

## THE EFFECT OF FIRM PERFORMANCE AND BOARD SIZE ON FIRM VALUE

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### Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh Firm Performance dan Board Size terhadap Firm Value pada perusahaan yang bergerak di sektor Consumer Non-Cyclical selama periode 2021–2024. Sampel penelitian terdiri atas 81 perusahaan dengan total 325 observasi setelah dilakukan proses eliminasi terhadap data outlier. Sampel dipilih dengan menerapkan metode purposive sampling. Teknik regresi linier berganda dilakukan untuk mengolah data dibantu dengan perangkat lunak SPSS versi 25. Landasan teori yang digunakan adalah teori stakeholder, yang menekankan adanya potensi konflik kepentingan antara pemegang saham dengan manajemen, serta pentingnya penerapan tata kelola perusahaan dalam upaya memaksimalkan nilai perusahaan. Hasil penelitian memperlihatkan bahwa Firm Performance dan Board Size berpengaruh signifikan terhadap Firm Value. Temuan ini memperlihatkan bahwa kinerja perusahaan dan komposisi dewan direksi merupakan aspek penting dalam meningkatkan nilai perusahaan, khususnya pada sektor Consumer Non-Cyclical. Untuk penelitian mendatang, disarankan agar memasukkan variabel Corporate Social Responsibility (CSR), baik sebagai variabel mediasi maupun moderasi, guna memperkaya model dan memberikan pemahaman yang lebih komprehensif mengenai hubungan antara Firm Performance, Board Size, dan Firm Value.

**Kata Kunci:** *Firm Performance, Board Size, Firm Value*

### Abstract

*This research aims to examine the influence of Firm Performance and Board Size on Firm Value in companies operating within the Consumer Non-Cyclical sector during the 2021–2024 period. A total of 81 companies were selected as the sample, resulting in 325 observations after eliminating outliers. The sample was chosen using a purposive sampling technique. The data analysis was conducted using multiple linear regression in SPSS version 25. This study is based on stakeholder theory, which highlights the possible conflicts of interest between shareholders and management, as well as the essential role of corporate governance in optimizing firm value. The results indicate that both Firm Performance and Board Size significantly impact Firm Value. These findings highlight that corporate performance and board composition are key determinants in enhancing firm value, particularly in the*

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*Consumer Non-Cyclical sector. For subsequent studies, it is suggested to incorporate a Corporate Social Responsibility (CSR) variable to broaden the research model and examine its potential role as a mediator or moderator in the relationship between Firm Performance, Board Size, and Firm Value.*  
**Keywords:** *Firm Performance, Board Size, Firm Value.*

## A. PENDAHULUAN

Development of the industrial sector consumer non-cyclicals In Indonesia, there has been quite an increase recently and there are indications that it will continue to increase in the coming years. This is proven by the fact that currently the sector consumer non-cyclicals become a mainstay in providing a major contribution to economic growth. The Ministry of Industry stated that the business sector consumer non-cyclicals unable to grow by 7.91%, besides that, in consumer data to meet daily needs, the number is increasing. In the company sector consumer non-cyclicals Those who innovate by releasing their newest products can attract consumers to buy these products. According to business owners, in order to manage financial functions well, companies must be able to compete and also be able to develop their businesses in economic activities.

Corporate value is also important for a company because a good corporate value will also be followed by high shareholder prosperity and shareholder wealth. This can make a company that will make the market trust the company's performance and future prospects. The higher the share price, the higher the company's value. Corporate value can be influenced by profitability, namely the company's ability to generate profits obtained from the capital owned by the company. The progress of a company itself can be seen from profits or what increases so that it can run well. In addition, the company has increased profits will attract investors to invest in the company, this will have a positive impact on the company.

Firm value can be assessed using the Price to Book Value (PBV). In this research, Price to Book Value (PBV) is used as a measure of firm value, calculated as the ratio of a company's

share market price to its book value per share (Damayanti & Darmayanti, 2022). For investors, assessing a company's stock value is crucial to determine whether it is trading below or above its intrinsic worth. PBV serves as a suitable indicator of firm value because it illustrates the degree to which the market price diverges from the book value of the company. A higher PBV demonstrates the company's greater ability to generate shareholder value and enhance shareholder welfare (Dewi & Rahyuda, 2020). Furthermore, PBV plays a significant role in guiding investment decisions for both existing and prospective investors. An increase in firm value indicates higher profitability and greater returns, thereby contributing to shareholder prosperity (Husna & Satria, 2019). In essence, PBV can be interpreted as a comparison between a company's stock price and its book value, which shows whether the stock is trading above or below its intrinsic worth.

Grounded on the aforementioned background, this research seeks to examine the effect of Firm Performance and Board Size on Firm Value in companies operating within the Consumer Non-Cyclical sector during the 2021–2024 period.

## **THEORETICAL STUDY AND HYPOTHESIS DEVELOPMENT**

Stakeholder theory is a concept that argues that in its production and operations, a company must provide benefits and advantages to its stakeholders because a company is not a self-serving entity. Stakeholders are those who directly and indirectly influence the company (Ramadhani, 2021).

### **Firm Value**

Firm value reflects investors' perceptions of a company's performance and is commonly associated with its prevailing stock price. When the stock price is relatively high, it generates substantial added value for the company and enhances market trust in both its current growth and future outlook. The measurement of firm value can be carried out through various

indicators, one of which is the Price to Book Value (PBV). A higher PBV ratio indicates that investors perceive the firm as having greater value in comparison to the capital invested (Martini & Reni, 2023).

## **Firm Performance**

Taouab and Issor (2019) state that firm performance is a multidimensional construct that includes both financial and non-financial measures used to evaluate the extent to which organizational objectives are achieved. It reflects a company's capability to utilize resources in an efficient and effective manner while simultaneously creating added value.

### **H1: Firm Performance has a significant effect on Firm Value**

## **Board Size**

Board size refers to the total number of directors and commissioners in a company. The board of commissioners acts as a supervisory body, performing general or specific oversight according to the company's articles of association and providing advice to the board of directors. In contrast, the board of directors functions as the executive body, holding full authority and responsibility for managing the company to achieve its objectives, as well as representing the company legally both inside and outside the court in accordance with the articles of association (Yezzieka, 2013). Previous research by Anggraini & Gunawan (2024) found that *board size* Optimal board size can increase firm value by making strategic decisions more representative. Susanti (2021) shows that excessively large board size can actually reduce decision-making effectiveness, thereby reducing firm value.

### **H1: Board Size has a significant effect on Firm Value**

## B. METHOD

This research method uses a quantitative approach with samples of companies in the manufacturing sector. *Consumer Non-Cyclicals* listed on the Indonesia Stock Exchange for the 2021–2024 period. The sample was selected using a purposive sampling method with the criteria of companies consistently listed in the sector *Consumer Non-Cyclical*, publish annual reports, and have complete data related to the research variables. This resulted in a sample of 81 companies, and after subtracting outliers, the total data used for testing was 325 observational data.

### 1. Operational Measurement of Variables

Tabel 2.1 Operational Measurement of Variables

Variabel	Parameter	Skala
<i>Firm Value</i>	$PBV = \text{Price per share} / \text{Book Value of Shares}$ (Sujarweni, 2020)	Rasio
Firm Performance	ROE = net profit / total equity (Jannah & Rimawan, 2020)	Rasio
<i>Board Size</i>	Number of members of the board of directors (Dziaulhaq, 2022).	Nominal

## C. RESULTS AND DISCUSSION

The results of data processing, the following test results were obtained:

## 1. Descriptive Statistical Test

**Tabel 3.1. Results Descriptive Statistical Test**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Form Performance	325	-19.47	11.06	-.0203	1.38981
Board Size	325	4.00	20.00	7.9485	3.18412
Firm Value	325	-35.18	44.86	2.7596	5.39217
Valid N (listwise)	325				

The descriptive statistics reveal that Firm Performance ranges from a minimum of -19.47 to a maximum of 11.06, with a mean of -0.203 and a standard deviation of 1.38981. In comparison, Board Size has a minimum value of 4.00 and a maximum of 20.00, with an average of 7.9485 and a standard deviation of 3.18412.

## 2. Classical Assumption Test

### 1. Normality Test

**Tabel 3.2. Normality Test Results**

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		325
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	.74634002
Most Extreme Differences	Absolute	.053
	Positive	.053
	Negative	-.040
Test Statistic		.053
Asymp. Sig. (2-tailed)		.200
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

The significance value is  $0.200 > 0.05$ , so the data is normally distributed.

## 2) Multicollinearity Test

**Tabel 3.3 Multicollinearity Test Results**

Coefficients <sup>a</sup>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Firm Performance	.931	1.074
	Board Size	.931	1.074
a. Dependent Variable: Firm Value			

The results of the multicollinearity analysis show that all independent variables have tolerance values exceeding 0.10 and VIF values below 10, indicating that the regression model does not exhibit multicollinearity problems.

## 3) Heteroscedasticity Test

**Tabel 3.4. Heteroscedasticity Test Results**

Coefficients <sup>a</sup>			
Model		t	Sig.
		1	(Constant)
Form Performance	.853		.394
Board Size	.118		.906
a. Dependent Variable: Firm Value			

The results of the Glejser test show that the significance value of the Firm Performance (0.394), and Board Size (0.906) variables is  $> 0.05$ , so that heteroscedasticity does not occur and the homoscedasticity assumption is fulfilled.

#### 4) Autocorrelation Test

Tabel 3.4. Results Auto correlation Test

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.519 <sup>a</sup>	.270	.260	3.49666	1.622
a. Predictors: (Constant), Board Size, Firm Performance					
b. Dependent Variable: Firm Value					

The Durbin-Watson value of 1.622 is above the lower limit and still below the upper limit (1.7872) and below 4 minus the upper limit (2.2128), indicating no autocorrelation in the regression model. Thus, the assumption of residual independence is met

#### 3. Multiple Linear Analysis

Tabel 3..5 Results of Multiple Linear Analysis

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
		1	(Constant)	3.078		
	Firm Performance	.514	.044	.556	11.561	.000
	Board Size	-.669	.110	-.293	-6.083	.000
a. Dependent Variable: Firm Value						

The findings from the multiple linear regression analysis reveal that Firm Performance ( $\beta = 0.556$ ,  $p = 0.000$ ) and Board Size ( $\beta = 0.293$ ,  $p = 0.000$ ) exert a significant influence on Firm Value. Taken together, these variables provide a substantial contribution in explaining the variation of Firm Value among companies in the Consumer Non-Cyclical sector.

## 4. F Test

**Tabel 3 7. Result F Test**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	78.852	2	39.426	71.840	.000 <sup>b</sup>
	Residual	175.618	320	.549		
	Total	254.470	322			
a. Dependent Variable: Firm Value						
b. Predictors: (Constant), Board Size, Firm Performance						

The F-test results show a value of 71.840 with a significance level of 0.000 ( $p < 0.05$ ), indicating that Firm Performance and Board Size simultaneously exert a significant effect on Firm Value. This indicates that the regression model is appropriate for predicting the dependent variable and is capable of explaining variations in Firm Value among companies in the Consumer Non-Cyclical sector.

## 5. T Test

**Tabel 3.8. Result T Test**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.078	.275		11.212	.000
	Firm Performance	.514	.044	.556	11.561	.000
	Board Size	-.669	.110	-.293	-6.083	.000
a. Dependent Variable: Firm Value						

### a) Pengaruh Firm Performance terhadap Firm Value (H1)

The t-test results reveal that Firm Performance has a regression coefficient of 0.514 with a significance level of 0.000 ( $p < 0.05$ ), indicating that it has a significant effect on Firm Value. Consequently, hypothesis H1 is **accepted**.

This finding is consistent with stakeholder theory, which asserts that a company's obligations extend beyond its shareholders to include various other stakeholders. Good company performance results in more stable cash flow, a better reputation, and stronger stakeholder relationships. This aligns with research by Valencia (2025) and Alexandra (2025).et al., (2025) which states that Firm Performance influences Firm Value.

## b) Effect of Board Size on Firm Value (H2)

The t-test results indicate that Board Size has a regression coefficient of -0.669 with a significance level of 0.000 ( $p < 0.05$ ), demonstrating that it significantly affects Firm Value. Therefore, hypothesis H2 is **accepted**.

This finding aligns with stakeholder theory, which emphasizes that the board of directors or commissioners serves not only to represent shareholder interests but also to ensure that the company addresses the concerns of all stakeholders. A board of directors with an optimal size can strengthen the company's legitimacy among stakeholders, which in turn contributes to higher firm value. These findings are in line with the research of Rinaldi (2025) and Susanti (2021), who similarly reported that board size has a significant effect on firm value.

## 6. R Square Test

**Tabel 3.8. Result R Square**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.557 <sup>a</sup>	.310	.306	.74081	1.099
a. Predictors: (Constant), Board Size, Firm Performance					
b. Dependent Variable: Firm Value					

The regression analysis reveals a coefficient of determination ( $R^2$ ) of 0.310, indicating that Firm Performance and Board Size collectively account for 31.0% of the variation in Firm Value. The Adjusted  $R^2$  value of 0.306 indicates that roughly 30.6% of

the variation in Firm Value can be accounted for by this model, whereas the remaining 69.4% is influenced by factors beyond the scope of this study.

## D. CONCLUSION

The findings of this study indicate that both Firm Performance and Board Size significantly affect Firm Value in companies within the Consumer Non-Cyclical sector. Effective Firm Performance enhances public confidence and strengthens the company's reputation, which in turn contributes to an increase in Firm Value. Similarly, an appropriately structured Board Size fosters greater trust, supports the company's capacity to sustain long-term operations, and improves its legitimacy and reputation among investors.

## E. SUGGESTION

Further research is suggested to add variables Corporate Social Responsibility (CSR) to see its effect in increasing influence Firm performance And Board size to firm value.

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