, exceeding the significance level of 0.05. Stated otherwise, the residual data follows a normal distribution. According to the calculation results of the tolerance value shown in table 2, no independent variable has a tolerance value of less than 0.10 and a Variable Inflation Factor (VIF) greater than 10. Therefore, it can be concluded that in the regression model, there is no multicollinearity between independent variables. The Durbin-Watson value is obtained as 2.087. Since the Durbin-Watson value is between 1,8443(dU) to 2,1557(4-dU), it can be concluded that the regression model is free from autocorrelation problems. The values are displayed in the heteroscedasticity test results using the Park test. Since these values are more than 0.05, the regression model does not exhibit heteroscedasticity.

Table 3. The Result of Hypothesis Test
Source: Output Data SPSS Version 29

Correlation Coefficient (R Test)			
R Test	0.851		Close to 1; Strong correlation between dependent variable and independent variables
Coefficient of Determination (R Square Test)			
R Square	0.723		Independent variables explained dependent variable by 72.3%
Simultaneous Effect Test (F Test)			
Regression	Sig: 0.001		0.001 < 0.05;Independent variables simultaneously influence dependent variable
Partial Effect Test (T Test)			
Audit Committee	Unstandardized B: 10.528	Sig: 0.001	0.001 < 0.05 Positive and significant impact
Independent Commissioners	Unstandardized B: 1.334	Sig: 0.853	0.853 > 0.05 Positive and insignificant impact
Board of Commissioners	Unstandardized B: -1.473	Sig: 0.562	0.56 > 0.05 Negative and insignificant impact
Age of Directors	Unstandardized B: 3.603	Sig: 0.019	0.019 < 0.05 Positive and significant impact
Gender of Directors	Unstandardized B: -5.168	Sig: 0.086	0.086 > 0.05 Negative and insignificant impact
Tenure of Directors	Unstandardized B: -0.250	Sig: 0.944	0.944 > 0.05 Negative and insignificant impact
Educational of Directors	Unstandardized B: 3.066	Sig: 0.001	0.001 < 0.05 Positive and significant impact

Table 3 shows that the correlation coefficient (R) value at 0.851, which is close to 1, indicating a fairly strong correlation between independent variable dependent variable. The coefficient of determination (R2), which is the proportion of the independent variable's function in predicting the fluctuation to the extent of the dependent variable, provides information about the regression model's applicability (Kusuma & Nuswantara, 2021). The adjusted R2 value is 0.723. The findings show that changes in the independent variable have an impact on the magnitude of the dependent variable, which is 72.3%. The remaining 27.7% of the variable is variables are not included in this research. F Value is 20.931 and a significance value of 0.001, which are less than 0.05. The study's of multiple regression model can applied, and the dependent variable, firm value, is simultaneously influenced by the independent variables. The variables that showpositive and significant impact are the audit committee,age of directors, and educational background of directors because the level of significance of the three variables is <0.05 with a positive value of unstandardized B.The independent commissionersvariable has a positive and insignificant impactbecause the level of significance is >0.05 with a positive value of unstandardized B. It can be observed that the variables the board of commissioners, gender of directors, and tenure of directors show a negative and insignificant impact on firm value since the three variables show a significance value>0.05 with a negative value of unstandardized B, which mean those three variables have no impact on firm value.The equation demonstrated below:

$$\boldsymbol{PBV = -61.602 + 10.528\,AC + 1.334\,IC - 1.473\,BoC + 3.603\,AGE - 5.168\,GEN - 0.250\,TNR + 3.066\,EDU + \varepsilon}$$

Legend: Price to Book Value (PBV), Audit Committee (AC), Independent Commissioners (IC), Board of Commissioners (BoC), AGE = Age of Directors (AGE), Gender of Directors (GEN), Educational Background of Directors (EDU).
The equation's results indicate that the constant value is -61.602, meaning that the company's value can drop by 61.602 if the independent variables remain constant.

The Impact of Audit Committee on Firm Value

The analysis's findings demonstrated that, with a significance value of less than 0.05, the audit committee did indeed have a significant impact on the firm's worth (Sig. 0.001). We can conclude that H1, as previously stated, is accepted. Thus, the audit committee's impact on the value of the company is noteworthy. The findings of this research are consistent with those of Rusmanto & Lisal (2019) and Fitri & Surjandari (2022). Nonetheless, there is a difference between studies done by Jain & Raithatha (2021) and Santosa et al. (2022). The audit committee's supervisory role gives shareholders trust in the company's financial reporting, which raises the value of the business. In other words, the audit committee can reduce the incidence of asymmetric information.

The Impact of Independent Commissioners on Firm Value

The analysis's findings demonstrated that, with a significance value of more than 0.05, the independent commissioners did not have a significant impact on the firm's worth (Sig. 0.853). We conclude to rejecte the hypotesis of H2. Thus, the independent commissioner impact on the value of the company is unnoteworthy. The findings of this research are consistent with those of Susbiyani et al. (2022) and Fitri & Surjandari (2022). Nonetheless, there is a difference between studies done by Feviana & Supatmi (2021) and Semaun (2022). The existence of independent commissioners has not been effective in increasing firm value. This is possible since independent commissioners' performance was designed to be a formality. Many corporations still have far too few independent commissioners, which limits their ability to oversee.

The Impact of Board of Commissioners on Firm Value

The analysis's findings demonstrated that, with a significance value of more than 0.05, the board of commissioners did not have a significant impact on the firm's worth (Sig. 0.562). We can conclude that H3, as previously stated, is rejected. Thus, the board of commisioner impact on the value of the company is unnoteworthy. The findings of this research are consistent with those of Andre & Ruslim (2023) and Octaviani & Harahap (2022). Nonetheless, there is a difference between studies done by Septiani & Yoewono (2023) and Wardhani et al. (2021). The company's value has not been able to increaseby the board of commissioners' existence. This can be explained by the fact that the efficacy of the board of commissioners' oversight of the company's management is not primarily determined by the board's size. Ineffective management oversight may result in asymmetric information sharing between managers and shareholders.

The Impact of Age of Directors on Firm Value

The analysis's findings demonstrated that, with a significance value of less than 0.05, the age of directors did indeed have a significant impact on the firm's worth (Sig. <0.019). We can conclude that H4, as previously stated, is accepted. Thus, the age of the director's impact on the value of the company is noteworthy. The findings of this research are consistent with those of John et al. (2020) and Zakaria et al. (2021). Nonetheless, there is a difference with studies done by Sa'diyah & Sari (2021) and Sheikh (2018).A director's decision-making and stability-maintaining skills improve with age, hence reducing risk. Agency conflicts can be avoided and the firm's value can increase.

The Impact of Gender of Directors on Firm Value

The analysis's findings demonstrated that, with a significance value of more than 0.05, the gender of directors did not have a significant impact on the firm's worth (Sig. 0.086). We can conclude that H5, as previously stated, is accepted. Thus, the gender of the director's impact on the value of the company is unnoteworthy. The findings of this research are consistent with those of Dewi et al. (2023) and Handayani et al. (2019). Nonetheless, there is a difference with studies done by John et al. (2020) and Jayanti et al. (2023). Gender on board has no impact on firm value and this could be due to the low number of women boards of directors.Women's presence on a board of directors is considered to be beneficial to the staff by bringing democracy, freedom, and transparency. This transparency may lessen asymmetric information between managers and shareholders.

The Impact of Tenure of Directors on Firm Value

The analysis's findings demonstrated that, with a significance value of more than 0.05, the tenure of directors did not have a significant impact on the firm's worth (Sig. 0.944). We can conclude that H6, as previously stated, is rejected. Thus, the tenure of the director's impact on the value of the company is unnoteworthy. The findings of this research are consistent with those of Mulyati et al. (2021) and Pramesti & Nita (2022). Nonetheless, there is a difference between studies done by Saputra et al. (2023) and Imasuen et al. (2022).A director who has served for a considerable amount of time tends to become less flexible and receptive to change, lose objectivity in their own opinions, and hold onto antiquated ideals. Self-interest and agency conflicts may result from this.

The Impact of Educational Background on Firm Value

The analysis's findings demonstrated that, with a significance value of less than 0.05, the educational background of directors did indeed have a significant impact on the firm's worth (Sig. <0.001). We can conclude that H7, as previously stated, is accepted. Thus, the educational background of the director's impact on the value of the company is noteworthy. The findings of this research are consistent with those of John et al. (2020) and Zakaria et al. (2022). Nonetheless, there is a difference between studies done by Fitri & Surjandari (2022) and Molinero-Diez et al. (2022).A director's educational history is crucial in the business sector.This is because board members possess greater economic and business acumen than those who lack it, making them more qualified to manage the company and make wiser judgments. Existing knowledge and skills, may provide investors confidence and minimize agency conflict.

4. CONCLUSIONS AND SUGGESTIONS

The research, as previously mentioned, leads to the conclusion that, in state-owned infrastructure companies listed on IDX from the period 2015 to 2022, the audit committee, the age of directors, and the educational background of directors have a major impact on firm value. Otherwise, in state-owned infrastructure companies listed on IDX in 2015–2022, the company's value is unaffected by independent commissioners, the board of commissioners, the director's gender, and the director's tenure.

This study has a number of limitations that should be examine and taken into account for future research. The limitations are: a) the research conducted with short period (from 2015 to 2022) and therefore did not fully explain the other factors that may affect firm value; b) the subject matter was restricted to the infrastructure sector of state-owned companies listed on IDX, making it unable to represent and explain the broad influence of the independent variables on the dependent variable in other sectors; and c) the study was limited to the infrastructure sector of these companies.

Several suggestions are made in considering the restrictions mentioned earlier to improve the company's value and support further research. This research in provide recommendations as follows: a) Future research should add other independent variables that can be a factor in increasing or decreasing the company's value, b) The length of research period should not only be limited to eight years, c) the addition of sectors to the research object where the sector studied is not only in the infrastructure sector of the state-owned.

Companies should be aware of the members of the audit committee since this group was established by and answerable to the board of commissioners to assist in the execution of the board's responsibilities. Companies should also take the director's age and educational background into consideration, as older directors are seen to be more mature decision-makers and those with higher educations are thought to have broader perspectives. This study implies that the primary emphasis of a company's recruitment efforts to raise firm value is the selection of the audit committee and the age and educational background of board members.

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