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INFLUENCE BOARD OF DIRECTOR CHARACTERISTICS AND LIQUIDITY ON FINANCIAL PERFORMANCE

PENGARUH KARAKTERISTIK DEWAN DIREKSI DAN LIKUIDITAS TERHADAP KINERJA KEUANGAN

Dewi Komariah[1], Eny Purwaningsih[2]
Program Study of Accounting, Faculty of Economic and Business, Esa Unggul University[1,2]
dewikomariah137@student.esaunggul.ac.id[1], eny.purwaningsih@esaunggul.ac.id[2]

ABSTRACT

This study was conducted with the aim of analyzing the influence of board of directors characteristics and liquidity levels on the financial performance of consumer sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020-2024 period. The independent variables in this study consist of board size (Board Size) measured by the total number of board members; board independence (Board Independence) calculated by comparing the number of independent board members to the total board members; board diversity (Board Diversity) calculated by calculating the proportion of female board members to the total board members; board composition (Board Composition) measured by the proportion of board members with master's degrees; and liquidity (Current Ratio) obtained by comparing current assets to current liabilities. Meanwhile, the dependent variable in this study is financial performance measured using Return on Assets (ROA), which is the ratio between net profit and total assets. The sample in this study consists of 15 consumer sector companies selected over five years of observation, resulting in 75 observational data. This study applies multiple linear regression analysis methods with the support of SPSS software, and is equipped with classical assumption tests to ensure the validity of the model used. Simultaneous test results show that all independent variables collectively have a significant influence on financial performance. Partially, board size, board composition, and liquidity were found to have a positive and significant effect on financial performance, while board independence and board diversity did not. This study contributes to strengthening empirical evidence that certain board characteristics and liquidity conditions can be strategic considerations in efforts to improve corporate financial performance, particularly in the consumer sector.

Keywords: *Board Size, Board Independence, Board Diversity, Board Composition, Liquidity, Return on Assets.*

ABSTRAK

Penelitian ini dilakukan dengan tujuan menganalisis pengaruh karakteristik dewan direksi dan tingkat likuiditas terhadap kinerja keuangan perusahaan sektor konsumen yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2020-2024. Variabel independen dalam penelitian ini terdiri dari ukuran dewan direksi (Board Size) yang diukur berdasarkan jumlah total anggota dewan direksi; kemandirian dewan direksi (Board Independence) yang dihitung dengan membandingkan jumlah anggota dewan direksi independen dengan total anggota dewan direksi; keragaman dewan direksi (Board Diversity) yang dihitung dengan menghitung proporsi anggota dewan direksi perempuan terhadap total anggota dewan direksi; komposisi dewan direksi (Board Composition) yang diukur dengan proporsi anggota dewan direksi yang memiliki gelar magister; dan likuiditas (Current Ratio) yang diperoleh dengan membandingkan aset lancar dengan liabilitas lancar. Sementara itu, variabel dependen dalam penelitian ini adalah kinerja keuangan yang diukur menggunakan Return on Assets (ROA), yaitu rasio antara laba bersih dan total aset. Sampel dalam penelitian ini terdiri dari 15 perusahaan sektor konsumen yang dipilih selama lima tahun pengamatan, menghasilkan 75 data pengamatan. Penelitian ini menerapkan metode analisis regresi linier berganda dengan dukungan perangkat lunak SPSS, dan dilengkapi dengan uji asumsi klasik untuk memastikan validitas model yang digunakan. Hasil uji simultan menunjukkan bahwa semua variabel independen secara kolektif memiliki pengaruh yang signifikan terhadap kinerja keuangan. Secara parsial, ukuran dewan direksi, komposisi dewan direksi, dan likuiditas ditemukan memiliki efek positif dan signifikan terhadap kinerja keuangan, sementara independensi dewan direksi dan keragaman dewan direksi tidak. Studi ini berkontribusi dalam memperkuat bukti empiris bahwa karakteristik tertentu dewan direksi dan kondisi likuiditas dapat menjadi pertimbangan strategis dalam upaya meningkatkan kinerja keuangan korporasi, khususnya di sektor konsumen.

Kata kunci: Ukuran Dewan Direksi, Kemandirian Dewan Direksi, Keragaman Dewan Direksi, Komposisi Dewan Direksi, Likuiditas, Return on Assets.

INTRODUCTION

Financial performance is a crucial indicator in assessing company health and business sustainability, as well as the basis for strategic decision making for investors, management, and regulators (Almaqtari, et al., 2022). Previous research shows that board characteristics, such as independence, expertise, and board size, significantly affect financial performance through improving the quality of strategic decision making and management oversight (Alabdullah et al. 2020; Elsayed et al. 2021). On the other hand, adequate liquidity plays an important role in maintaining the stability of company operations, although excessive liquidity can actually reduce profitability due to suboptimal asset allocation (Dang et al. 2022; Tran et al. 2021).

Board size refers to the total number of individuals who serve as members in the company's leadership structure. In the management and finance literature, the effectiveness in carrying out corporate strategy, the quality of supervision and the accuracy of decision making are closely related to the size of the board of directors (Potharla & Amirishetty, 2021). Company performance can be improved with an optimal board size due to the diversity of views, knowledge, skills and experience that enrich the decision-making process. However, it can also cause several problems such as long decision making due to difficulties in coordinating and conflicts between members which ultimately have a negative effect on company performance (Kiptoo et al., 2021).

Board independence significantly affects firm performance through more objective oversight mechanisms and more transparent decision-making (Alabdullah et al. 2020). Studies show that a higher proportion of independent directors is positively correlated with financial performance, as it reduces conflicts of interest and increases management accountability (Tran & Nguyen, 2023). Board independence leads are closely related to how much the members of the board of directors carry out their duties objectively for the good of the company without being influenced by the personal interests of major shareholders, executive management or other external parties so that it is expected to be more effective in supervising management performance and maintaining transparency in financial reports and avoiding acts of corruption or making decisions that are detrimental to the entity (Potharla & Amirishetty, 2021).

The diversity of the board of directors, both in terms of gender, ethnicity, and professional background, significantly contributes to improving the company's financial performance through various mechanisms (Ali et al. 2021). Research results indicate that diversity in the composition of the board of directors tends to broaden the point of view in the strategic decision-making process, thereby encouraging more innovative and quality decisions (Liu et al. 2023). Gender diversity in particular plays an important role in improving the supervisory function of executive management and suppressing the tendency to make risky decisions, which in turn contributes positively to the company's financial performance (Adams & Ferreira, 2009).

The composition of the board of directors significantly affects the financial performance of the company through several key mechanisms (Johnson et al. 2019). relates to the composition of the board of directors of a company which includes various characteristics such as the number of members, educational background, industry experience, proportion of independent members as well as the role of each member, such as executive and non-executive directors, chairman of the board of directors, and commissioners (Khalaf, 2022). It is important for companies to have an ideal board composition in order to ensure effective, independent and transparent decision-making for company policies. Conversely, if the composition is unbalanced, it can reduce the effectiveness and objectivity of supervision, which adversely affects the financial performance of the company (Lin & Wu, 2024).

Company liquidity is also a factor that can influence business in achieving profits. Liquidity plays a role in showing or measuring the industry's skills to fulfill overdue obligations, both to parties external to the industry and also within the industry (Suhardi & Fadli, 2021). An increase in the company's ability to settle short-term liabilities with its current assets is then reflected in an increase in liquidity, which can improve performance on corporate finance. Martin & Indrati's research (2024) indicates that liquidity has an influence on financial performance.

Some research shows a positive effect of several corporate governance indicators such as size, independence, diversity and board composition on performance (Bagh et al., 2023; Kiptoo et al., 2021; Kamarudin et al., 2024; Chiyachantana et al., 2021; Juliani & Alima, 2022; Nurhidayanti et al., 2023; Zelalem et al., 2022). In contrast, other research findings show a negative relationship between corporate governance and financial performance (Malagila et al., 2020; Novianti & Purwaningsih, 2023). Research findings by Suhardi & Fadli (2021); Martin & Indrati (2024) found evidence that liquidity has a positive influence on financial performance. However, this research differs from previous research in the form of adding liquidity variables because liquidity is very important to maintain a smooth business.

This study aims to provide empirical evidence on the relationship between board characteristics and financial performance, as well as the relationship between liquidity and financial performance, using data from consumption sector companies in Indonesia as a representation of developing countries. This research also provides recommendations to managers and other stakeholders regarding board characteristics and liquidity to improve the financial performance of consumer sector companies.

LITERATURE REVIEW

Agency Theory

This theory arises from the work of Smith (1776) who argued that if a company is managed by people who are not shareholders, then there is an expectation that the managers will not work in the interests of the owners. Agency relationships arise when shareholders, as principals, appoint other parties as agents to carry out certain tasks on their behalf. However, when both parties seek to optimize their respective interests, the agent does not fully act in accordance with the best interests of our principal. Berle & Means (1932) point out there are groups and individuals within an organization who have different risk preferences and their actions differ. Principals invest their funds in a company and accept risk to gain financial returns. However, managers (agents) are risk-averse and focus on maximizing their profits. Hence, the risk tolerance of agents and principals are not aligned, thus creating agency conflicts. Agency theory thus suggests non-executive directors should be included in the board of directors to monitor the work of managers. The board of directors should also be structured in a way that ensures independence in decision-making, for example, involving independent directors to reduce conflicts of interest.

Financial Performance

Company performance is a representation of a company or organization in realizing and achieving the vision, mission, and goals that have been formulated in strategic planning which is described by the level of achievement of the implementation of policies or programs and activities implemented (Liang, et al., 2021). Financial performance reflects the achievements of management in managing company resources optimally, both in terms of effectiveness and efficiency, in order to realize company goals (Gantino, 2016). According to Suhardi & Fadli (2021) financial performance is defined as an evaluation of the company's performance which is carried out through the analysis of financial information sourced from the main financial statements and other financial statements. This evaluation reflects the achievement of management performance in a certain period. Meanwhile, Martin & Indrati (2024) state that financial performance serves as an indicator to measure the company's success rate in generating profits, which is assessed from various aspects such as profitability, solvency, liquidity, and activity, by stakeholders with an interest in the company. The results of the financial performance report are used to predict future finances and describe the company's historical financial condition (Hordofa, 2023). The company's operational performance is measured by profit as an indicator. In measuring the success or failure of achieving the set operational objectives, information about profit is used by investors or creditors so that they can estimate earnings power, evaluate management performance and predict future profits (Hermanto & Berutu, 2022).

Board Size

Board size is the total of the entire board of commissioners, both independent and non-independent (Githaiga, et al., 2022). This concept can also be interpreted as the total number of board members involved in the corporate governance structure. According to Elis & Munandar (2023) board size is the accumulation of all members of the board of commissioners listed in the company's annual report. In general, every decision made by management is supervised by the board of commissioners with its duty to carry out internal control in delegating responsibility to shareholders (Debrah, et al., 2022). This control includes the authority of the board of commissioners to approve and monitor strategic decisions, select management, and reward policies taken by managers (Abdullah, et al., 2022).

Board Independence

Board independence refers to when several parties outside the company serve on the board of commissioners and have no relationship with directors, other commissioners, or major shareholders (Potharla & Amirishetty, 2021). Independent commissioners are members of the supervisory board who are not affiliated with the company, board of directors, other commissioners, or controlling shareholders (Almaqtari, et al., 2022). According to the requirements in

Regulation I-A for the listing of equity securities on the stock exchange, companies must have independent commissioners consisting of at least 30% of board members in an effort to follow the principles of good corporate governance.

Board Diversity

Board diversity refers to the variety of characteristics in the structure of the board of directors, which includes differences in gender, age, and educational background among its members. Board diversity is one of the key factors in achieving optimal organizational resources because good company performance is supported by good board diversity as well (Ali, 2024). Board diversity has several dimensions that attract attention to research such as the percentage of female board members in board characteristics (Mensah & Onumah, 2023). Another diversity in the board of directors that should also be considered is age, where company performance can be improved by the ability of young boards who can work creatively and have a lot of innovation along with the amount of experience possessed by old boards (Fernandez-Temprano & Tejerina-Gaite, 2020).

Board Composition

Board Composition is the structure or composition of the board of directors of a company which includes the number, type, educational background and role of each individual in board membership (Chiyachantana, et al., 2021). It is very important for companies to pay attention to the composition of the board of directors because it can affect company performance, strategic decision making and overall governance (Setiawan, et al., 2020). Board composition plays an important role in increasing the effectiveness of supervision over management and reducing the level of conflict of interest that occurs between shareholders and management (Lin & Wu., 2024).

Likuiditas

Liquidity reflects the company's financial skills in fulfilling short-term obligations when due (Suhardi & Fadli, 2021). Liquidity is an indicator that measures the industry's skill in paying off all short-term financial obligations when due through the use of existing current assets. In addition, market liquidity risk encourages liquidity transmission throughout the market and with liquidity balance can be a driver of financial dispersion (Hordofa, 2023). High liquidity has the potential to increase firm value, especially if the company is able to manage its debt obligations effectively and obtain maximum profit from the capital that has been invested (Kusuma & Mahroji 2024). Therefore, liquidity is very important to maintain smooth business and emergency short-term needs as well as a growth function to provide an increase in assets owned in line with industry expectations (Martin & Indrati, 2024).

RELATIONSHIP BETWEEN VARIABLES

The Relationship Between Board Size and Financial Performance

In an organization, the board of directors plays an important role in determining the direction of policy and strategic resources of the organization (Juliani & Alima, 2022). The resource-dependency theory proposed by Pfeffer (1972) suggests that an organization can gain access to more resources from the external environment if it has a large board size, thereby reducing dependence on the environment (Debrah, et al., 2022). According to Kyere & Ausloos (2021),

the number of board members is related to company performance, which can improve if the directors fulfill their roles and responsibilities optimally. This opinion is in line with studies conducted by Kyere & Ausloos (2021); Nuswantara et al., (2023); Kamarudin, et. al., (2024) related to corporate governance, which confirm this theory and show that financial performance is positively influenced by an increase in board size. Therefore, based on this, the hypothesis proposed is:
H1: Board size has a positive relationship with financial performance.

The Relationship Between Board Independence and Financial Performance

In an organization, the board of commissioners consists of representatives from company management, shareholders (investors), and external parties (outsiders). The presence of independent board members serves as a balance between the interests of management as agents and the interests of owners as principals. The agency theory proposed by Jensen & Meckling (1976) states that agency conflicts in a company can arise because shareholders (principals) bear the majority of the risks associated with decisions made by management, while top management (agents) is responsible for implementing policies, thereby creating a conflict of interest because management does not bear the majority of the impact of their decisions, unlike shareholders (Khan, et al., 2024). Management may also undertake projects that are more profitable for them than for shareholders, which is why shareholders entrust the board of directors to monitor and control all management actions (Abdullah, et al., 2022). Fama (1980) argues that agency problems can be reduced if the board consists of independent directors. The existing literature on board independence shows mixed results, confirming that having independent directors on the board has a positive impact on company financial performance (Doku, et al., 2023; Kamarudin, et al., 2024). Based on this, the hypothesis proposed is:
H2: Board independence has a positive relationship with financial performance.

The Relationship Between Board Diversity and Financial Performance

The resource-dependency theory proposed by Pfeffer (1972) states that a board of directors is very important in a company because it provides resources for management due to its relationship with the external environment. The theory also states that a larger board of directors, supported by members with high professional qualifications, tends to be able to provide strategic guidance and access resources more effectively than a board with fewer members. Some of the main resources include diverse knowledge and skills that enable managers to carry out their duties and responsibilities with ease (Alomair, 2024). According to Asogwa, et al. (2019), a well-diversified board of directors with diverse skills and expertise can significantly improve company performance. These findings are consistent with empirical evidence presented in studies by Bagh, et al. (2023); Nuswantara, et al. (2023); and Hordofa (2023), which mention that board diversity supports the view that having professionals on the board of directors has a positive impact on company performance. Therefore, based on this, the hypothesis proposed is:
H3: Board diversity has a positive relationship with financial performance.

The Relationship Between Board Composition and Financial Performance

The stewardship theory proposed by Davis, et al. (1997) argues that executives act as managers for owners and that both parties have the same interests. Therefore, training, mentoring, and joint decision-making must be involved in the relationship between the board of directors and executives (Pandey, et al., 2022). Thus, the board of directors can consist of executives and non-executive directors. However, the optimal proportion of non-executive directors is unknown (Chiyachantana, et al., 2021). The stewardship theory also states that a board of directors with a higher ratio of non-executive directors can reduce conflicts of interest among executives and enhance independence in decision-making (Fama, 1980). These findings are consistent with the empirical results of a study conducted by Samara, et al. (2024) on board composition, which supports the agency view that a higher ratio of non-executive directors on the board has a positive impact on company performance. Based on this, the hypothesis proposed is:

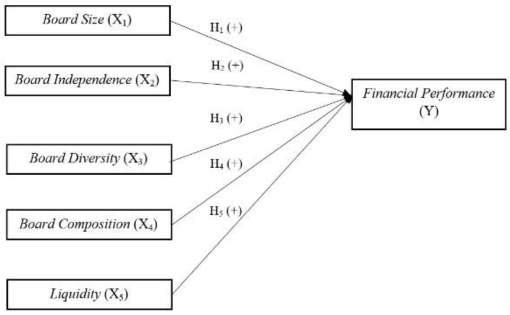
H4: Board composition has a positive relationship with financial performance

The Relationship Between Liquidity and Financial Performance

Companies can achieve high profits and low debt by making financing decisions that prioritize internal financing over external capital, which requires good management of the company's internal funding. Companies use short-term debt to purchase goods or services that support the company's operational activities and support all activities required by employees. Research conducted by Suhardi & Fadli (2021) indicates that the higher the liquidity ratio, the higher the industry's ability to fulfill current obligations using current assets. This aligns with research conducted by Martin & Indrati (2024), which found that liquidity has a positive influence on financial performance. Based on the above, the following hypothesis is proposed:

H5: Liquidity has a positive effect on financial performance.

Based on the hypothesis described above, this study focuses on the relationship between board characteristics, liquidity, and their impact on financial performance. The process of developing this hypothesis is based on a theoretical framework, which can be seen in the following illustration:



RESEARCH METHOD

This type of research is causal, aiming to show how board characteristics such as size, independence, diversity, and composition impact financial success. Because the approach is quantitative, each variable studied must be measured. Board size, determined by the total number of board members, is the first independent variable (Githaiga et al., 2022). The second independent variable, board independence, is determined by comparing the number of independent directors to the total number of board members (Ali, 2024). The third independent variable is board diversity, measured by the proportion of female board members to the total number of board members (Ali, 2024). The fourth independent variable is board composition, calculated based on the percentage of board members with a master's degree compared to the total number of board members (Setiawan et al., 2020). The fifth independent variable is liquidity, measured using the current ratio by dividing current assets by current liabilities (Martin & Indrati, 2024). Financial performance, determined by the return on assets ratio of net profit after tax to total assets, is the dependent variable in this study (Hordofa, 2023).

The data for this study comes from audited financial reports of Indonesian companies in the consumer sector. All companies in the consumer sector that have released financial reports and are listed on the Indonesia Stock Exchange (IDX) between 2020 and 2024 constitute the study population. A total of 95 companies with 475 data points over five years constitute the study population based on these criteria. Companies in the consumer sector listed on the IDX that regularly released annual financial reports from 2020 to 2024, recorded profits, and had female board members were the criteria used to determine the sample. A sample of 15 companies was selected over the five-year observation period after being filtered according to these criteria, resulting in a total of 75 observations.

This study uses descriptive statistics to provide an initial overview of the data used. Next, classical assumptions are tested, including normality, heteroscedasticity, multicollinearity, and autocorrelation. After these stages, hypothesis testing was conducted to determine how the independent variables influence the dependent variable. Hypothesis testing was performed using the F-test, t-test, and analysis of the coefficient of determination. Additionally, this study applied multiple linear regression analysis to identify the relationships between the variables under investigation. Financial performance is the dependent variable in this study, and the independent factors include liquidity, board size, independence, diversification, and composition. The following is the multiple regression equation model used:

$$\mathrm{ROA} = \alpha + \beta 1.\mathrm{BS} + \beta 2.\mathrm{BI} + \beta 3.\mathrm{BD} + \beta 4.\mathrm{BC} + \beta 5.\mathrm{CR} + \varepsilon$$

Description:
ROA = Financial Performance
BS = *Board Size*
BI = *Board Independence*
BD = *Board Diversity*
BC = *Board Composition*
CR = Liquidity (*Current Ratio*)
$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = Regression Coefficients
α = Constant
ε = *Error*

RESULT

Table 1. Descriptive Statistical Test Results

	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
BS	75	3,0	13,0	5,640	2,1286
BI	75	,167	1,000	,77055	,245419
BD	75	,077	,600	,25336	,133940
BC	75	,167	1,000	,68783	,273174
CR	75	,738	10,498	2,49555	2,095462
ROA	75	-,045	,332	,09742	,074720

Valid (*listwise*)	N	75

Source: Data Processing with SPSS (2025)

Based on the research sample data, the Board Size (BS) value has a minimum value of 3 for PT Tigaraksa Satria Tbk (TGKA) during the 2020-2024 period. This finding indicates that the company has a relatively smaller board of directors structure compared to other companies included in the research sample. The maximum value is 13, held by PT. Salim Ivomas Pratama, Tbk (SIMP) for the 2023-2024 period, indicating that the company has the largest number of directors among the other companies in the research sample. The average value is 5.640, with a standard deviation of 2.128.

For the Board Independence (BI) variable, the minimum value was 0.167 for PT. Wilmar Cahaya Indonesia, Tbk (CEKA) in 2021. This indicates that the proportion of independent directors in the company is very low compared to the total number of board members. The maximum value is 1, found in several companies such as PT Akasha Wira International Tbk (ADES), PT Wilmar Cahaya Indonesia Tbk (CEKA), PT PP London Sumatra Indonesia Tbk (LSIP), Nippon Indosari Corpindo Tbk (ROTI), PT Triputra Agro Persada Tbk (TAPG), and PT Tigaraksa Satria Tbk (TGKA) during the 2020-2024 period. This indicates that in these companies, all board members are independent directors, resulting in the highest level of independence. The mean value is 0.770, and the standard deviation is 0.2454.

For the Board Diversity (BD) variable, the minimum value is 0.77 for PT. Salim Ivomas Pratama, Tbk (SIMP) in 2023-2024. This indicates that the level of diversity in the company's board of directors is relatively low compared to other companies in the research sample. The maximum value is 0.600, recorded by PT. Nippon Indosari Corporindo, Tbk (ROTI) during the 2020-2024 period. This indicates that, compared to other companies in the research sample, this company has a more diverse board of directors. The mean value is 0.253, with a standard deviation of 0.133.

In the Board Composition (BC) variable, the minimum value is 0.167 for PT. Charoen Pokphand Indonesia, Tbk (CPIN) for the period 2020-2024. This indicates that only around 16.7% of board members hold a master's degree, or approximately only 1 in 6 board members have formal education qualifications at the master's level. The maximum value is 1, found in several companies such as PT Akasha Wira International Tbk (ADES), PT Multi Bintang Indonesia Tbk (MBLI), PT Nippon Indosari Corporindo Tbk (ROTI), and PT Triputra Agro Persada Tbk (TAPG) during the 2020-2024 period. This indicates that these companies have a higher level of board diversity compared to other companies in the research sample. The mean value is 0.628, with a standard deviation of 0.262.

In terms of liquidity (CR), the minimum value was 0.738 for PT Multi Bintang Indonesia Tbk (MBLI) in 2021. This indicates that the company's current assets were only slightly less than its current liabilities, suggesting that the company would have difficulty meeting its short-term obligations at that time. The maximum value is 10.498, recorded by PT. Pp London Sumatera Indonesia, Tbk (LSIP) in 2024. This indicates that the company's ability to meet its current liabilities is very strong, as its current assets are significantly larger than its short-term liabilities. The mean value is

2.495, with a standard deviation of 2.095.

For the Financial Performance (ROA) variable, the minimum value is -0.45, recorded by PT. Sekar Bumi, Tbk (SKBM) in 2024. This indicates that the company incurred a net loss, meaning its total assets were unable to generate profit and even resulted in a negative outcome. The maximum value is 0.332, recorded by PT Multi Bintang Indonesia Tbk (MBLI) in 2024. This indicates that the company is able to optimally utilize its total assets to generate high profits. The mean value is 0.097 and the standard deviation is 0.074.

Based on the above findings, it can be observed that the Kolmogorov-Smirnov normality test produced a significance value of 0.076 > 0.05. Therefore, it can be said that the data in this study is normally distributed, so it can proceed to the next stage, namely the classical assumption test.

In the multicollinearity test, the VIF values for each independent variable are < 10, and the tolerance values are > 0.10. For the Board Size variable, the VIF and tolerance values are 1.578 < 10 and 0.634 > 0.10, respectively; for the Board Independence variable, 1.222 < 10 and 0.818 > 0.10; for the Board Diversity variable, 1.883 < 10 and 0.531 > 0.10; the Board Composition variable is 1.821 < 10 and 0.549 > 0.10, and Liquidity is 1.821 < 10 and 0.813 > 0.10, so the data in this study is free from multicollinearity.

In the heteroskedasticity test, based on the Glejser test, the significance values of each variable are 0. 522 > 0.05 for the Board Size variable, 0.206 > 0.05 for Board Independency, 0.136 > 0.05 for Board Diversity, 0.073 > 0.05 for Board Composition, and 0.859 > 0.05 for Liquidity. It can be concluded that the data does not exhibit heteroscedasticity.

In the autocorrelation test, the value of k = 5 and N = 75, so the values of dU and 4-dU in this study are 1.768 and 2.232. The Durbin-Watson value in this study is 1.958, where 1.768 < 1.958 < 2.232, so it is concluded that there is no evidence of autocorrelation in this study. Based on the results of the data analysis in this study, the equation for multiple regression is:

$$\mathbf{ROA = 0{,}112 + 0{,}13\ BS + 0{,}045\ BI + 0{,}32\ BD + 0{,}127\ BC + 0{,}008\ CR}$$

Based on the regression equation in this study, it is known that the constant value is 0.112, so that if Board size, Board Independency, Board Diversity, Board Composition, and liquidity are at a value of 0, it will increase financial performance by 0.112. The beta value for Board Size (BS) is 0.13, so that if Board Size increases, Financial Performance will increase by 0.13. The beta value for Board Independency (BI) is 0.045, so that if Board Independency increases, financial performance increases by 0.045. The beta value for Board Diversity (BD) is 0.32, so that if Board Diversity increases, financial performance increases by 0.32. The beta value for Board Composition (BC) is 0.127, so that if Board Composition increases, financial performance increases by 0.127. The beta value for Liquidity (CR) is -0.008, so that if liquidity increases, financial performance decreases by 0.008.

Table 2. Partial Test Results (t)

Hypothesis	Results	Conclusion
Board size has a positive relationship with financial performance (H_1)	Accepted	Board size has a significant positive effect on financial performance

Board independence has a positive relationship with financial performance (H_2)	Rejected	Board independence has an insignificant positive effect on financial performance
Board diversity has a positive relationship with financial performance (H_3)	Rejected	Board diversity has an insignificant positive effect on financial performance
Board composition has a positive relationship with financial performance (H_4)	Accepted	Board composition has a significant positive effect on financial performance
Liquidity has a positive effect on financial performance (H_5)	Accepted	Liquidity has a significant positive effect on financial performance

Source: Data Processing with SPSS (2025)

Board Size has a t-value of 3.043 > 1.994 and is significant at 0.003 < 0.05, so it can be stated that Board Size has a positive and significant effect on financial performance. Board independence has a t-value of 1.418 < 1.994 and is significant at 0.161 > 0.05, so it is stated that board independence has a positive and insignificant effect on financial performance. Board diversity has a t-value of 0.451 < 1.994 and is significant at 0.653 > 0.05, so it is stated that board diversity has a positive and insignificant effect on financial performance. Board composition has a t-value of 3.526 > 1.994 and is significant at 0.001 < 0.05, so it is stated that board composition has a positive and significant effect on financial performance. Liquidity has a t-value of 2.041 > 1.994 and is significant at 0.045 < 0.05, so it is stated that liquidity has a positive and significant effect on financial performance.

Based on the results of the simultaneous test, the calculated f value was 9.06 > 2.23 with a significance of 0.001 < 0.05, indicating that board size, board independence, board diversity, board composition, and liquidity simultaneously affect financial performance.

Based on the coefficient of determination (R) test, the result obtained was 0.630, indicating a strong correlation between the independent variables in this study and the dependent variable, as it exceeds 0.50. Additionally, the adjusted R-Square value is 0.353, indicating that approximately 35.3% of the variation in the dependent variable, i.e., financial performance, is influenced by board characteristics and liquidity, while the remaining 64.7% is influenced by other factors not included in this study.

DISCUSSION

The Effect of Board Size on Financial Performance

Based on the findings of the partial test (t), it is known that Board Size has a positive effect on Financial Performance, thus H1 is accepted. Board size refers to the number of members serving as company directors in strategic and supervisory functions, which directly influences the quality of managerial decision-making. From a corporate governance perspective, a larger board of directors is expected to bring diversity in experience, expertise, professional networks, and broader perspectives in formulating business policies (Pinheiro et al. 2024). This diversity also allows for increased effectiveness in supervising management, thereby minimizing the risk of misconduct or opportunistic management that could harm company performance (Hyarat et al. 2024). Within the framework of agency theory, the size of the board of directors plays an important role as a control mechanism to minimize conflicts of interest between management (agents) and shareholders (principals) (Bin et al. 2024). This theory assumes that management tends to pursue personal interests that may not be aligned with shareholder objectives, thus requiring an effective oversight system. A larger board of directors is considered capable of improving oversight effectiveness because it has more members who can share monitoring responsibilities (Brogi et al. 2021). Therefore, a proportional board size not only improves corporate governance effectiveness but also promotes sustainable financial performance improvements in the interests of shareholders.

These findings are consistent with the research of Nurhidayanti et al. (2023) and Juliani & Alima (2022).

The Effect of Board Independence on Financial Performance

Based on the findings of the partial test (t), it is known that Board Independence does not affect Financial Performance, so H2 is rejected. Board independence itself refers to board members who have no direct connection with controlling shareholders, management, or other business relationships that could cause conflicts of interest (Calderón et al. 2020). The role of independent members is often merely a formality to comply with corporate governance regulations, so their contribution to strategic decision-making is relatively limited (Arslan & Alqatan 2020). Additionally, independent boards may lack a deep understanding of the company's business operations, so their influence on improving financial performance is not significant (Lu et al. 2022). In addition, the lack of access to complete internal information also limits the ability of independent members to provide recommendations that impact the company's operational efficiency and profitability. In some cases, independent members only perform compliance functions without playing an active role in creating added value for the company. (Astami et al. 2024). In agency theory, it is explained that agents have more information (information asymmetry) than principals, so independent boards that are not directly involved in operations find it difficult to detect managerial actions that are detrimental to shareholders. Furthermore, in companies with a centralized ownership structure, control remains in the hands of the majority owner, which limits the influence of independent members in mitigating agency costs (Moez, 2024).

These findings are consistent with the research of Permana et al. (2023) and Fitrianingsih & Sulistiana, (2024).

The Effect of Board Diversity on Financial Performance

Based on the findings of the partial test (t), it is known that Board Diversity has no effect on Financial Performance, so H3 is rejected. Board diversity in this study is measured by the proportion of female board members compared to the total number of board members. Conceptually, the presence of women on the board is expected to bring new perspectives, enhance ethical sensitivity, and strengthen decision-making through diverse viewpoints (Darmawan, 2024). However, these findings indicate that the proportion of women on the board has not yet been able to directly impact the company's financial performance. This may be due to the limited strategic role of women on boards, which is often symbolic to meet regulations or social demands, resulting in minimal contribution to the oversight and strategic decision-making processes (Yami et al. 2025). Agency theory emphasizes information asymmetry, where agents (management) have deeper insights into company operations than the board. Female board members, especially those in the minority, often lack sufficient influence to challenge managerial decisions (Hendrastuti & Harahap 2023). Thus, although the presence of women on the board of directors has positive potential from a governance perspective, the results of this study indicate that in the context of the companies studied, board gender diversity has not been able to have a significant impact on improving financial performance.

These findings are in line with the research by Dapingga (2024) and Nurwahyudi & Mudasetia (2020).

The Influence of Board Composition on Financial Performance

Based on the findings of the partial test (t), it is known that board composition has a positive influence on financial performance, so H4 is accepted. Board composition refers to the educational background, experience, and expertise of board members, which form a diversity of competencies in the process of supervising and making strategic decisions for the company (Lillah & Yuyetta 2023). Members with a master's degree or extensive professional experience tend to be able to provide a more comprehensive perspective in evaluating managerial policies (Lee et al. 2024). This aligns with agency theory, where the presence of highly qualified board members can strengthen monitoring functions over management (agents), thereby minimizing potential conflicts of interest and opportunistic actions that increase agency costs (Singh, 2025). In addition, board members with diverse competencies are also able to identify business risks more accurately, provide relevant strategic advice, and expand the company's external network that supports value creation (Asad et al. 2023).

These findings are in line with the research of Nurhidayanti et al. (2023) and Chiraphol (2021).

The Effect of Liquidity on Financial Performance

Based on the findings of the partial test (t), it is known that liquidity has a positive effect on financial performance, so H5 is accepted. The current ratio, which measures liquidity, shows how well a company can use its current assets to pay its short-term liabilities (Amelia & Pratama 2024). A company that has sufficient cash and cash equivalents to operate its activities without experiencing financial difficulties is said to have an adequate level of liquidity (Safitri & Akbar 2024). This provides a good indication to stakeholders and shareholders that the business is performing well financially and can manage its working capital efficiently (Berglund, 2020). High liquidity can reduce conflicts of interest between principals (shareholders) and agents (management) in line with the agency theory perspective, as the company has better financial flexibility and does not need to rely on external funding that could potentially incur additional agency costs (Khandelwal et al. 2023). In addition, good liquidity also supports faster strategic decision-making, reduces the risk of bankruptcy, and increases investor confidence, which ultimately drives an increase in company profitability (Sohdi, 2024).

These findings are in line with the research of Hasidi & Baheri (2024) and Marjohan (2023).

CONCLUSION

Based on the analysis in this study, it is concluded that the research in this study uses 75 financial statements from 15 consumer sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2020-2024. The results of the research show that the variables of board size, board independence, board diversity, board composition, and liquidity have a simultaneous effect on financial performance and contribute positively. However, the variables of board independence and board diversity do not have a partial effect on financial performance, while the variables of board size, board composition, and liquidity have a significant effect on financial performance.

This study has limitations in terms of the coefficient of determination, which only reaches 35.3%, meaning that there are still 64.7% of other variables that have the potential to influence financial performance but are not covered in this study. Therefore, for future research, it is recommended to add other variables outside the scope of this study, such as ownership structure, company size, leverage, or external factors like macroeconomic conditions, to provide a more comprehensive understanding of the factors influencing a company's financial performance.

It is hoped that this research can serve as a guide for strategic choices related to corporate governance in the consumer sector. Companies are encouraged to pay attention to the composition of their boards by selecting members with relevant educational backgrounds, experience, and expertise to enhance oversight functions and strategic decision-making. Additionally, companies should maintain healthy liquidity levels to boost investor confidence, minimize financial risks, and support operational sustainability.

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