The Influence of Independent Board of Commissioners, Board of Directors, and Audit Committee on Financial Performance

(An Empirical Study on Manufacturing Companies in the Basic Industry and Chemicals Subsector Listed on the Indonesia Stock Exchange for the 2019–2023 Period)

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Abstrack

This study aims to analyze the influence of the independent board of commissioners, board of directors, and audit committee on the financial performance of manufacturing companies in the basic industry and chemicals subsector listed on the Indonesia Stock Exchange (IDX) for the 2019 - 2023 period. A quantitative approach using secondary data was applied. A total of 180 observations from 42 companies over five years were selected through purposive sampling. Data were analyzed using multiple linear regression with SPSS version 26. The results show that the board of directors has a positive and significant effect on financial performance, while the independent board of commissioners and audit committee have no significant effect. Simultaneously, all three variables significantly affect financial performance. These findings highlight the strategic role of the board of directors and reinforce Agency Theory, which suggests that effective managerial oversight can enhance company performance. This study is limited to one subsector and a five-year period.

Keywords: *Financial Performance, Board of Directors, Audit Committee, Independent Commissioners*

Introduction

Indonesian manufacturing companies continue to enhance their competitiveness in both domestic and global markets by producing high-quality products with optimal cost efficiency. In an era of globalization characterized by intense competition, companies are expected to possess sustainable competitive advantages to ensure long-term business continuity. To achieve this, the implementation of Good Corporate Governance (GCG) has become a strategic necessity. GCG facilitates the optimal management of resources, enabling companies to reach their primary objectives, namely increased profitability and improved financial performance. A company's financial performance reflects its effectiveness in achieving predetermined targets (Khoirunnisa & Karina, 2021). The Financial Services Authority (OJK) actively promotes the adoption of GCG in Indonesia, given the nation's lag in governance practices compared to other ASEAN countries. Effective GCG strengthens corporate foundations, enhances transparency, and improves accountability, thereby supporting financial integrity (CNN Indonesia, 2017).

The COVID-19 pandemic introduced unprecedented challenges to Indonesia's industrial sector, significantly affecting company performance due to disrupted supply chains, declining demand, operational limitations, and workforce reductions. These disruptions contributed to weakened financial performance, including decreased revenue, profit, and profitability ratios (Winarni & Novitasari, 2022). From an investor's perspective, strong financial performance signals a firm's capacity to generate returns, with profitability ratios such as Return on Assets (ROA) serving as key indicators. ROA measures how effectively a company utilizes its total assets to generate profit while considering the costs of financing those assets (Hanfi & Halim, 2016; Ramadani & Muslih, 2020). This study focuses on manufacturing companies within the basic and chemical industry sub-sector listed on the Indonesia Stock Exchange (IDX), which contributes 19.9% to national manufacturing growth, ranking second after the food and beverage industry (Bappenas.go.id). This sub-sector plays a vital role in the supply chain by producing essential raw materials and chemicals. However, the pandemic has weakened its performance due to declining purchasing power, distribution disruptions, and reduced production capacity.

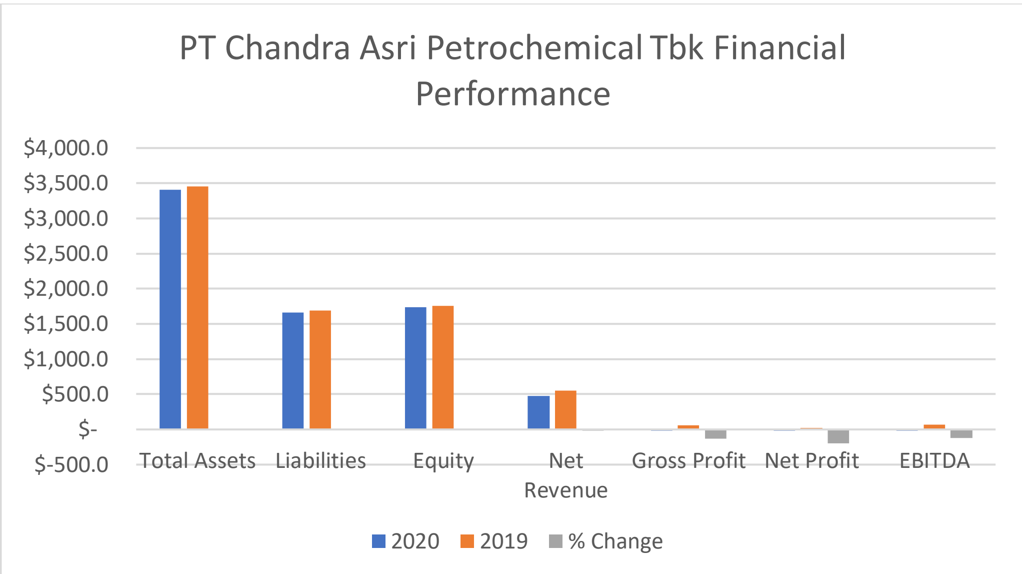
A notable case illustrating this decline is PT Chandra Asri Petrochemical Tbk, which experienced significant financial deterioration during the COVID-19 crisis. In the first quarter of 2020, the company reported a net loss of USD 17.83 million, in stark contrast to a net profit of USD 17.26 million recorded during the same period in the previous year. This downturn underscores the vulnerability of the basic and chemical manufacturing sub-sector to external shocks and highlights the importance of strong corporate governance in maintaining financial stability under crisis conditions.

Tabel 1. Financial Performance Data of PT Chandra Asri Petrochemical Tbk in 2019 and 2020

All amounts are expressed in US$ million, unless otherwise stated.	2020	2019	% Change
Total Assets	$ 3.403,7	$ 3.451,2	$ -1,4
Liabilities	$ 1.665,3	$ 1.690,2	$ -1,5
Equity	$ 1.738,4	$ 1.761,0	$ -1,3
Net Revenue	$ 476,8	$ 552,2	$ -13,7
Gross Profit	$ -16,6	$ 61,9	$ -126,8
Net Profit	$ -17,5	$ 17,6	$ -199,3
EBITDA	$ -13,5	$ 66,1	$ -120,4

Source: TPIA Consolidated Financial Statements, Q1 2020

Figure 1. Financial Performance Data of PT. Chandra Asri Petrochemical Tbk Q1



Based on TPIA's Q1-2020 financial data, the company's losses were primarily due to a sharp decline in revenue and EBITDA. In Q1-2020, the company's revenue fell by 13.7% to US$476.8 million, compared to US$552.2 million in the same period of 2019. The company's EBITDA also plunged, declining by 120.4% to -US$13.5 million in Q1-2020, from US$66.1 million in Q1-2019.

A closer look at PT Chandra Asri Petrochemical Tbk reveals that the company experienced weakened demand, particularly in the Chinese domestic market, due to the COVID-19 pandemic. Furthermore, the company suffered losses on financial instruments, driven by lower average selling prices. TPIA's net revenue decline was attributed to decreased average selling prices (ASP), particularly for olefins and polyolefins. The

ASPs of ethylene and polyethylene dropped significantly to US$713 per ton and US$874 per ton, respectively, from US$948 per ton and US$1,180 per ton in Q1-2019. TPIA's EBITDA fell to -US$13.5 million from US$66.1 million in Q1-2019, mainly due to lower petrochemical margins caused by an increase in global supply and raw material volatility. The decline in EBITDA was also caused by weaker demand for polymers, influenced by trade war sentiment and contracted economic activity during the COVID-19 pandemic, which significantly dampened market demand.

The phenomenon above demonstrates that the performance of the chemical industry sector remains unstable and recorded a decline due to the COVID-19 pandemic, even though, on average, the sector had shown positive performance growth in Q1-2019. Therefore, a company's financial performance, whether good or bad, can be assessed by its ability to generate profits over a specific period (Sari et al., 2016). One of the primary goals of a company is to generate profits and increase shareholder value. Various strategies can be adopted by companies to maintain growth, sustainability, and maximum profitability, one of which is through the implementation of sound corporate governance (GCG).

Another relevant case is the suspected manipulation of financial statements by PT Envy Technologies Indonesia Tbk (ENVY). The company was suspected of recording revenue unsupported by its subsidiary's financial reports and displaying significant changes in financial statement components such as cash, receivables, and short-term liabilities. The Indonesia Stock Exchange (IDX) suspended trading of ENVY's shares for two years (2020–2022) for further investigation. According to Christian et al. (2024), the company was strongly indicated to have engaged in income manipulation and cost shifting to present misleading financial statements (financial shenanigans). This case further emphasizes the importance of GCG in ensuring transparency and financial reporting integrity.

The ENVY case reflects the agency conflict between managers and shareholders, worsened by information asymmetry and misaligned incentives. Within the context of agency theory, strong monitoring mechanisms are required to ensure the alignment of interests between principals and agents. Key GCG elements such as independent commissioners, board of directors, and audit committees act as oversight tools that can enhance accountability and financial performance.

Agency theory is closely related to the case of financial statement fraud at PT Envy Technologies Indonesia. It illustrates the tension between managers as agents and shareholders as principals, along with problems arising from information asymmetry, misaligned incentives, and the impact of the COVID-19 pandemic. To resolve these issues and ensure financial statement integrity, managers must adhere to the same standards as shareholders, requiring effective monitoring structures and incentive alignment. Therefore, companies must adopt sound governance practices to improve financial performance. Key indicators of good corporate governance include the audit committee, board of directors, and independent board of commissioners. These three elements collectively ensure that corporate governance principles are properly implemented.

Independent commissioners are individuals who have no financial, ownership, or familial ties to the company, allowing them to perform their supervisory functions objectively and without conflicts of interest. According to agency theory, the presence of independent commissioners serves as an oversight mechanism to reduce conflicts between management and shareholders. Independent commissioners are considered capable of balancing the interests of shareholders and management, and of supervising decisions that affect financial performance (Sibuea & Setiawati, 2021). Research by Yuliyanti and Cahyonowati (2023), as well as Kyere and Ausloos (2021), concluded that independent commissioners positively influence financial performance, although Khoirunnisa and Karina (2021) found otherwise.

Furthermore, the board of directors is a corporate body responsible for managing operational activities and making strategic decisions. In agency theory, the board acts as agents representing shareholder interests and is tasked with running the company efficiently to minimize conflicts of interest. The composition and competency of the board of directors are believed to influence decision-making processes, productivity, and financial performance (Rahmawati et al., 2017). Research by Renyaan and Sofian (2023), and Khoirunnisa and Karina (2021), demonstrated a positive influence of the board of directors on financial performance, whereas Yuliyanti and Cahyonowati (2023) found no significant effect.

The audit committee, which is established by the board of commissioners, is responsible for overseeing financial reporting processes, internal control effectiveness, and the performance of both internal and external auditors. In agency theory, the audit committee functions as a monitoring tool that can reduce agency costs by enhancing transparency and accountability in financial reporting. The number of members, their expertise, and their independence are crucial factors in determining the effectiveness of the audit committee's oversight (Rahmawati et al., 2017). Research by Nisrina et al. (2022) and Alodat et al. (2022) found that the audit committee positively influences financial performance, although Irma (2019) and Adistra & Nelli (2020) reported no significant effect.

Based on the varying findings of previous studies, the relationship between independent commissioners, board of directors, and audit committees with financial performance remains inconclusive. Therefore, this study aims to re-examine the effect of these three corporate governance mechanisms on the financial performance of manufacturing companies in the basic and chemical industry sub-sector listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period, particularly in light of the economic pressures following the COVID-19 pandemic.

Literature review and hypothesis development

Agency Theory

The interaction between management and shareholders, acting as agents and principals respectively, is explained through agency theory. This theory posits that conflicts of interest may arise due to the differing personal objectives of agents and principals. In the business context, such conflicts often occur as a result of excess cash flow, which can lead to a divergence in preferred investment strategies. While investors (principals) tend to favor high-risk, high-return investments, managers (agents) may prefer low-risk investments with returns that are proportionate to the lower risk level. According to Jensen and Meckling (1976), agency problems emerge when agents pursue personal benefits that may not align with shareholders' interests, particularly in situations involving free cash flow and investment decisions.

Independent Board of Commissioners

The role of independent commissioners is to mediate disputes between managers, auditors, and stakeholders, while ensuring the alignment of both majority and minority interests. In addition, they contribute to the formulation of the company's long-term plans and oversee their implementation periodically. According to agency theory, the enhancement of the board's ability to supervise management has a beneficial effect on a firm's financial performance when there is an independent third party involved. This theory also asserts that management, as the agent, and stakeholders, as the principal, have unequal access to information (Meckling & Jensen, 1976). Therefore, increasing the proportion of independent commissioners can help mitigate conflicts of interest between principals and agents.

Previous research by Yuliyanti and Cahyonowati (2023) and Agatha et al. (2020) indicates that independent commissioners have a significant positive effect on firm performance. Similarly, a study by Kyere and Ausloos (2021) also demonstrates that independent board members have a significantly positive impact on financial performance. Conversely, Khoirunnisa and Karina (2021) found contrasting results, reporting no significant effect of independent commissioners on financial performance.

H_1: Independent Board of Commissioners has a significant positive effect on the company's financial performance.

Board of Directors

The board of directors is a crucial organ within the corporate governance structure, holding broad authority in managing company assets and setting the strategic direction of the organization, including the formulation of short-term and long-term plans for resource allocation (Sukandar & Rahardja, 2014). The entire organizational structure is accountable to the board of directors, which plays a significant role in enhancing internal communication and collaboration, thereby directly influencing the company's financial performance. From the perspective of agency theory, the board of directors functions as an agent representing the interests of shareholders (principals), making its effectiveness in supervision and strategic decision-making vital for minimizing conflicts of interest and reducing information asymmetry between principals and agents.

Previous studies by Renyaan and Sofian (2023) and Khoirunnisa and Karina (2021) found that the board of directors has a significant positive influence on financial performance. This finding is supported by Kyere and Ausloos (2021), who also reported a positive relationship between board effectiveness and firm performance. However, a different result was reported by Prayanthi and Laurens (2020), who concluded that the board of directors has no significant impact on financial performance, indicating the need for further investigation into this relationship.

H_2: Board of Directors has a significant positive effect on the company's financial performance.

Audit Committee

The audit committee is a key component within the company, responsible for reviewing financial statements, monitoring the performance of independent auditors, and evaluating the internal control system. According to Pardede and Annisa (2023), an increase in the number of audit committee members can enhance oversight, thereby improving corporate value and limiting managerial discretion in manipulating financial information and accounting policies. In line with agency theory, the audit committee functions as a monitoring mechanism to reduce agency problems by promoting transparency, protecting shareholder interests, and ensuring the reliability of financial reporting. A well-functioning audit committee can foster an open and effective control environment that contributes to improved financial performance.

Previous studies by Febrina and Sri (2022) and Nisrina et al. (2022) indicate that the audit committee has a significant positive influence on the company's financial performance. These findings are supported by Irma (2019), who also found a positive impact. However, other studies have reported different results, showing that the board of commissioners does not have a significant effect on financial performance, highlighting the need for further investigation.

H_3: The Audit Committee has a significant positive effect on the company's financial performance.

Research Methodology

Population and Sample

The population in this study consists of manufacturing companies in the basic and chemical industry sector listed on the Indonesia Stock Exchange (IDX) during the period 2019–2023, totaling 95 companies. The sampling technique used is purposive sampling, in which the selection process is based on specific criteria and predetermined standards. The sample selection was conducted using the following criteria: (1) manufacturing companies in the basic and chemical industry sector that were listed on the IDX during the 2019–2023 period; (2) companies that did not publish financial reports consecutively from 2019 to 2023, accessible through the official website of the Indonesia Stock Exchange and each company's website; (3) manufacturing companies that present their financial statements in Indonesian Rupiah; (4) companies that failed to disclose or present complete data and did not provide information related to the variables studied. A total of 42 companies that met these criteria were selected as the sample and served as the subjects of this study.

Data collection

In this study, data were collected using secondary data. Secondary data refer to information that has been previously collected by an organization and is publicly accessible. In the context of this research, the annual financial reports used were obtained from the Indonesia Stock Exchange (IDX), and the research data can be accessed through the official IDX website at www.idx.co.id.

Research Model and Variable Measurement

In this study, the dependent variable component is financial performance (ROA), while the independent variables are the Independent Board of Commissioners (IBC), Board of Directors (BoD), and Audit Committee

(AC). In addition to the main independent variables, this study also includes a control variable in the form of the frequency of Audit Committee meetings (ACM). The purpose of including this control variable is to account for external influences that may affect the relationship between the independent board of commissioners, board of directors, and audit committee on financial performance (Sugiyono, 2023). Although the control variable is not discussed in depth in the analysis section since it is not the main focus of the study, it is included in the regression model to enhance the validity of the analytical results. The model used to test the hypotheses is illustrated as follows:

[$Y = a + \beta IBC_1 + \beta BOD_2 + \beta AC_3 + \beta ACM + e$]

Y = financial Performance

IBC_1 = Independen Board of Commissioners

BoD_2 = Board of Directors

AC_3 = Audit Commite

ACM = Audit Commite Meetings (control variable)

e = Error

Tabel 2. Variable Measurement

Variable		Measurement	Source
Independent Variables			
Independen Board of Commissioners	The proportion of independent commissioners is measured by the number of independent commissioners divided by the total number of commissioners on the board.	IBC = $\frac{Independen\ Board\ of\ Commissioners}{board\ of\ commisioners}$ $\frac{Dev}{Ju}$	(Alodat et al., 2022)
Board of Directors	the number of members of the board of directors.	BOD = board of directors$\frac{Jumlah\ saham\ manajerial}{Total\ saham\ yang\ beredar}$	(Yuliyanti & Cahyonowati, 2023)
Audit Commite	the number of members of the Audit Commite	AC= Audit Commite	(Alodat et al., 2022; Putra, 2024)
Dependent Variable			
financial Performance	It is used to assess the effectiveness of a company in managing its assets to be converted into profit.	ROA = $\frac{Net\ Income}{Total\ Asset}\frac{NET\ INCOME}{TOTAL\ ASSET}$	(Yuliyanti & Cahyonowati, 2023; Putra, 2024)

Data Analysis Method

The research data and information will be analyzed using the Statistical Package for the Social Sciences (SPSS) software. The analysis consists of descriptive statistics, normality test, multicollinearity test,

heteroscedasticity test, autocorrelation test, regression analysis, t-test, F-test, and the coefficient of determination
.

Results and Discussion

Based on the established criteria, a total of 42 sample companies were obtained, resulting in 210 data points. However, the dataset showed uneven distribution and the presence of outliers, which could potentially violate the normality assumption required for this analysis. Therefore, re-testing for the presence of outliers became crucial, including the identification of samples with extreme values. The analysis revealed 30 extreme data points that caused the distribution to deviate from normality. Consequently, these data points were eliminated, resulting in a final dataset of 180 samples. Table 3 presents the descriptive statistics for the variables used to examine the effect of corporate governance on financial performance. The variables include Independent Board of Commissioners, Board of Directors, Audit Committee, and financial performance (ROA).

Table 3. Descriptive Statistics of All Observations

No	Variabel	Mean (π)	Stdev (σ)	Min	Max
1	ROA	0.038	0.045	-0.073	0.199
2	Independen Board of Commissioners (IBC)	0.414	0.095	0.250	0.750
3	Board of Directors (BoD)	4.560	1.689	2.000	9.000
4	Audit Commite (AC)	3.030	0.222	2.000	5.000
5	Audit Commite Meetings (ACM)	0.038	0.045	1.000	13.000

Source: Processed secondary data using SPSS 26, (2025)

Based on the descriptive statistics in Table 3, it can be observed that the company performance variable, proxied by Return on Assets (ROA), which serves as the dependent variable in this study (Table 3), has a mean value of 0.038. This indicates that most of the sampled companies generated a positive net income. The Independent Board of Commissioners (IBC) variable has a minimum value of 0.250, a maximum value of 0.750, a mean value of 0.414, and a standard deviation of 0.095, indicating relatively low variation in the proportion of independent commissioners. The Board of Directors (BoD) variable has a minimum value of 2, a maximum value of 9, a mean of 4.560, and a standard deviation of 1.689, which suggests a relatively small variation in the number of board members. The Audit Committee (AC) variable has a minimum value of 2, a maximum value of 5, a mean of 3.030, and a standard deviation of 0.222, indicating a relatively low variation in the number of audit committee members.

Table 4 presents the results of the normality test, which was conducted to determine whether the data are normally distributed. This study employed the Kolmogorov-Smirnov normality test method. The result of the Kolmogorov-Smirnov test shows a significance value of 0.200. Since the value of 0.200 is greater than 0.05, it can be concluded that the data in this study are normally distributed.

Tabel 4. One-Sample Kolmogorov-Smirnov Test

Indicator	Value	Conclusion
Asymp. Sig. (2-tailed)	0,200	Data berdistribusi normal

Source: Processed secondary data using SPSS 26, (2025)

Table 5 presents the results of the multicollinearity test, where the independent variables were examined for signs of perfect or near-perfect correlation. If the tolerance value is greater than 0.10 and the Variance Inflation Factor (VIF) is less than 10, it can be concluded that there is no multicollinearity issue. Based on Table 4, the Independent Board of Commissioners (IBC) variable has a tolerance value of 0.979 > 0.10 and a VIF value of 1.022 < 10. The Board of Directors (BoD) variable has a tolerance value of 0.934 > 0.10 and a VIF value of 1.070 < 10. The Audit Committee (AC) variable has a tolerance value of 0.931 > 0.10 and a VIF value of 1.075 < 10. Therefore, it can be concluded that none of the independent variables exhibit symptoms of multicollinearity.

Tabel 5. Multikolonieritas Coefficients Test

Variable	Tolerance	VIF	Conclusion
IBC	0,979	1,022	Multicollinearity is not present
BoD	0,934	1,070	Multicollinearity is not present
CA	0,931	1,075	Multicollinearity is not present
CAM	0,990	1,010	Multicollinearity is not present

Source: Processed secondary data using SPSS 26, (2025)

Based on Table 6, the heteroscedasticity test using the Glejser method shows that the significance values of each independent variable in this study are greater than 0.05. This is indicated by the significance values of 0.113 for the Independent Board of Commissioners, 0.051 for the Board of Directors, and 0.115 for the Audit Committee. Therefore, based on the results of the heteroscedasticity test using the Glejser method, it can be concluded that the regression model in this study is free from heteroscedasticity.

Tabel 6. Heteroskedastisitas Coefficients Test

Variabel	Sig.	Conclusion
IBC	0.113	Heteroskedastisitas is not present
BoD	0.51	Heteroskedastisitas is not present
CA	0.115	Heteroskedastisitas is not present
CAM	0.829	Heteroskedastisitas is not present

Source: Processed secondary data using SPSS 26, (2025)

Next, a correlation analysis was conducted to examine the relationship between the dependent and independent variables. Based on Table 7, the results of the autocorrelation test show that the Durbin-Watson (DW) value is 1.986 with a significance level of $\alpha = 0.05$ or 5%, $K = 4$, and $N = 180$. The corresponding critical values are $dL = 1.7109$, $dU = 1.8017$, and $4 - dU = 2.1983$. These results indicate that the regression model in this study meets the criteria $dU < DW < 4 - dU$, as shown by the range $1.8017 < 1.986 < 2.1983$. Therefore, it can be concluded that the regression model in this study does not suffer from autocorrelation.

Tabel 7. Autokorelasi Coefficients Test

Indicator	Value	Conclusion
Durbin-Watson	1.986	Autokorelasi is not preswnt

Source: Processed secondary data using SPSS 26, (2025)

Hypothesis Testing Results

Multiple Linear Regression Analysis

Based on the table 8 above, the multiple linear regression equation in this study can be formulated as follows:

$$\mathbf{ROA = 0.067 - 0.037\, X_1 + 0.004\, X_2 - 0.018\, X_3 + 0.005\, RKA + \varepsilon}$$

Description:
Y = Financial Performance (Return on Assets)
X_1 = Independent Board of Commissioners
X_2 = Board of Directors
X_3 = Audit Committee
CAM = Audit Committee Meetings (Control Variable)

ε = Error

Tabel 8. Multiple Linear Regression Coefficients Test

Variabel	Understandardize B	Sig
Independen Board of Commissioners (IBC)	-0,037	0.295
Board of Directors (BoD)	0.004	0.035
Audit Commite (AC)	-0.018	0.238
Audit Commite Meetings (ACM)	0.005	0.022

Source: Processed secondary data using SPSS 26, (2025)

Table 9 presents the hypothesis testing using the t-test to determine the extent of the partial influence of the corporate governance independent variables (Independent Board of Commissioners, Board of Directors, and Audit Committee) on financial performance (ROA).

Tabel 9. T Coefficients Test

Variable	Coefficient	Sig.	Association	Conclusion
IBC	0.035	0.295	Negative and Not Significant	H_1 Rejected
BoD	0.002	0.035	Positive and Significant	H_2 Accepted
CA	0.016	0.238	Negative and Not Significant	H_3 Rejected
CAM	0.002	0.002	Positive and Significant	-

Source: Processed secondary data using SPSS 26, (2025)

Based on the partial t-test results, it can be concluded that the Independent Board of Commissioners (IBC) variable has no significant effect on ROA, the Board of Directors (BoD) variable has a positive effect on ROA, and the Audit Committee (AC) variable has no significant effect on ROA.
Next, the F-test was conducted. Table 10 presents the results of the simultaneous F-test. Based on Table 10, the significance value (Sig) of the F-test is 0.016, which is less than 0.05. This indicates that the independent variables Independent Board of Commissioners (IBC), Board of Directors (BoD), and Audit Committee (AC) simultaneously have a significant effect on the dependent variable, financial performance (ROA). It can be concluded that, collectively, the independent variables have a substantial influence on the dependent variable.

Tabel 10. F Coefficients Test

Indicator	Value	Conclusion
Sig.	0,016	Has a significant

Source: Processed secondary data using SPSS 26, (2025)

Table 11 presents the R^2 test or the coefficient of determination test, which aims to determine the extent or importance of the contribution made by the independent variables collectively to the dependent variable. The closer the R^2 value is to 1, the greater the likelihood that the independent variables provide nearly all the information needed to predict the dependent variable. Based on the results of the R^2 test, or the coefficient of determination test, the purpose is to assess how well the independent variables Independent Board of Commissioners (IBC), Board of Directors (BoD), and Audit Committee (AC) explain the dependent variable, Return on Assets (ROA). The result of the R Square test from each sector in this study shows an R Square value of 0.067, or 6.7% in percentage terms.

Tabel 11. R Square Coefficients Test

Indicator	Value	Conclusion
R Square	0,067	Coefficient of Determination 6,7%

Source: Processed secondary data using SPSS 26, (2025)

Discussion

The Influence of Independent Commissioners (X1) on Financial Performance

The results of the partial significance test (t-test) indicate that the Independent Board of Commissioners has no significant effect on financial performance. The coefficient value is 0.035 with a t-statistic of -1.049 and a significance level of 0.295, which is greater than 0.05. This result implies that Hypothesis H1 is rejected. It suggests that the presence of independent commissioners has not been effective in enhancing the Return on Assets (ROA) of manufacturing companies in the basic and chemical industry sectors during the 2019–2023 period.

A high proportion of independent commissioners may, in fact, reduce the effectiveness of supervision due to communication barriers, coordination issues, and decision-making inefficiencies (Oktaviani, 2020). In practice, the appointment of independent commissioners is often done merely to comply with regulations rather than to implement Good Corporate Governance (GCG) effectively (Supatminingsih & Wicaksono, 2020). Some commissioners also fail to fully carry out their oversight functions due to time constraints and a lack of true independence (Adnyana Mahaputra et al., 2023).

This finding is consistent with the studies of Khoirunnisa & Karina (2021) and Adistra & Nelli (2020), who found that independent commissioners do not have a significant influence on financial performance. Key challenges include absence from meetings, insufficient competence, and domination by majority shareholders.

According to agency theory (Jensen & Meckling, 1976), independent commissioners are expected to serve as a control mechanism to reduce conflicts of interest between management and shareholders. However, when this role is performed merely as a formality and is not actively executed, the oversight becomes ineffective, agency conflicts remain high, and ultimately, company performance suffers.

The Influence of the Board of Directors (X2) on Financial Performance

Based on the results of the t-test, the Board of Directors variable shows a coefficient value of 0.002, a t-statistic of 2.121, and a significance level of 0.035, which is below the 0.05 threshold. This indicates that Hypothesis H2 is accepted. In other words, the number of board members has a positive and significant effect on the financial performance of companies in the basic and chemical industry sector during the 2019–2023 period. This finding highlights the important role of an effective board of directors in overseeing operations and enhancing Return on Assets (ROA).

The board of directors is responsible for formulating the company's operational policies. An adequate number of directors allows for task delegation based on expertise, enabling more focused decision-making and improved performance (Alshirah et al., 2020). This result aligns with previous studies by Renyaan & Sofian (2023) and Kyere & Ausloos (2021), which also found a positive relationship between the board of directors and financial performance. According to Sutisna (2020), a larger board can benefit the company by better managing resources through a resource dependence approach.

From the perspective of agency theory (Jensen & Meckling, 1976), the board of directors serves as a monitoring mechanism to reduce conflicts of interest between management (agents) and shareholders (principals). An active and competent board can minimize opportunistic behavior, improve operational efficiency, and strengthen corporate governance, all of which positively contribute to financial performance.

The Influence of the Audit Committee (X3) on Financial Performance

Based on the t-test results, the audit committee variable has a coefficient value of 0.016, a t-statistic of -1.185, and a significance level of 0.238, which is greater than 0.05. Therefore, Hypothesis H3 is rejected. This indicates that the number of audit committee members does not have a significant effect on the financial performance of companies in the basic and chemical industry sector during the 2019–2023 period, as measured by Return on Assets (ROA).

This result is consistent with the findings of Prayanthi (2020), Yuliyanti and Cahyonowati (2023), and Rimardhani et al. (2016), who stated that the effectiveness of audit committees remains suboptimal, often formed merely to comply with regulatory requirements. Bara (2016) emphasized that the size of the audit committee should be adjusted to the complexity of the company to avoid inefficiencies. Putra (2024) also suggested that an excessive number of members may lead to coordination problems and increased agency costs.

According to agency theory (Jensen & Meckling, 1976), the audit committee is expected to function as a monitoring mechanism to reduce conflicts between management and shareholders. However, if this role is not supported by work quality, independence, and active involvement of its members, the presence of an audit committee may not significantly contribute to improving financial performance.

The Joint Effect of Independent Commissioners, Board of Directors, and Audit Committee on Financial Performance

Based on the F-test results, the calculated F-value is 3.124 with a significance level of 0.016, which is below the 0.05 threshold. Therefore, Hypothesis H4 is accepted. This indicates that the Independent Board of Commissioners, Board of Directors, and Audit Committee simultaneously have a significant effect on the financial performance of manufacturing companies in the basic and chemical industry sector listed on the Indonesia Stock Exchange during the 2019–2023 period.

This finding is consistent with the research of Ika & Christine (2020) and Nelli & Adistra (2020), which suggests that the implementation of Good Corporate Governance through these three components can enhance accountability, efficiency, and trust in corporate decision-making processes.

From the perspective of agency theory (Jensen & Meckling, 1976), this result highlights the importance of robust governance mechanisms to minimize conflicts of interest between management and shareholders, thereby supporting the optimal achievement of corporate objectives.

Conclusion

This study aims to examine the effect of the Independent Board of Commissioners, Board of Directors, and Audit Committee on the financial performance of companies. Based on the analysis results, it was found that the Board of Directors has a positive effect on company performance. This finding supports agency theory, which states that the board of directors functions as a monitoring mechanism to reduce conflicts of interest between management (agents) and shareholders (principals). An active and competent board can minimize opportunistic behavior, enhance operational efficiency, and strengthen corporate governance, all of which contribute positively to financial performance.

However, the results show that the Independent Board of Commissioners and Audit Committee do not have a significant effect on company performance. This suggests that during periods of crisis, external supervisory roles carried out by independent commissioners and audit committees may not be sufficiently effective in improving company performance. According to agency theory, independent commissioners are expected to serve as a control mechanism to reduce conflicts of interest between management and shareholders. Nevertheless, if this role is merely formal and not executed actively, oversight becomes ineffective, agency conflicts remain high, and performance is negatively affected. Similarly, the audit committee is ideally positioned as a monitoring body to reduce conflicts between management and owners. However, without being supported by work quality, independence, and active engagement of its members, the committee's presence does not significantly contribute to enhancing financial performance.

This study is limited in scope and depth. It focuses solely on manufacturing companies in the basic and chemical sectors listed on the Indonesia Stock Exchange from 2019 to 2023, which restricts the generalizability of the findings. Additionally, it does not explore the interaction between governance mechanisms and corporate adaptation strategies during crises, such as the role of board leadership in strategic decisions or the influence of incentive structures on governance effectiveness.

Future research should include other sectors such as services, finance, and mining and extend the observation period. It is also recommended to incorporate additional performance indicators like ROE, EPS, and Tobin's Q to provide a more comprehensive analysis. Academically, this study contributes to the literature on Good Corporate Governance (GCG), especially in crisis contexts. The findings highlight the need to go beyond formal oversight structures and promote active, professional governance practices that truly align with the company's interests. Practically, this study may serve as a reference for improving governance frameworks and academic materials. Investors are also advised to consider non-financial information, such as the strength of internal governance mechanisms, as part of their decision-making process in uncertain economic environments.

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