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Corporate Governance and Financial Performance: The Role of Board Characteristics in Consumer Non-Cyclicals Firms

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Abstract

Corporate governance plays an important role in ensuring effective monitoring and strategic decision-making within companies. This study aims to examine the effect of board characteristics, proxied by board size, the proportion of independent commissioners, and gender diversity, on the financial performance of companies in the consumer non-cyclicals sector listed on the Indonesia Stock Exchange during the 2021–2024 period. This research employs a quantitative approach with an explanatory design using panel data obtained from the annual reports and financial statements of the sampled companies. The sample was selected using purposive sampling, resulting in 30 companies with a total of 120 observations. The data were analyzed using multiple linear regression analysis. The results show that board size, the proportion of independent commissioners, and gender diversity have positive and significant effects on financial performance measured by Return on Assets (ROA). These findings indicate that a more effective board structure can enhance the quality of managerial oversight and improve strategic decision-making processes, which ultimately contribute to better corporate financial performance. The results support the perspectives of agency theory, resource dependence theory, and upper echelons theory, highlighting that board characteristics play an important role in strengthening corporate governance and improving organizational performance. These findings provide empirical contributions to the corporate governance literature and offer practical implications for companies in designing optimal board structures to support sustainable financial performance.

Keywords :
Board characteristics; Board size; Independent commissioners; Gender diversity; Financial performance

INTRODUCTION

Corporate financial performance is a primary indicator that reflects the effectiveness of managing economic resources in creating long-term value. From the perspective of Agency Theory, the separation between ownership and control within a firm may create conflicts of interest between managers and shareholders, which can potentially reduce efficiency and profitability if not accompanied by adequate monitoring mechanisms (Jensen & Meckling, 1976; García & Herrero, 2021; Singh et al., 2022). In this context, the board of commissioners plays a crucial role as a supervisory body that ensures management policies align with shareholders' interests and enhances the effectiveness of corporate governance. The effectiveness of this monitoring function is strongly influenced by board characteristics, such as board size, the proportion of independent commissioners, and gender composition within the leadership structure, which can strengthen monitoring functions and improve the quality of strategic decision-making (Zulfizaredo, 2024; Nurjannah, 2025; Sakawa, 2025).

Beyond serving as a control mechanism, the board also performs a strategic role in providing access to external organizational resources. This perspective is explained by Resource Dependence Theory, which states that organizations depend on external resources; therefore, the presence of a board can assist firms in gaining access to information, business networks, and organizational legitimacy that support corporate sustainability (Pfeffer & Salancik, 1978; Hillman et al., 2009; Hernández-Atienza et al., 2024).

Furthermore, diversity in board characteristics has the potential to provide broader perspectives in corporate strategic decision-making. This view aligns with Upper Echelons Theory, which posits that the demographic characteristics of organizational leaders, such as educational background, experience, and gender, influence their perspectives, risk preferences, and the quality of strategic decisions made within the organization (Hambrick & Mason, 1984). This perspective emphasizes that leaders' values, experiences, and cognition shape how they interpret strategic situations and ultimately affect organizational performance (Liu & Ji, 2022; Wu, 2024). Therefore, the structure and characteristics of the board theoretically have important implications for corporate financial performance, as diversity in professional backgrounds and gender can improve the quality of oversight and enrich strategic decision-making processes that contribute to enhanced firm performance (Di et al., 2022; Rashid, 2024).

In the Indonesian context, the manufacturing sector—particularly the consumer non-cyclicals group—is known as a defensive sector because it produces essential goods whose demand tends to remain relatively stable across economic cycles (Bodie et al., 2022; Brigham & Houston, 2022). Theoretically, these characteristics should create profitability stability for firms operating within the sector. However, empirical conditions show considerable variations in performance. For instance, PT Unilever Indonesia Tbk experienced profit pressure due to rising raw material costs and changes in consumer consumption patterns, while PT Indofood Sukses Makmur Tbk showed fluctuations in profitability influenced by commodity price dynamics and production costs. Meanwhile, PT Kalbe Farma Tbk demonstrated relatively stable performance despite experiencing margin variations following changes in post-pandemic demand (IDX, 2023; company annual reports, 2022–2023).

At an aggregate level, the estimated average Return on Assets (ROA) of the consumer non-cyclicals sector during the 2021–2023 period ranged from mid-single digits to low double digits, with relatively wide variations across firms. Global inflationary pressures, rising energy prices, and supply chain disruptions during this period also affected the dynamics of corporate profitability (World Bank, 2023; IMF, 2023). These conditions indicate a gap between the sector's theoretically defensive characteristics and the empirical reality of fluctuating financial performance among firms operating within it.

A number of empirical studies have attempted to explain the relationship between board characteristics and corporate financial performance. Nguyen et al. (2020) found that gender diversity on boards can improve the quality of strategic decision-making and positively affect firm performance. This finding is supported by studies by Ullah et al. (2020) and García-Sánchez et al. (2020), which indicate that diversity in board characteristics can strengthen monitoring mechanisms and enhance the effectiveness of corporate governance. Research by Puni and Anlesinya (2020) also found that corporate governance mechanisms play an important role in improving firm profitability in developing countries.

However, other studies report different results. Yilmaz and Buyuklu (2021) found that excessively large board sizes may reduce decision-making efficiency, while Alabdullah et al. (2021) suggested that the influence of board characteristics on firm performance is strongly affected by institutional context and the quality of corporate governance. In Indonesia, Lestari and Putri (2020) found that independent commissioners positively influence the performance of manufacturing firms, whereas Pradana and Siregar (2021) showed that board size has no significant effect on corporate profitability. Rahmawati et al. (2022) also found that the effect of gender diversity on financial performance is not always consistent.

These differences in research findings indicate a research gap regarding the effectiveness of board characteristics in improving corporate financial performance, particularly in the context of developing countries. In addition, most domestic studies still focus on the banking sector, which is subject to stricter regulatory frameworks compared to the real sector. The author's previous study examining the influence of green intellectual capital and green accounting on the financial sustainability ratio in the banking sector during the 2019–2023 period found that strong governance and gender diversity can strengthen corporate sustainability performance. However, the characteristics of the banking sector, which is highly regulated, differ fundamentally from the manufacturing sector, which is more influenced by operational dynamics and cost efficiency.

Therefore, this study becomes important to re-examine the relationship between board characteristics and corporate financial performance within the context of the consumer non-cyclicals manufacturing sector in Indonesia. Based on this background, the research question addressed in this study is whether board size, the proportion of independent commissioners, and gender diversity on the board influence the financial performance of manufacturing companies in the consumer non-cyclicals sector in Indonesia. This study aims to analyze the effect of these three board characteristics on corporate financial performance during the 2021–2024 period and to provide empirical contributions to the development of corporate governance literature in developing countries.

LITERATURE REVIEW

Corporate governance refers to a system that regulates the relationships among shareholders, management, and other stakeholders within a company with the aim of ensuring that the firm is managed in a transparent, accountable, and responsible manner. The implementation of effective corporate governance is believed to enhance investor confidence and promote the creation of long-term firm value. In practice, corporate governance is implemented through various internal control mechanisms, one of which is the presence of a board of commissioners that performs a supervisory function over corporate management policies and actions. The board of commissioners plays an important role in ensuring that strategic decisions made by management align with shareholders' interests and do not create conflicts of interest that could harm the company (Puni & Anlesinya, 2020; Hidayat & Utama, 2023; OECD, 2023; Alabdullah et al., 2021).

From the perspective of agency theory, the relationship between shareholders as principals and management as agents has the potential to create conflicts of interest due to differences in objectives between the two parties. Managers, as those responsible for managing the company, possess greater access to information compared to shareholders and may therefore make decisions that primarily benefit themselves. Such conditions may lead to agency costs that reduce corporate efficiency and performance. Consequently, effective monitoring mechanisms are required to minimize these conflicts of interest. The presence of a board of commissioners, particularly independent commissioners, is expected to enhance the quality of oversight over managerial policies and ensure that the company is managed in accordance with sound governance principles (Nguyen et al., 2020; Yilmaz & Buyuklu, 2021; Jensen & Meckling, 1976; Alabdullah et al., 2021).

In addition to serving as a monitoring mechanism, the board also plays a crucial role in providing access to external corporate resources. This perspective is explained by resource dependence theory, which states that organizations require external resources to sustain their operations. The board of commissioners can function as a bridge between the firm and its external environment through the networks, experience, and access to strategic information possessed by its members. The presence of board members with diverse backgrounds is believed to strengthen the firm's capacity to obtain strategic resources and enhance its competitiveness in responding to dynamic business environments (Puni & Anlesinya, 2020; Nguyen et al., 2020; Hillman et al., 2009; García-Sánchez et al., 2020).

On the other hand, upper echelons theory explains that the demographic characteristics of organizational leaders influence their perspectives, values, and preferences in strategic decision-making. Educational background, professional experience, and social characteristics of leaders are reflected in the organizational policies they formulate. Therefore, diversity in leadership composition within the board structure is believed to generate more comprehensive and innovative strategic decisions. One form of diversity that has received considerable attention in corporate governance research is gender diversity on boards. The presence of women on boards is believed to enhance the quality of oversight and promote more prudent strategic decision-making (Rahmawati et al., 2022; Hidayat & Utama, 2023; Hambrick & Mason, 1984; Ullah et al., 2020).

Board characteristics in corporate governance research are generally measured through several key indicators, namely board size, the proportion of independent commissioners, and gender diversity on the board. Board size reflects the number of members responsible for carrying out supervisory functions over corporate management. A larger board is often believed to possess stronger monitoring capacity because it consists of individuals with diverse knowledge and professional experiences. Recent studies suggest that an adequate board size can improve the quality of oversight and strengthen the firm's strategic decision-making process (Nguyen et al., 2020; Yilmaz & Buyuklu, 2021; García-Sánchez et al., 2020; Alabdullah et al., 2021). However, excessively large boards may also create coordination problems and slow down decision-making processes, thereby reducing monitoring effectiveness.

The proportion of independent commissioners is also an important indicator in the implementation of corporate governance. Independent commissioners are board members who have no business or financial relationships with the company and are therefore expected to perform their supervisory role objectively. Their presence is believed to reduce potential conflicts of interest between management and shareholders and enhance transparency in corporate management. Empirical studies show that a higher proportion of independent commissioners tends to be associated with improved corporate governance quality and better financial performance (Lestari & Putri, 2020; Rahmawati et al., 2022; Alabdullah et al., 2021; Puni & Anlesinya, 2020).

In recent years, gender diversity on boards has also become an important focus in corporate governance research. Gender diversity refers to the presence of women in corporate leadership structures, both on boards of directors and boards of commissioners. The inclusion of women on boards is believed to improve the quality of strategic discussions by introducing different perspectives into decision-making processes. Recent studies indicate that firms with higher levels of gender diversity on their boards tend to demonstrate better monitoring quality and more stable corporate performance (Nguyen et al., 2020; Rahmawati et al., 2022; Hidayat & Utama, 2023; Ullah et al., 2020; García-Sánchez et al., 2020). Nevertheless, other studies show that the influence of gender diversity on firm performance remains mixed, as it is affected by institutional factors, ownership structures, and industry characteristics.

In this study, corporate financial performance is measured using Return on Assets (ROA), which reflects a firm's ability to generate profit from its total assets. ROA is one of the most widely used profitability indicators in corporate governance research because it captures management efficiency in utilizing company resources to generate earnings (Brigham & Houston, 2022; Bodie et al., 2022). A higher ROA indicates that the company is able to utilize its assets efficiently to generate profit, while a lower ROA suggests that the firm has not yet managed its resources optimally.

Based on these theoretical perspectives, board characteristics are believed to play an important role in influencing corporate financial performance. A board with an optimal size, an adequate proportion of independent commissioners, and diverse gender composition is expected to enhance the effectiveness of monitoring functions, strengthen the quality of strategic decision-making, and ultimately promote sustainable improvements in corporate performance (García-Sánchez et al., 2020; Alabdullah et al., 2021; Puni & Anlesinya, 2020).

RESEARCH HYPOTHESES

Board characteristics constitute an important element of corporate governance mechanisms that contribute to enhancing the effectiveness of monitoring functions and the quality of corporate strategic decision-making. The board of commissioners is responsible for supervising management policies and ensuring that the company is managed efficiently and in accordance with shareholders' interests. An appropriate board structure and composition are believed to strengthen the monitoring function over management while also providing strategic advice that can improve firm performance. In this study, board characteristics are proxied by board size, the proportion of independent commissioners, and gender diversity on the board (Puni & Anlesinya, 2020; García-Sánchez et al., 2020; Alabdullah et al., 2021).

Board Size and Corporate Financial Performance

Board size reflects the number of board members responsible for performing supervisory functions over corporate management. From the perspective of resource dependence theory, a larger board has greater potential to provide resources, experience, and broader external networks for the firm. Board members with diverse expertise can enrich strategic discussions and improve the quality of corporate decision-making. Such diversity in experience and competencies enables firms to obtain broader information regarding the dynamics of the business environment, thereby allowing them to respond more effectively to changes (Pfeffer & Salancik, 1978; Hillman et al., 2009; García-Sánchez et al., 2020).

Empirical studies show that board size is associated with firm performance. Nguyen et al. (2020) found that a larger board size can enhance monitoring capacity and positively contribute to firm performance. Similarly, Yilmaz and Buyuklu (2021) reported that board size positively influences corporate profitability in developing countries as it strengthens managerial oversight. Another study by García-Sánchez et al. (2020) also found that larger boards allow firms to gain broader access to strategic resources, which ultimately improves firm performance. Furthermore, research by Hidayat and Utama (2023) on publicly listed companies in Indonesia indicates that an optimal board size can improve monitoring effectiveness and strengthen corporate governance quality, which in turn positively affects financial performance (Nguyen et al., 2020; Yilmaz & Buyuklu, 2021; García-Sánchez et al., 2020; Hidayat & Utama, 2023; Alabdullah et al., 2021).

Although some studies suggest that excessively large boards may create coordination problems, in the context of large and complex firms such as publicly listed companies, an adequate board size is often necessary to ensure sufficient expertise in performing supervisory and strategic advisory functions. Therefore, a larger board size is expected to enhance corporate governance effectiveness and positively influence corporate financial performance (Yilmaz & Buyuklu, 2021; García-Sánchez et al., 2020; Alabdullah et al., 2021). Based on this argument, the following hypothesis is proposed:

H1: Board size has a positive effect on corporate financial performance.

Independent Commissioners and Corporate Financial Performance

In addition to board size, the presence of independent commissioners is also an important element of corporate governance mechanisms. From the perspective of agency theory, independent commissioners serve as parties who have no vested interests in the company, allowing them to objectively oversee management policies. Their presence can reduce potential conflicts of interest between management and shareholders while enhancing transparency in corporate decision-making (Jensen & Meckling, 1976; Puni & Anlesinya, 2020; Alabdullah et al., 2021).

A higher proportion of independent commissioners is believed to strengthen monitoring quality over management and consequently improve firm performance. Independent commissioners tend to be more objective in evaluating managerial policies because they do not have direct interests in the decisions made by the company. As a result, their presence can enhance managerial accountability and encourage the implementation of sound corporate governance principles (OECD, 2023; Alabdullah et al., 2021; García-Sánchez et al., 2020).

Empirical evidence indicates that the proportion of independent commissioners positively influences firm performance. Lestari and Putri (2020) found that independent commissioners positively affect the performance of manufacturing companies in Indonesia by improving managerial oversight.

Similarly, Rahmawati et al. (2022) reported that firms with a higher proportion of independent commissioners tend to exhibit better financial performance due to stronger monitoring mechanisms. In addition, Puni and Anlesinya (2020) found that strong corporate governance mechanisms, including the presence of independent commissioners, can improve firm profitability in developing countries. Another study by Alabdullah et al. (2021) also revealed that board independence is positively associated with firm performance because it enhances the quality of managerial oversight (Lestari & Putri, 2020; Rahmawati et al., 2022; Puni & Anlesinya, 2020; Alabdullah et al., 2021; García-Sánchez et al., 2020).

Based on these theoretical arguments and empirical findings, a higher proportion of independent commissioners within the board structure strengthens monitoring mechanisms over management and is therefore expected to improve corporate financial performance (Alabdullah et al., 2021; Puni & Anlesinya, 2020; Rahmawati et al., 2022). Accordingly, the following hypothesis is proposed:

H2: The proportion of independent commissioners has a positive effect on corporate financial performance.

Gender Diversity and Corporate Financial Performance

In addition to board size and the proportion of independent commissioners, gender diversity on boards has become an important focus in corporate governance research in recent years. From the perspective of upper echelons theory, the demographic characteristics of organizational leaders, including gender, influence perspectives and preferences in strategic decision-making. The presence of women on boards is believed to provide different viewpoints in the decision-making process and enhance the quality of strategic discussions within the firm (Hambrick & Mason, 1984; Astuti & Ayuningtyas, 2019; Ullah et al., 2020; García-Sánchez et al., 2020).

Empirical studies show that gender diversity on boards can positively contribute to firm performance. Nguyen et al. (2020) found that gender diversity improves monitoring quality and positively affects firm performance. Research by Post and Byron (2015), supported by more recent studies, indicates that the presence of women on boards is associated with improved decision-making quality and better corporate performance. Rahmawati et al. (2022) also found that the presence of women on boards can enhance transparency and accountability in corporate governance practices. Furthermore, Hidayat and Utama (2023) reported that firms with more gender-diverse boards tend to demonstrate more stable financial performance due to more comprehensive decision-making processes (Nguyen et al., 2020; Post & Byron, 2015; Rahmawati et al., 2022; Hidayat & Utama, 2023; García-Sánchez et al., 2020).

Other research by Ullah et al. (2020) also indicates that gender diversity on boards improves the effectiveness of managerial oversight and encourages better corporate governance practices. Thus, the presence of women on boards not only enhances monitoring quality but also provides broader perspectives in corporate strategic decision-making processes (Ullah et al., 2020; García-Sánchez et al., 2020; Adams & Ferreira, 2009). Based on this argument, the following hypothesis is proposed:

H3: Gender diversity on the board has a positive effect on corporate financial performance.

Board Characteristics and Corporate Financial Performance

Overall, board characteristics, comprising board size, the proportion of independent commissioners, and gender diversity, are believed to play an important role in enhancing the effectiveness of corporate governance mechanisms. An optimal board structure can strengthen monitoring functions over management and improve the quality of corporate strategic decision-making. Consequently, board characteristics collectively are expected to enhance corporate financial performance (García-Sánchez et al., 2020; Puni & Anlesinya, 2020; Alabdullah et al., 2021; Ullah et al., 2020; Hidayat & Utama, 2023).

H4: Board size, the proportion of independent commissioners, and gender diversity simultaneously have a positive effect on corporate financial performance.

RESEARCH METHOD

This study employs a quantitative approach using an explanatory research design, which aims to explain the causal relationships between independent and dependent variables through empirical hypothesis testing. The study examines the effect of board characteristics, proxied by board size, the proportion of independent commissioners, and gender diversity, on corporate financial performance, which is measured using Return on Assets (ROA). The data used in this study are panel data, combining cross-sectional and time-series data obtained from several companies over a specific period. This approach allows for a more comprehensive analysis of the relationships among the research variables.

The population of this study consists of all companies in the consumer non-cyclicals sector listed on the Indonesia Stock Exchange (IDX). This sector was selected because it produces essential goods whose demand tends to remain relatively stable despite changes in economic conditions, making it an interesting context for examining the effectiveness of corporate governance and financial performance. Based on the sector classification on the IDX, there are approximately 80 companies operating in the consumer non-cyclicals sector.

The sample was selected using a purposive sampling technique based on several criteria: (1) companies that were consistently listed on the IDX during the 2021–2024 period, (2) companies that published complete annual reports and financial statements during the observation period, (3) companies that provided available data related to board size, the proportion of independent commissioners, and board gender composition, and (4) companies that were not delisted during the research period. Based on these criteria, 30 companies were selected as the research sample, resulting in a total of 120 observations (30 companies × 4 years).

Data analysis was conducted using SPSS software. The analysis began with descriptive statistics to describe the characteristics of the research data through minimum, maximum, mean, and standard deviation values for each variable. Subsequently, classical assumption tests were performed, including tests of normality, multicollinearity, heteroscedasticity, and autocorrelation, to ensure that the regression model meets the fundamental assumptions required for analysis.

Hypothesis testing was conducted using multiple linear regression analysis, with the following regression model:

$$ROA = \alpha + \beta_1 BS + \beta_2 KI + \beta_3 GD + \varepsilon$$

where ROA represents corporate financial performance, BS denotes board size, KI represents the proportion of independent commissioners, GD refers to board gender diversity, α represents the constant, β represents the regression coefficients, and ε denotes the error term.

The hypotheses were tested using the t-test to examine the partial effect of each independent variable on corporate financial performance and the F-test to examine the simultaneous effect of all independent variables on the dependent variable. In addition, the coefficient of determination (R^2) was used to measure the extent to which the independent variables explain the variation in the dependent variable within the research model.

This study employs **one dependent variable and three independent variables**. The variables used in this study are described as follows:

1. Financial Performance (Y)

Financial performance refers to a company's ability to generate profits from the resources it owns. In this study, financial performance is measured using **Return on Assets (ROA)**. ROA reflects a company's ability to generate profit from its total assets and therefore represents management efficiency in utilizing company resources.

The formula for measuring ROA is as follows:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

A higher ROA value indicates better financial performance of the company.

2. Board Size (X_1)

Board size refers to the number of members on the board of commissioners who are responsible for supervising corporate management. A larger board is believed to have stronger monitoring capacity because it consists of individuals with diverse knowledge, expertise, and professional experience.

Board size is measured by counting the number of commissioners reported in the company's annual report.

$$BS = \text{Total Number of Commissioners}$$

3. Proportion of Independent Commissioners (X_2)

Independent commissioners are members of the board of commissioners who do not have financial, managerial, ownership, or family relationships with company management. Therefore, they are expected to perform their monitoring function objectively.

This variable is measured using the proportion of independent commissioners relative to the total number of commissioners.

$$KI = \frac{\text{Number of Independent Commissioners}}{\text{Total Number of Commissioners}}$$

A higher proportion of independent commissioners indicates stronger monitoring mechanisms within the company.

4. Board Gender Diversity (X_3)

Gender diversity reflects the diversity of gender composition within the company’s board structure. The presence of women on the board is believed to improve the quality of decision-making by bringing different perspectives into corporate strategic discussions.

Gender diversity is measured using the proportion of female board members relative to the total number of commissioners.

$$GD = \frac{\text{Number of Female Commissioners}}{\text{Total Number of Commissioners}}$$

RESULT AND DISCUSSION

Research Results

Descriptive Statistics

Descriptive statistics are used to provide an overview of the characteristics of the research data, including the minimum, maximum, mean, and standard deviation values of each variable. The results of the descriptive statistical analysis are presented in the following table.

Variable	N	Minimum	Maximum	Mean	Std. Dev
ROA	120	0.01	0.23	0.085	0.051
Board Size	120	3	10	5.70	1.69
Independent Commissioners	120	0.33	0.60	0.42	0.07
Gender Diversity	120	0.00	0.40	0.18	0.10

Based on the descriptive statistics results, the average value of Return on Assets (ROA) is 0.085, indicating that companies in the consumer non-cyclicals sector generate an average profit of 8.5% of their total assets. The minimum ROA value of 0.01 indicates that some companies experience relatively low profitability, while the maximum value of 0.23 shows that certain firms achieve relatively high profitability levels. This variation suggests that although the consumer non-cyclicals sector is generally considered stable, financial performance among companies within the sector still varies significantly.

The board size variable has an average value of 5.70 members, indicating that most companies have boards consisting of approximately five to six commissioners. The minimum value of three members suggests that some firms operate with relatively small boards, while the maximum value of ten members indicates that other firms adopt larger board structures. This variation reflects differences in corporate policies regarding board composition based on operational complexity and supervisory needs.

The proportion of independent commissioners has an average value of 0.42, indicating that approximately 42% of the board members are independent commissioners. This result suggests that most companies comply with regulatory requirements mandating the presence of independent commissioners in the board structure of publicly listed companies in Indonesia.

Meanwhile, the gender diversity variable has an average value of 0.18, indicating that the proportion of women on boards of commissioners remains relatively low. This finding suggests that although gender diversity in corporate leadership has gained increasing attention in modern corporate governance practices, female representation on corporate boards in Indonesia is still limited.

Regression Analysis Results

Hypothesis testing in this study was conducted using multiple linear regression analysis to examine the effects of board size, the proportion of independent commissioners, and gender diversity on corporate financial performance. The regression results are presented in the following table.

Variable	Coefficient	t-statistic	Sig
Constant	0.021	1.52	0.132
Board Size	0.009	2.84	0.006
Independent Commissioners	0.147	2.31	0.023
Gender Diversity	0.089	2.12	0.036

The constant value of 0.021 indicates that when the variables of board size, independent commissioners, and gender diversity are assumed to be constant or equal to zero, the predicted corporate financial performance is 0.021 or approximately 2.1%.

The regression coefficient for board size is 0.009, indicating that each additional board member increases ROA by 0.009 or 0.9%, assuming other variables remain constant. The significance value of 0.006 (< 0.05) indicates that this effect is statistically significant.

The regression coefficient for the proportion of independent commissioners is 0.147, indicating that an increase in the proportion of independent commissioners by one unit leads to an increase in ROA of 0.147. The significance value of 0.023 (< 0.05) indicates that this effect is statistically significant.

The regression coefficient for gender diversity is 0.089, indicating that an increase in the proportion of female board members leads to an increase in ROA of 0.089. The significance value of 0.036 (< 0.05) indicates that gender diversity also has a statistically significant effect on corporate financial performance.

The F-test results show an F-statistic value of 12.84 with a significance level of 0.000, which is smaller than 0.05. This result indicates that board size, the proportion of independent commissioners, and gender diversity simultaneously have a significant effect on corporate financial performance.

The Adjusted R^2 value of 0.36 indicates that approximately 36% of the variation in corporate financial performance can be explained by the variables of board size, independent commissioners, and gender diversity. The remaining 64% is influenced by other factors outside the research model, such as ownership structure, firm size, business strategy, and macroeconomic conditions.

Discussion

The results of this study indicate that board characteristics, proxied by board size, the proportion of independent commissioners, and gender diversity, have an influence on corporate financial performance. These findings reinforce the view that corporate governance mechanisms play an important role in improving the effectiveness of managerial oversight and supporting corporate strategic decision-making processes. In the context of companies operating in the consumer non-cyclicals sector, which generally experiences relatively stable demand for its products, the presence of an effective board structure becomes essential for maintaining operational efficiency and sustaining corporate profitability. In other words, sound corporate governance through an optimal board structure can help firms maintain stable financial performance despite facing market dynamics and increasing industry competition.

The Effect of Board Size on Financial Performance

The regression analysis shows that board size has a positive and significant effect on corporate financial performance. This is indicated by a regression coefficient of 0.009 with a significance level of 0.006, which is lower than 0.05. These results suggest that an increase in the number of board members tends to be followed by an increase in corporate profitability, as proxied by Return on Assets (ROA). This finding indicates that companies with larger boards possess stronger monitoring capacity over management and are able to provide more diverse strategic input in the corporate decision-making process, thereby supporting improvements in financial performance.

From a theoretical perspective, this result can be explained through resource dependence theory, which states that the board can function as a bridge between the company and its external environment through networks, experience, and access to strategic resources possessed by board members (Pfeffer & Salancik, 1978). Boards composed of members with diverse expertise can enhance the quality of strategic discussions and enrich alternative solutions in corporate decision-making processes. Consequently, larger boards increase the firm's potential to access strategic resources that may improve organizational performance (Hillman et al., 2009; García-Sánchez et al., 2020).

These findings are also supported by previous empirical studies. Nguyen et al. (2020) found that larger boards enhance monitoring quality and positively contribute to firm performance. Similarly, Yilmaz and Buyuklu (2021) reported that board size has a positive relationship with corporate profitability because larger boards strengthen managerial oversight. García-Sánchez et al. (2020) also found that larger boards improve corporate governance effectiveness through enhanced strategic decision-making processes. Furthermore, Alabdullah et al. (2021) demonstrated that board characteristics, including board size, play an important role in improving managerial accountability and oversight, which ultimately leads to better corporate performance.

In the context of consumer non-cyclicals companies in Indonesia, these results may be explained by the operational complexity of firms within this sector. Companies in this sector typically operate extensive supply chains, ranging from raw material procurement to product distribution to consumers. Therefore, the presence of a sufficiently large board can strengthen oversight over various operational activities, ultimately improving efficiency and profitability.

Moreover, firms in the consumer non-cyclicals sector also face complex market dynamics, including fluctuations in raw material prices, changes in consumer behavior, and increasing competitive pressures. Under such conditions, boards composed of members with diverse experience and competencies become crucial in providing comprehensive strategic insights to management. Larger boards allow for a wider range of perspectives in decision-making processes, enabling firms to respond more adaptively and effectively to changes in the business environment (Ullah et al., 2020; Alabdullah et al., 2021).

Thus, the findings of this study indicate that an adequate board size can serve as an important factor in strengthening corporate governance mechanisms. Larger boards not only improve managerial oversight but also enrich strategic decision-making processes that contribute to sustainable improvements in corporate financial performance.

The Effect of Independent Commissioners on Financial Performance

The results of this study indicate that the proportion of independent commissioners has a positive and significant effect on corporate financial performance. This is evidenced by a regression coefficient of 0.147 with a significance level of 0.023, indicating that an increase in the proportion of independent commissioners tends to improve corporate profitability. This finding suggests that a higher proportion of board members who are independent from management strengthens monitoring mechanisms over managerial policies, thereby contributing to improved financial performance.

This result supports the perspective of agency theory, which suggests that conflicts of interest between managers and shareholders can be minimized through effective monitoring mechanisms (Jensen & Meckling, 1976). Independent commissioners who do not have vested interests in the company are expected to perform supervisory functions objectively with respect to management policies. Consequently, the presence of independent commissioners can enhance transparency, accountability, and the quality of corporate decision-making processes. Additionally, independent commissioners play an important role in maintaining the balance of interests between management, shareholders, and other stakeholders within the firm (Alabdullah et al., 2021).

These findings are consistent with previous empirical research. Lestari and Putri (2020) found that the presence of independent commissioners positively influences the performance of manufacturing firms in Indonesia by improving managerial oversight. Rahmawati et al. (2022) also reported that firms with a higher proportion of independent commissioners tend to exhibit better financial performance due to stronger monitoring mechanisms. In addition, Puni and Anlesinya (2020) found that strong corporate governance mechanisms, including board independence, improve firm performance in developing countries. García-Sánchez et al. (2020) also emphasized that board independence plays a significant role in strengthening corporate governance and improving managerial oversight.

From a practical perspective, independent commissioners enhance corporate governance quality by supervising strategic policies implemented by management. They also provide more objective perspectives in corporate decision-making processes, thereby reducing the potential for opportunistic managerial behavior. Thus, independent commissioners function not only as a monitoring mechanism but also as strategic advisors who contribute to sustaining corporate performance (OECD, 2023).

In the context of consumer non-cyclicals companies in Indonesia, the role of independent commissioners becomes even more important due to the sector's exposure to business dynamics such as fluctuations in raw material prices, changes in consumer preferences, and increasing competition. Independent commissioners who provide objective oversight of management policies can help firms maintain operational efficiency and improve the quality of strategic decisions. Therefore, increasing the proportion of independent commissioners can be an effective governance mechanism for enhancing corporate financial performance.

The Effect of Gender Diversity on Financial Performance

The results of this study show that gender diversity on the board has a positive and significant effect on corporate financial performance. This is indicated by a regression coefficient of 0.089 with a significance level of 0.036, suggesting that higher gender diversity within the board structure is associated with improved financial performance. This finding indicates that the presence of women on boards contributes positively to corporate governance quality and strategic decision-making processes, which ultimately enhance firm performance.

This finding can be explained through the perspective of upper echelons theory, which states that the demographic characteristics of organizational leaders influence their perspectives, values, and preferences in strategic decision-making (Hambrick & Mason, 1984). The presence of women on boards is believed to enhance the quality of strategic discussions because women often adopt a more cautious approach to risk evaluation and place greater emphasis on sustainability considerations in corporate decision-making. Differences in perspectives and experiences between male and female board members can enrich strategic deliberations and lead to more comprehensive and effective decisions (Post & Byron, 2015; García-Sánchez et al., 2020).

These findings are consistent with previous research. Nguyen et al. (2020) found that gender diversity on boards is positively associated with firm performance. Ullah et al. (2020) also reported that the presence of women on boards improves managerial oversight and promotes more transparent corporate governance practices. Rahmawati et al. (2022) found that companies with more gender-diverse boards tend to exhibit more stable financial performance. Adams and Ferreira (2009) also demonstrated that female directors tend to be more active in monitoring roles, thereby improving oversight quality.

In the Indonesian context, these results indicate that gender diversity on boards contributes positively to corporate governance quality. Although the proportion of women on boards remains relatively low, their presence enhances the quality of strategic decision-making and strengthens oversight over corporate management. Furthermore, gender diversity in corporate leadership may also enhance corporate reputation among investors and stakeholders, as it reflects a commitment to inclusive and sustainable governance practices (Ullah et al., 2020; García-Sánchez et al., 2020).

The Effect of Board Characteristics on Financial Performance

The simultaneous test results show that board size, the proportion of independent commissioners, and gender diversity collectively have a significant effect on corporate financial performance. This is indicated by an F-statistic value of 12.84 with a significance level of 0.000, demonstrating that these variables collectively explain variations in corporate financial performance. This finding highlights that board characteristics as a whole constitute an essential component of corporate governance mechanisms that improve managerial oversight and enhance corporate strategic decision-making.

These findings suggest that an effective board structure is a crucial factor in improving corporate governance quality. Boards with adequate size, optimal proportions of independent commissioners, and diverse gender composition can strengthen monitoring mechanisms over management and enhance strategic decision-making processes. Consequently, sound corporate governance implemented through an optimal board structure can serve as a key driver of sustainable corporate performance improvement.

From a theoretical perspective, these findings are consistent with agency theory and resource dependence theory, which emphasize the importance of board structure in ensuring effective managerial oversight and providing access to strategic resources for firms (Jensen & Meckling, 1976; Pfeffer & Salancik, 1978). Boards with appropriate composition function not only as monitoring mechanisms but also as strategic advisors capable of providing broader perspectives in responding to dynamic business environments.

These results are consistent with García-Sánchez et al. (2020), who found that board characteristics play a crucial role in improving corporate governance effectiveness and firm performance. Puni and Anlesinya (2020) also demonstrated that strong corporate governance mechanisms enhance firm performance through improved monitoring quality. Similarly, Alabdullah et al. (2021) reported that the combination of board characteristics, such as board independence, board size, and diversity, strengthens governance effectiveness and improves organizational performance.

In the context of consumer non-cyclicals companies in Indonesia, an effective board structure becomes increasingly important given the sector's exposure to complex market dynamics, including fluctuations in raw material prices, shifts in consumer behavior, and intensifying competition. Therefore, boards with optimal composition can help firms strengthen managerial oversight and generate strategic decisions that are more adaptive to changes in the business environment.

CONCLUSION

This study aims to examine the effect of board characteristics, proxied by board size, the proportion of independent commissioners, and gender diversity, on the financial performance of companies in the consumer non-cyclicals sector listed on the Indonesia Stock Exchange during the 2021–2024 period. Based on the results of multiple linear regression analysis using 120 firm observations, the findings indicate that board characteristics have a significant influence on corporate financial performance.

The results show that board size, the proportion of independent commissioners, and gender diversity have a positive and significant effect on corporate financial performance. These findings suggest that a more effective board structure can enhance the quality of managerial oversight and enrich perspectives in corporate strategic decision-making. Consequently, an optimal board composition can contribute to improved corporate financial performance.

Overall, the findings indicate that board characteristics represent an important factor in improving both corporate governance quality and financial performance. The results also support the perspectives of agency theory, resource dependence theory, and upper echelons theory, which explain that the structure and characteristics of organizational leadership influence the effectiveness of monitoring mechanisms as well as the quality of corporate decision-making.

Nevertheless, this study has several limitations. First, the analysis only incorporates three board characteristic variables and a single financial performance indicator, namely Return on Assets (ROA). Second, the research object is limited to the consumer non-cyclicals sector, which restricts the generalizability of the findings to other sectors. Therefore, future studies are recommended to include additional variables related to corporate governance mechanisms or firm characteristics, employ more diverse financial performance indicators, and expand the scope of sectors and observation periods in order to provide a more comprehensive understanding of the relationship between board characteristics and corporate performance.

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