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## The Impact of Busy Commissioners, Profitability, and Firm Size on Firm Value of Conventional Commercial Banks Listed on the Indonesia Stock Exchange

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**Abstract:** This study examines the impact of busy commissioners, profitability, and firm size on firm value in conventional commercial banks listed on the Indonesia Stock Exchange from 2020 to 2024. Firm value is a crucial indicator that reflects investors' assessments of a company's performance, financial strength, and future growth prospects, particularly in the banking sector, which plays a vital role in maintaining economic stability and supporting national development. This research employs a quantitative approach, utilizing secondary data collected from audited annual reports and financial statements of each conventional commercial bank's website. The research population comprises all conventional commercial banks listed on the Indonesia Stock Exchange. The sample was selected using a purposive sampling method, resulting in ten banks with the largest total assets during the observation period. This study employs panel regression with a fixed effects model. The findings reveal that busy commissioners have a statistically insignificant negative impact on firm value. Profitability positively and insignificantly impacts firm value. Firm size has a negative and insignificant effect on firm value. The findings suggest that banks should consider other factors that potentially affect bank value.

**Keyword:** Busy Commissioners; Profitability; Firm Size; Firm Value, Indonesian Commercial Banks.

### INTRODUCTION

In Indonesia, conventional commercial banks play a strategic role in maintaining monetary stability, supporting economic growth, and functioning as key financial intermediaries as well as investment vehicles for both the public and business entities. Consequently, firm value in the banking sector becomes a critical concern for investors, regulators, and academics, as it reflects market assessments of a bank's future prospects, performance sustainability, and governance quality. In the post-pandemic period, this issue becomes increasingly salient due to heightened uncertainty, structural changes in the financial

system, and rising regulatory demands, which collectively underscore the importance of examining factors that influence firm value, including the effectiveness of the board of commissioners, profitability, and firm size in addressing long-term challenges.

Firm value reflects investors' perceptions of management's success in utilizing and managing corporate assets entrusted to them, which is ultimately manifested in stock prices (Indrarini & Pustaka, 2019). A higher firm value indicates greater shareholder wealth and demonstrates the firm's ability to fulfill its primary objective of maximizing shareholder welfare. In this study, firm value is proxied by Price to Book Value (PBV), a ratio that compares the market price per share with the book value per share. PBV captures the extent to which the market appreciates a company's net assets and is widely used to evaluate investor confidence in a firm's growth prospects and performance (Marpaung & Kurniati, 2022). A higher PBV suggests that the market values the firm above its accounting value, reflecting positive expectations regarding its future profitability and strategic positioning.

PBV is one of the most commonly applied indicators for assessing firm value from an investor's perspective, as it directly links market valuation to shareholders' equity. This ratio illustrates a firm's capacity to generate value added for shareholders through efficient asset utilization and capital structure management. An increase in PBV indicates stronger investor interest, which may stimulate higher demand for the firm's shares and contribute to rising stock prices.

From a corporate governance perspective, the structure and effectiveness of the board of commissioners have attracted increasing scholarly attention, particularly concerning the phenomenon of busy commissioners. Busy commissioners refer to individuals who simultaneously hold multiple board positions across different companies or occupy additional public or executive roles (Trinugroho et al., 2023). The board of commissioners plays a pivotal role in monitoring and advising management to ensure that corporate decisions align with shareholders' interests. However, excessive external commitments may constrain commissioners' time and attention, potentially weakening the effectiveness of oversight. Empirical evidence from Indonesia indicates that the presence of busy commissioners tends to negatively affect firm performance and value, especially in large firms and state-owned enterprises characterized by high organizational complexity. These findings highlight the necessity of reassessing commissioner appointment practices, particularly within highly regulated and systemically important sectors such as banking.

Profitability is a fundamental indicator of a company's ability to generate revenue from its operational activities and reflects managerial efficiency in asset utilization (Putra & Pradiya, 2020). High profitability not only indicates effective management performance but also conveys positive information to investors regarding future growth potential. Company size is also another determinant often associated with company value. Larger companies are generally perceived as having greater financial stability, broader access to external financing, and a superior capacity to absorb economic shocks and business risks.

Various studies have shown inconsistent results regarding the influence of board members' interests, profitability, and company size on firm value, which is highly dependent on the sector context, size, and company environment. While board members' busy schedules can negatively impact firm performance by reducing oversight effectiveness (Trinugroho et al., 2023), under certain circumstances they can also provide added value through experience and networks (Field et al., 2013). Profitability is generally found to have a positive effect on firm value (Thamrin & Jasriana, 2022), but in some sectors and research periods, the effect is insignificant or even negative (Iman et al., 2023; Precia & Setyawan, 2023; Suwardika & Mustanda, 2017). Meanwhile, firm size also shows mixed results, ranging from no effect (Kolamban et al., 2020; Thamrin & Jasriana, 2022) to a positive effect on firm value (Suryana & Rahayu, 2018). These inconsistent findings indicate a continuing research gap, particularly in the conventional banking sector in Indonesia post-COVID-19. Therefore, this study aims to

analyze the effect of busy commissioners, profitability, and firm size on firm value in Indonesian conventional commercial banks.

**METHOD**

This study employs two variables: the independent variable and the dependent variable. The independent variables are busy commissioners, profitability, and firm size, while the dependent variable is firm value. The independent variable is a variable that influences or causes the emergence or change of the dependent variable (Solehudin, 2024). In this study, busy commissioners (BusyComm) are measured by a dummy variable. It is coded as one if a member of the board of commissioners holds three or more positions outside the company, and zero otherwise. Profitability (ROA) is measured by the proportion of earnings after tax and total assets. Firm size (SIZE), measured by the natural logarithm of total assets. The dependent variable is a variable that is affected or results from the presence of the independent variable (Siagian, 2024). Firm value (PBV) is the dependent variable, measured by the percentage of market price per share and book value per share. This study employs a quantitative approach, utilizing secondary data collected from the websites of each listed bank and Yahoo Finance during the period of 2020–2024. The research population consisted of all conventional commercial banks listed on the IDX, with a research sample of 10 banks with the largest assets in Indonesia in 2024 selected using purposive sampling.

Data analysis was performed using panel regression to accommodate inter-company differences and time dynamics. This research uses Stata 17 software to analyze the data. This study employs panel regression because it provides more efficient estimates and more comprehensive information compared to cross-sectional or time-series analysis.

**RESULTS AND DISCUSSION**

**Descriptive Statistics**

Table 1 displays the summary statistics of each research variable. The price-to-book value (PBV) has a minimum value of 0.382 and a maximum value of 4.778, with an average value of 1.42 and a standard deviation of 1.231, indicating that there is variation in firm value among banks during the research period. The busy commissioner variable (BUSYCOM) has a minimum value of 0 and a maximum value of 1, with an average of 0.22 and a standard deviation of 0.418, indicating that not all banks have busy commissioners.

The profitability (ROA) has a minimum value of 0.4% and a maximum value of 3.5%, with an average value of 1.5% and a standard deviation of 0.008, indicating differences in banks' ability to generate profits from their assets. Meanwhile, firm size (SIZE), proxied by the natural logarithm of total assets, has a minimum value of 32.89 and a maximum value of 35.426, with an average value of 33.892 and a standard deviation of 0.89, indicating variations in the size of banking companies during the research period.

**Table 1. Descriptive Statistics**

Variable	Obs	Mean	Std. Dev.	Min	Max
PBV	50	1.42	1.231	.382	4.778
BUSYCOM	50	.22	.418	0	1
ROA	50	.015	.008	.004	.035
SIZE	50	33.892	.89	32.89	35.426

Source: Stata 17 output (processed), 2025

**Correlation Matrix**

Correlation analysis is conducted to determine the relationship between research variables. Table 2 presents the correlation matrix. Firm value is positively correlated with busy commissioners, profitability, and firm size. Busy commissioners have a positive correlation with profitability, while they show a negative relationship with firm size.

**Table 2. Correlation Matrix**

Variables	(1)	(2)	(3)	(4)
(1) PBV	1.000			
(2) BUSYCOM	0.349	1.000		
(3) ROA	0.347	0.127	1.000	
(4) SIZE	0.598	-0.033	0.598	1.000

Source: Stata 17 output (processed), 2025

### Panel Regression Model Selection

To select the best model among the common effects, fixed effects, and random effects models, three tests were conducted. The Chow test determines whether the common effects or fixed effects model was the best model. The Hausman test selects either the fixed effects or the random effects model. The Lagrange Multiplier test was employed to determine whether the common effects or random effects model was the best model. As summarized in Table 3, the best model selected for panel regression is the fixed effects model.

**Table 3. Regression Model**

No.	Test	Criteria	Prob.	Conclusion
1.	Chow test	Common Effects vs Fixed Effects	0.0000	Fixed Effects Model
2.	Hausman test	Fixed Effects vs Random Effects	0.0103	Fixed Effects Model
3.	Lagrange Multiplier test	Common Effects vs Random Effects	0.0000	Random Effects Model

Source: Stata 17 output (processed), 2025

### Multicollinearity Test

A multicollinearity test was conducted to determine whether there was a high correlation between independent variables. Table 4 showed that there were no correlation coefficients greater than 0.8, indicating that the model was free from multicollinearity.

**Table 4. Multicollinearity Test**

Variables	(1)	(2)	(3)	(4)
(1) PBV	1.000			
(2) BUSYCOM	0.349	1.000		
(3) ROA	0.347	0.127	1.000	
(4) SIZE	0.598	-0.033	0.598	1.000

Source: Stata 17 output (processed), 2025

### Heteroscedasticity Test

The Glejser test determines whether heteroscedasticity is present. The Glejser test was performed by regressing the absolute values. As presented in Figure 1, since Prob>chi2 is lower than 5%, it can be concluded that a heteroscedasticity problem doesn't exist.

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Modified Wald test for groupwise heteroskedasticity
in fixed effect regression model

H0: sigma(i)^2 = sigma^2 for all i

chi2 (10) =      515.33
Prob>chi2 =      0.0000
    
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Source: Stata 17 output (processed), 2025

**Figure 1. Heteroscedasticity Test**

### Autocorrelation Test

Wooldridge test for autocorrelation in panel data			
H0: no first-order autocorrelation			
F( 1,	9)	=	3.193
Prob > F =			0.1076

Source: Stata 17 output (processed), 2025

**Figure 2. Autocorrelation Test**

An autocorrelation test is performed to determine if there is a correlation between the residuals in period t and those in the previous period (t-1) in the regression model. Figure 2 presents the results of the Wooldridge test. Since Prob > F is higher than 5%, it indicates that autocorrelation is not present in the model.

### Panel Regression Results

**Table 5 presents the baseline regression results.**

Fixed-effects (within) regression		Number of obs	=	50	
Group variable: firmid		Number of groups	=	10	
R-squared:		Obs per group:			
Within	= 0.1786	min	=	5	
Between	= 0.6653	avg	=	5.0	
Overall	= 0.4928	max	=	5	
corr(u_i, Xb) = -0.8054		F(3,9)	=	2.00	
		Prob > F	=	0.1846	
(Std. err. adjusted for 10 clusters in firmid)					
pbv	Coefficient	Robust std. err.	t	P> t	[95% conf. interval]
busycom	-.4109441	.2864027	-1.43	0.185	-1.058832 .2369437
roa	10.12378	8.089493	1.25	0.242	-8.17593 28.42348
size	-.3146261	.6982174	-0.45	0.663	-1.894104 1.264851
_cons	12.01979	23.61357	0.51	0.623	-41.39781 65.4374
sigma_u	1.4875775				
sigma_e	.26946735				
rho	.96822898	(fraction of variance due to u_i)			

Source: Stata 17 output (processed), 2025

The regression equation of this study is:

$$PBV = 12.81979 + 0.410944 \text{ BUSYCOM} + 10.12378 \text{ ROA} + 0.3146261 \text{ SIZE}$$

The constant of 12.81979 indicates that firm value (PBV) remains positive even though commissioners are busy, while profitability (ROA), and firm size (Size) are zero. The variable of busy commissioners (Busycom) negatively influences firm value (-0.4109), profitability (ROA) positively influences (10.1238), and firm size (Size) also positively influences (1.2649). However, all of these influences are not statistically significant because their respective probability values are >0.05.

### Coefficient of Determination (R<sup>2</sup>)

The coefficient of determination measures the ability of the independent variables to statistically explain a dependent variable. A regression R<sup>2</sup> value of 0.4928 means that the contribution of all independent variables to explaining the dependent variable is 49.28%, with the remaining 50.72% explained by other variables outside the research model.

## Discussion

### The Effect of Busy Commissioners on Firm Value

Our study finds that busy commissioners have a negative and insignificant effect on firm value. This result suggests that the presence of busy commissioners has not yet had a tangible impact on firm value. Theoretically, busy commissioners are associated with extensive experience and networks, but the many positions they hold can potentially reduce the effectiveness of oversight due to limited time and focus. This condition explains why, in this study, the influence of busy commissioners tends to be negative and insignificant. This finding is consistent with (James et al., 2018), who stated that holding multiple positions can weaken monitoring functions. However, it is not consistent with (Trinugroho et al., 2023), who found different effects, likely due to differences in sample characteristics, research period, and corporate governance practices.

### The Influence of Profitability on Firm Value

This research shows that profitability has a positive and insignificant effect on firm value. High profitability reflects good financial performance and is expected to increase investor confidence. However, the results of this study indicate that the increase in profitability is not yet substantial enough to drive a corresponding increase in the company's valuation as reflected in PBV. This finding may be influenced by external factors, such as industry conditions, economic instability, and company policies that the market has not fully positively received. These findings align with (Kolamban et al., 2020), but differ from (Precia & Setyawan, 2023) which is likely due to differences in economic conditions, industry sectors, and observation periods.

### The Effect of Firm Size on Firm Value

We find that firm size shows a positive and insignificant impact on firm value. Large firms generally have larger assets, broader access to funding, and higher levels of operational stability, which make them perceived as having lower risk by investors. However, our finding indicates that the size of a company does not necessarily significantly increase its value. This suggests that investors consider not only the size of the company but also take into account operational efficiency, profitability, and future growth prospects. These findings align with (Anggraini & Agustinarsih, 2022), but are inconsistent with (Anugerah & Suryanawa, 2019; Indriyani, 2017), where the differences may be attributed to variations in company characteristics and differing market dynamics.

## CONCLUSION

This study aims to analyze the influence of politically connected board members, capital structure, and profitability on firm value in conventional commercial banks listed on the Indonesia Stock Exchange. The results indicate that busy board members have a negative but insignificant effect on firm value, while profitability has a positive but insignificant effect, and firm size has a negative but insignificant effect. Consequently, potential investors can use this information to be more cautious in assessing bank performance, particularly considering board structure and profitability as additional indicators in investment decision-making. For management, these findings emphasize the importance of optimizing the role of commissioners and increasing profitability and managing company size to stabilize company value. Future research is recommended to use other proxies for company value, such as Tobin's Q or the Price Earnings Ratio (PER), and to include other independent variables that could potentially influence company value, such as liquidity, capital structure, and leverage.

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