The Effect of Board Structure on Firm Value with Profitability as an Intervening Variable

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Abstract: **The role of the board as an internal mechanism for Good Corporate Governance (GCG) is needed to reduce agency conflicts. When the board plays a good role in managing GCG, the company will run effectively and efficiently, and be able to prosper the shareholders, as well as bringgood effect on company performance, thereby increasing profitability. Increased profitability will indirectly increase the company's stock price and the company's value will increase.**

This study aims to determine the direct effect of board structure consisting of the board of directors (BOD) and board of commissioner (BOC) on firm value, profitability on firm value, and to determine the indirect effect of board structure on firm value through profitability.

The sampling method used was purposive sampling, the object of this research was companies listed on the Indonesian Sharia Stock Index (ISSI) from 2015-2019, with a sample size of 103 companies. The analysis tools used were Panel Data Regression and Path Analysis.

The results showed that the variables of BOC and profitability had a negative and significant effect on firm value. Meanwhile, variables of BOD has no significant effect on firm value. The board structure variable also has no significant effect on profitability. The results of the Path Analysis show that profitability is not able to be an intervening variable between BOD and BOC on firm value.

Keywords: **Board Structure, Board of Director, Board of Commissioner, Firm Value, Profitability**

I. INTRODUCTION

Along with the increasingly rapid development of the industry, company owners have to makeinnovations continuously to maintain the future of their company, and besides, must be followed by sufficient capital. The need for additional capital is obtained through the capital market so that it automatically leads the company to switch to a more modern management model. Changes in the management of the classic model to modern management caused the problems faced by the company to become more complex, and triggeredagency problems which became known as agency theory.

According to (Niki, 2016) agency theory has been widely used as a theoretical background to study and understand the relationship between ownership and corporate performance from corporate governance (CG) perspective. (Rusdiyanto, 2019) stated that to intercede the interests between the two parties, a board was formed. The board is a governance tool used to minimize agency problems. There are two governance mechanisms, which consistof external mechanisms (market mechanisms, state laws & regulations) and internal mechanisms (presence and role of boards), namely entrusting the effectiveness of the company's internal control by the Board of Commissioners and the Board of Directors. In Indonesia, the board model applied is a *two-tier board*, where the Board of Directors is formed to manage the company and make top-level decisions, as stated in the theory of (Fama, E.F. & Jensen, 1983) that the board of directors (BOD) plays a role in making decisions. Meanwhile, a board of commissioners (BOC) was formed to supervise/monitor the implementation of decisions and provide input to the Board of Directors. The roles of both are very important in terms of the company's survival. The policy regarding boards in Indonesia has been stated in the Undang-Undang Perseroan TerbatasTahun 2007, PeraturanOtoritasJasaKeuangan about DewanKomisarisdanDewanDireksiTahun 2014 and PedomanPelaksanaan*Corporate Governance* by KomiteNasionalKebijakan Governance (KNKG) Tahun 2006.

The role of the board (BOD and BOC) as a mechanism for Good Corporate Governance (GCG) is needed to reduce agency problems. When the board plays a good role in managing CGC, the company will run effectively and efficiently, and be able to improve the welfare of shareholders, and eventually will bring an increase in prices as well asa company value. Furthermore, this will make higher market confidence in the company's current performance and the future(Rahayu, 2018).

The study by (Lidyah et al., 2019),(Noor, 2011), (Fauzi & Locke, 2012), and (Onasis, 2016) found that BOD has a positive and significant on firm value. Because the more board members are in the company, the better the monitoring that runs on the company's performance and also increases the stock price. As of increasing on the company's value.Meanwhile, according to (Lastanti & Salim, 2018) and

(Sondokan et al., 2019), BOD has no significant effect on firm value.

Research by (Lidyah et al., 2019), (Fauzi & Locke, 2012), (Soedaryono & Riduifana, 2013), and (Noor, 2011)states that BOC has a positive and significant effect on firm value. The research result of (Kusumaningrum & Nugroho, 2019),(Susanti & Nidar, 2016), and (Syafitri et al., 2018)reveal different results that BOC has a significant but negative effect on firm value. Meanwhile, (Fintreswari & Sutiono, 2017),and (Mukhtaruddin et al., 2014) stated that BOC had no significant effect. This result is based onthe selection process for the boards of commissioners who are not selected through a shareholder meeting but are selected by the majority interest in the company.

Fundamentally, company value will be influenced by profitability because companies that have a high level of profitability will increase share prices, and are expected to be able to pay dividends so that investors are interested (Fajaria & Isnalita, 2018).(Hermuningsih, 2013)said that profitability is important to maintain the company's activities in the long term, and reflects the company's prospects. The research of (Putra & Sedana, 2019),(Sucuahi & Cambarihan, 2016),(Sabrin et al., 2016), (Tui et al., 2017), and (Fajaria & Isnalita, 2018) show that profitability has a positive and significant effect on a firm value. The results of research by (Ardila, 2017) and (Herawati, 2013)reveal different results that profitability has a significant but negative effect on firm value. Meanwhile, (Lastanti & Salim, 2018), (Apriliyanti et al., 2019), (Hirdinis, 2019), and (Putranto, 2018) found that profitability has no significant effect on firm value.

Increasing company profitability can be achieved through *good corporate governance* (GCG). One of the elements of GCG is the board (BOD and BOC) which is an internal governance mechanism, will play an important role in increasing the company's profitability. (Istighfarin et al., 2015)states that companies that implement GCG will have a good performance if they are supported by company organs (company management including boards) and ownership structures. The existence of BOD will provide views in decision making on company performance so that it is still in a good and controlled shape, resulting in good profitability (Onasis, 2016). The research results of (Febriyanto, 2013) and (Sukandar, 2014) found a positive influence between BOD and profitability, but (Taufik, 2016),(Vafeas, 2000), and (Terjesen et al., 2016) found insignificant effects.

The main function of the BOC is to keep track of the completeness and quality of reporting information on the profitability of the board of directors (Taufik, 2016). Therefore, the position of BOC is very important in confront the interests of a company. (Azmy, 2019),(Müller, 2014), and (Martsila & Meiranto, 2013)found that BOC has a positive impact on profitability. Meanwhile, (Faatihah et al., 2016),(Arosa et al., 2013), (Taufik, 2016),(Handayani, 2019), and (Sukandar, 2014) said that BOC had no significant effect on profitability.

Based on the sequence of explanations and research gaps above, the researcher did not find a fixed result regarding the discussion of the indirect effect of the board on firm value through profitability, but several studies can indirectly be used as a basis for this discussion. According to (Lidyah et al., 2019) the *Board of Directors* (BOD) is a company organ appointed to carry out the interests of the company's goals, has great power in term of making decisions, has a role as a liaison between shareholders as company owners as well as management as the party that will carry out company activities. In due course, a large number of BOD will affect company performance. Company performance is closely related to company operations which have an impact on financial performance such as profitability. If the amount of BOD affects company performance whereas company performance is closely related to financial performance, syllogistically, the number of BOD will result in good profitability and will later be able to increase stock prices so that the company value increases.

The Board of Commissioner (BOC) is tasked with ensuring the implementation of corporate strategy, supervising management in managing the company, and is an important factor of corporate governance mechanisms (Lidyah et al., 2019). The more board members in the company will provide a better form of supervision of the company's performance. With good and controlled company performance, it will produce good profitability (Onasis, 2016). Increasing profitability will indirectly increase the company's stock price as well as the company's value (Isshaq & Onumah, 2008).

(Anjani & Yadnya, 2017)and (Asmawi, 2018) in their research said the implementation of the GCG mechanism (including the board of commissioners and board of directors) functions to control the company and prevent management from taking actions that can harm shareholders. The more effective the implementation of GCG, the better the company's performance will be. Increasing company performance can achieve company goals, one of which is to produce high profitability, which also has a high impact on a company's value. Meanwhile, (Khumairoh et al., 2014) said that the quality of the implementation of the GCG mechanism cannot increase firm value by increasing profitability.

II. LITERATURE REVIEW

Agency Theory

According to(Jensen dan Meckling, 1976)*Agency Theory* explains the relationship between the agent (company management) and the principal (company owner). In a limited liability company, the shareholder is the principal and the CEO is the agent. Shareholders who are principals delegate business decision making to managers who are representatives or agents of shareholders. Agency theory has a key element that principals and agents have different goals, so this agency

theory explains potential conflicts of interest in a company. This conflict of interest can occur due to differences in the objectives of each party based on the position and interest generated by the company.

The problem that arises as a result of the company owner system is that agents do not always make decisions that are aimed at meeting the best interests of the principal. It means that due to conflicts of interest, managers tend to pursue their personal goals, which can leadto a tendency for managers to focus on projects and company investments that generate high returns in the short term rather than maximizing shareholder welfare through investing in projects that are profitable in the long term.

The agency theory perspective is the basic theory to understand the issue of good corporate governance. Agency theory results in a conflict of interest between agent and principal, and to avoid this we need a concept of *Good Corporate Governance*that aims to make the company healthier.

Good Corporate Governance

Good Corporate Governance is a group of processes, policies, habits, laws, and institutions that influence how companies are managed and controlled (Salem et al., 2019). The OECD (Organization for Economic Cooperation and Development) has provided a definition that reflects the interests of stakeholders and shareholders. This definition identifies that corporate governance is a group of relationships among company management, shareholders, the board, and other stakeholders. The point of corporate governance implementation is that the parties who play a role in carrying out the company's functions can play a role in their responsibilities. These parties are shareholders, the board of commissioners, the board of directors, and employees.

(Claessens & Fan, 2003)argues that the nation of corporate governance can be included in two categories. The first category is more inclined to the behavior of the company which is assessed through performance, financing structure, treatment of shareholders and stakeholders and would be very suitable as a basis for analysis in assessing corporate governance in a country, for instance seeing how the board of directors meets transparency and accountability in decision making, how to determine appropriate compensation for corporate executives. The second category looks more at the normative framework, which is all of the legal provisions, both those originating from the legal system, the judicial system, the financial market, and so on, which influence corporate behavior and are used as the basis for analysis in assessing corporate governance in a comparative framework that is built will influence the behavior patterns of companies, investors, and others.

Effendi and (Effendi & Daljono, 2013) state that corporate governance is a concept proposed to improve company performance through supervision or monitoring of management performance and ensuring management accountability to stakeholders based on a regulatory framework. Corporate governance is also a system that must ensure the fulfillment of company obligations to shareholders and allstakeholders and must be able to work together with stakeholders to achieve company goals.

Board Structure

There are differences in the structure of the BOD as an organ of the company in various countries. For example, Malaysia and Singapore apply a *one-tier boars system*, meaning that the company is run by a board of directors who simultaneously performs two functions between management and supervision. Meanwhile, Indonesia applies a *two-tier board system*, in which there is a strict separation of functions and implementation between the *Board of Directors* (board of management) and the *Board of Commissioners* (supervisory board). In this case, the board of directors will carry out the operationalization of the company's business so that it is responsible for the company's performance, while the commissioner oversees all activities of the company's achievements (Niki, 2016). Included in the board structure is the *board of directors*, which represents the interests of the company and serves the decisions of the company (all shareholders), and the managerial duties of the company are the responsibility of all directors. And the *board of commissioner* has the main task to supervise the policies of the company management, the course of management in general, both regarding the company and the company's business. The commissioner is in charge of providing advice or advice to directors for the benefit of the company.

Firm Value

Firm value is defined as a market value because it can provide maximum welfare for shareholders if the company's share price increases. An indicator of firm value is the stock price, if the share price increase, it is said that the company's management decision is correct because the key in financial management is increasing the value of the company (Ibrahim & Muthohar, 2019).

(Mawei & Tulung, 2019)define firm value as the available price paid by prospective buyers if the company is sold. The firm value can be seen from the book value of its equity. Market value is the market perception that comes from investors, creditors, and other stakeholders on the condition of the company which is reflected in the market value of the company's shares which can be measure by the firm value. The share price is generally used using the closing share price (closing price) at the end of the year. Apart from share prices, company value can be seen from how the development of a company's financial performance (Apriliyanti et al., 2019). To see the value of a company requires measurements or ratios that can be done, one of which is to use Tobin's Q. Tobin's Q is a measuring tool or ratio that defines frim value formed from a combination of the value of tangible assets and intangible assets. The company's Tobin's Q value is

considered good if it has a value of more than one (>1), which indicates that the firm value is greater than the listed company's assets value, and shows that the market gives high value to the company.

Profitability

Profitability is the company's ability to earn a profit from sales, total assets and own capital. This profitability ratio is usually used by investors to see the benefits that will be received in the form of dividends (Lukviarman, 2016). Investors are interested in the company's profitability because it is the best indicator to assess the company's financial health.

Profitability shows the performance of a company to generate profits that can influence investment decision making. According to (Taufik, 2016) a high level of company profitability will increase competition between companies. One of the ratios for calculating profitability is Return on Assets (ROA) to show the ability of the capital invested in all assets owned to generate profits (Sari, 2013). The ROA ratio is also often used by company management in obtaining measurements of the company's financial and operational performance.

III. METHODOLOGY

Data Analysis

To test the hypothesis, panel data regression analysis and path analysis will be used. In this study using intervening variables, hypothesis testing is formed in 3 models, known as equation model I, to test the effect of the Board of Directors and the Board of Commissioners on profitability, equation II examines the influence of the Board of Directors, the Board of Commissioners and profitability on Firm Value and equation III examines the effect of the Board of Directors, Board of Commissioner on Firm Value with Profitability as an intervening variable.

Wherefore the data is panel data where are 103 companies with a period of 5 years. The panel regression model is as follows:

Model I $ROA = \alpha_1 + \beta_1 BoD + \beta_2 BoC + \varepsilon_1$

Model II $TQ_1 = \alpha_2 + \beta_3 BoD + \beta_4 BoC + \varepsilon_2$

Model III $TQ_2 = \alpha_3 + \beta_5 BoD + \beta_6 BoC + \beta_7 ROA + \varepsilon_3$

Research Variables

In this study, there is one dependent variable, known asa firm value, which isproxied by Tobin's Q (TQ) and two independent variables consisting of the board of directors (BOD) and board of commissioner (BOC), and one intervening variable namely the profitability (ROA). Here are the measurements of the variables:

Table 1: Variable Measurement

Variable	Notation	Measurement
Dependent Variable:		
Firm Value (Tobin's Q)	TQ	(Market Value Common Stock + Total Debt)/Total Assets
Independent Variable:		
Board of Director	BOD	Sum of Board of Director
Board of Commissioner	BOC	Sum of Board of Commissioner
Intervening Variable:		
Profitability	ROA	Earning After Tax/Total Assets

Population and Samples

The population in this study were companies listed on the Indonesian Islamic Stock Exchange a large number of 450 companies. The sampling method used was purposive sampling technique with certain considerations and criteria tailored to the research objectives and obtained 103 companies. Data collection from 2015-2019, to obtain 515 research data.

Hypothesis Development

The Effect Board of Directors on Firm Value

(Lidyah et al., 2019) revealed that the role of the board of directors as an internal mechanism of GCG is needed to reduce agency conflicts. When the board of directors plays a good role in managing GCG, the company will run effectively and efficiently, besides, it can be able to improve the welfare of shareholders, and eventually affect high share prices and the company value will increase. This is also in line with research conducted by (Noor, 2011), (Fauzi & Locke, 2012), (Soedaryono & Riduifana, 2013), and (Onasis, 2016) which state that the board of directors has a positive effect on a firm value so that a large number of directors will provide a view in decision making on better company performance, with good company performance being able to increase share prices and company value. Based on the description above, the hypothesis in this study is:

H_1: The Board of Directors has a positive effect on Company Value

The Effect Board of Commissioner on Firm Value

The Board of Commissioner (BOC) represents the internal mechanism of GCG to control and supervise management behavior in managing the company so it can align the interests of shareholders and company managers (Jensen dan Meckling, 1976). (Lidyah et al., 2019) said that BOC is the core of GCG which is tasked with ensuring company strategy and supervising managers in managing the company so that BOC has a very strong influence on company value. Besides, (Noor, 2011) and (Fiadicha & Hanny, 2016) also found similar results that the board of commissioners had a positive

influence on firm value. Based on the description above, the hypothesis in this study is:

H_2: Board of Commissioner has a positive effect on Company Value

The Effect Board of Directors on Profitability

(Istighfarin et al., 2015) states that companies that implement GCG will have a good performance if they are supported by company organs (company management including boards) and ownership structures. Besides, (Onasis, 2016), (Febriyanto, 2013), and (Sukandar, 2014) in their research found a positive influence between BOD and profitability, this is because the board of directors will provide views in decision making on company performance to be good and controlled. So that will produce good profitability. Based on the description above, the hypothesis in this study is:

H_3: Board of Directors has a positive effect on Profitability

The Effect Board of Commissioner on Profitability

The main function of the BOC is to oversee the completeness and reporting information quality on the profitability of the board of directors. Therefore, the position of the BOC is very important in interceding company interests. The more board members in the company will provide a form of supervision of the company's performance, the better company performance will be controlled and produce good profitability. This explanation is followed by the results of research conducted by (Onasis, 2016), (Azmy, 2019), (Martsila & Meiranto, 2013), and (Müller, 2014), namely the Board of Commissioner has a positive impact on profitability.Based on this description and evidence of previous research, the hypothesis in this study is:

H_4: Board of Commissioner has a positive effect on Profitability

The Effect Profitability on Firm Value

(Fajaria & Isnalita, 2018) revealed that fundamentally, the firm value will be influenced by profitability because companies that have a high level of profitability will increase share prices, and high share prices will increase company value. This is also in line with the research of (Putra & Sedana, 2019), (Sucuahi & Cambarihan, 2016), (Sabrin et al., 2016), (Tui et al., 2017), and (Fajaria & Isnalita, 2018) that profitability has a positive and significant impact on a firm value resulting in a large the value of profitability shows how much the value of the company. Based on the description above, the hypothesis in this study is:

H_5: Profitability has a positive effect on Firm Value

The Effect Board of Directors on Firm Value through Profitability

(Yameen et al., 2019) revealed that a good and efficient board of directors will be able to bring the company to high profitability and if the board of directors can improve the company's performance (profit) then positive reactions will be shown by investors. Therefore, profitability can be used as an intervening variable in the relationship between the board of directors and firm value. According to (Kumalasari & Pratikto, 2018), GCG can increase company value through profitability, thus the presence of BOD will provide insight into decision-making company performance. Good and controlled company performance will result in good profitability, increase stock prices, and have an effect on increased company value. Based on the description above, the hypothesis in this study is:

H_6: Board of Director affects Firm Value through Profitability

The Effect Board of Commissioner on Firm Value through Profitability

(Onasis, 2016) stated that the more board members in the company will provide a form of supervision of the company's performance that is getting better and with better and controlled company performance, it will produce good profitability. This means that the increase in profitability will indirectly increase the company's stock price and the company's values. This explanation is also supported by the results of research by (Isshaq & Onumah, 2008) which found the effect of the board of commissioner on firm value through company profitability. Based on the description above, the hypothesis is formulated as follows:

H_7: Board of Commissioner affects Firm Value through Profitability

IV. RESULT

The results of the descriptive analysis in table 2 explain that of the 515 observational data for the Firm Value variable that is proxied by Tobin's Q (TQ), the mean value is 1.622660, meaning that the companies that are sampled in this study have an average value of more companies. The value of the listed assets and the market gives a high valuation. The variable Board of Directors (BOD) obtained an average value (mean) of 5.192233, which means that the companies that were sampled in this study had an average number of boards of directors of 5 people. The minimum number is 2 people and the maximum number is 16 people. Meanwhile, the Board of Commissioner (BOC) obtained an average value (mean) of4.508738, meaning that the companies that were sampled in this study had an average number of commissioners of 4 people. The minimum number is 1 person and the maximum number is 12 people. The variable Return on Assets (ROA) obtained an average value (mean) of 0.052971, indicates that the companies that were sampled in this study had an average return of 5.2% per year on total assets. The minimum value is −0.600200 or 60% and the maximum value is0.716000or 71%.

Table 2: Descriptive statistics

	TQ	BOD	BOC	ROA
Mean	1.622660	5.192233	4.508738	0.052971
Maximum	23.29000	16.00000	12.00000	0.716000
Minimum	0.030000	2.000000	1.000000	-0.600200
Observations	515	515	515	515

Source: Results of Data Processing

To test the hypothesis used panel data regression analysis and path analysis. In conducting panel data regression testing, there are three models of approaches, which are Common Effect, Fixed Effect, and Random Effect. To determine the best model in this study, testing using the Chow Test and Hausmant Test is required. And based on the test results, the best model chosen in this study is the Fixed Effect Model. Data below are the results of calculations using E-Views:

Table 3: Fixed Effect Model Testing Results

Equation 1				
Variable	C	Std.Error	t-Statistic	Prob.
C	0.040895	0.008124	5.033647	0.0000*
BOD	0.000680	0.001435	0.474092	0.6357*
BOC	0.001636	0.001436	1.138696	0.2555*
R^2	0.898383			
Adjusted R^2	0.872621			
Prob(F-statistic)	0.000000			
Equation 2				
Variable	C	Std.Error	t-Statistic	Prob.
C	2.007374	0.258492	7.765724	0.0000*
BOD	0.018537	0.042925	0.431847	0.6661*
BOC	-0.106674	0.042083	-2.534844	0.0116*
R^2	0.935305			
Adjusted R^2	0.918895			
Prob(F-statistic)	0.000000			
Equation 3				
Variable	C	Std.Error	t-Statistic	Prob.
C	1.881727	0.070978	26.51157	0.0000*
BOD	0.013686	0.010634	1.286961	0.1988*
BOC	-0.069724	0.011117	-6.272009	0.0000*
ROA	-0.297564	0.095699	-3.109364	0.0020*
R^2	0.944877			
Adjusted R^2	0.930725			
Prob(F-statistic)	0.000000			

Source: Data Processing Results, *Significance Level 0.05

Meanwhile, the results of the path analysis test are as follows:

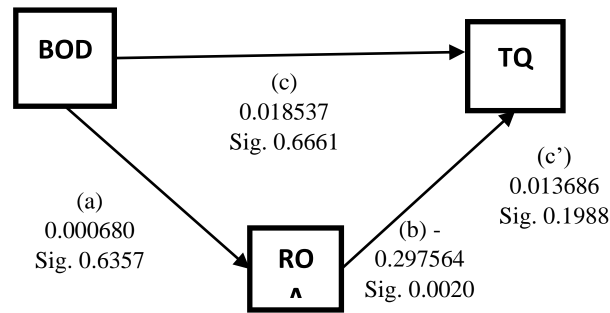

Figure 1. Substructure I

Based on Figure 1, it can be seen that BOD is not significant to ROA, ROA is significant to TQ, BOD is not significant to TQ and from the test results, it can be seen that the value of $\boldsymbol{c}'$ is 0.013686 less than the $\boldsymbol{c}$value of 0.018537 or $\boldsymbol{c}' < c$so that ROA can be said to be a mediation. . However, on the whole, it appears that (a) and (c) do not meet the requirements (not significant). So it can be concluded that the ROA variable cannot be a mediator of BOD.

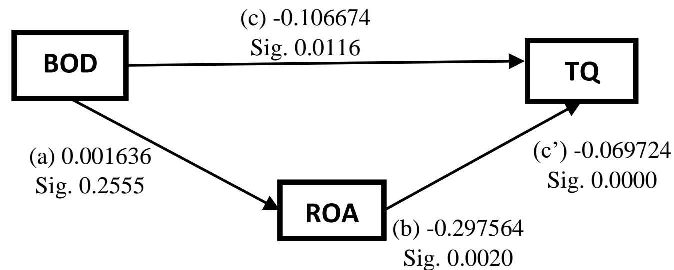

Figure 2. Substructure II

Whereas in Figure 2, it can be seen that the variable BOC is not significant to ROA, ROA is significant to TQ, BOC is significant to TQ, and from the test results it can be seen that the value of $\boldsymbol{c}'$ is -0.069724 is greater than the value of $\boldsymbol{c}$ of -0.106674 or $\boldsymbol{c}' > c$ so that ROA cannot be said to be mediation. And overall, it can be seen that (a) and (d) do not meet the requirements (not significant), so it is concluded that the ROA variable cannot be a BOC mediator.

V. DISCUSSION

Effect of the Board of Directors on Company Value

The results showed that hypothesis 1 has a significance level of $0.6661 > (\alpha = 0.05)$. This indicates that the board of directors (BOD) has no significant effect on firm value. This can be interpreted that BOD as an organ that has full duty and responsibility for the management of the company, plays an important role as a function of corporate decision making. In terms of decision making, the involvement of many parties can cause effectiveness problems. This includes free-riding problems, coordination, and schedule suitability issues for board members, as well as the time needed to make more agreements (Titova, 2016). Therefore, the large amount of BOD can cause ineffectiveness in decision making, so that it will affect firm value.

These results are in line with the research of (Brick, 2006),(Florackis, 2008) which shows that BOD does not affect company performance because coordination, communication, and decision making will be difficult. (Yermack, 1996) also found a negative relationship between BOD and firm value because a small amount of BOD can improve the quality of activities and performance of the company. This result is also in line with the research of (Sondokan et al., 2019) and (Lastanti & Salim, 2018) which state that too large a board of directors will cause agency problems which will have an impact on the difficulty of evaluating the work of the board of directors, thereby reducing company performance.

This result is not following the research of (Lidyah et al., 2019),(Noor, 2011), and (Onasis, 2016) which states that the role of the board of directors is needed in carrying out the interests and goals of the company so that a large number of directors will provide a better form of supervision of company performance, with Good company performance can increase stock prices and company value.

The Effect of the Board of Commissioner on Firm Value

Hypothesis 2 testing shows a significant negative effect with a significance value of 0.0116 and a coefficient of-0.106674. This shows that the board of commissioner (BOC) has a negative and significant effect on firm value, meaning that if the BOC increases, the company value will decrease. The existence of a significant influence indicates that BOC as an internal mechanism of GCG is needed to guarantee the company strategies and supervise managers while managing the company. However, the negative influence indicates that the large number of BOCs can reduce the effectiveness of supervision of the board of directors to have a better quality in decision making so that it can affect investors and ultimately will have an effect on company value.

This result is in line with the research of (Kusumaningrum & Nugroho, 2019),(Susanti & Nidar, 2016), and (Syafitri et al., 2018) which state that members of the board of commissioners must be professional and have the ability and integrity so that they can carry out their functions properly in ensuring and paying attention to the interests of stakeholders position. Due to the high number of boards of commissioners, decision making is less effective, which will reduce firm value. This research is not in line with the research of (Mukhtaruddin et al., 2014) and (Fintreswari & Sutiono, 2017).

Effect of the Board of Directors and Board of Commissioner on Profitability

Hypothesis testing 3 and 4 has a significance level of 0.6357 and 0.2555 which is greater than the significance level($\alpha = 0.05$). This shows that the board of directors (BOD) and the board of commissioners (BOC) have no significant effect on profitability. The results of this study are in line with research conducted by (Taufik, 2016),(Vafeas, 2000), and (Terjesen et al., 2016) that found no significant effect of BOD on profitability. Companies that have more BOD will face problems in coordination and communication leads to disagreements and differences in views in decision making which will adversely affect the company's profitability. Furthermore, this case is in line with these researches of Sukandar (2014), Fuzi (2016), Arosa et.al (2013), Taufik (2016), and Handayani (2019) which stated that the increasing number of BOCs will have a negative impact on company performance. . This is because the increasing number of BOCs will find it difficult to carry out their role as management supervisor, and communication and coordination between the board of commissioners will be disrupted. Thus, the existence of BOC does not increase the effectiveness of supervision and company performance, which in turn will have an impact on company profitability. This study is not in line with the research of (Febriyanto, 2013),(Sukandar, 2014),(Onasis, 2016), Muller (2014),(Martsila & Meiranto, 2013), and (Azmy, 2019).

Effect of Profitability on Firm Value

Hypothesis 5 testing shows a significant negative effect with a significance level of 0.0020 and a coefficient of -0.297564. This shows that profitability has a negative and significant effect on firm value, meaning that if profitability increases, the firm value will decrease. The existence of a significant influence indicates that profitability has a major influence on firm value because profitability is used as an evaluation of the effectiveness of company management so that it will influence the policies of investors in investing. However, there is a negative effect of profitability on firm value because investors don’t have much reaction when the company's profitability is high, which leads to stock prices decline. (Putranto, 2018) also said that an increase in the value of profitability would allow the company's operations to increase and result in high costs incurred. The cost increase will leads the company to charge more costs so that the return on shares distributed to investors is inadequate and will ultimately have an impact on company value.

This result is in line with (Ardila, 2017) which states that company profitability information cannot fully influence investors in making investment decisions, because company profits (profitability) are expected by investors whose orientation is towards long-term profits. (Herawati, 2013) also said the same thing that high profitability causes company value to decrease, this is because when profitability increases it also makes profit per share of the company increase, but it doesn’t necessarily increase stock prices so that if profit per share increases, stock prices do not increase, it will decrease the value of the company. This study is not in line with the research of (Putra & Sedana, 2019),(Sucuahi & Cambarihan, 2016),(Sabrin et al., 2016),(Tui et al., 2017), and(Fajaria & Isnalita, 2018).

Effect of the Board of Directors and the Board of Commissioner on Firm Value through Profitability

Hypothesis testing 6 and 7 shows insignificant results with a significant level of 0.4187 and 0.6764 greater than $(\alpha = 0.05)$. This shows that profitability cannot mediate the board structure, namely the board of directors (BOD) and the board of commissioner (BOC). This result is not in line with agency theory which explains that proper supervision can reduce conflicts of interest between management (agency) and shareholders (principal), where the correlation value has a relationship which indicates that the higher the level of the ratio of the board of directors and the board of commissioner will reduce a company conflicts that have an impact on profitability by increasing firm value. The results of this study are in line with (Taufik's, 2016)research which states that the BOD variable does not have a significant effect on profitability because a large amount of BOD will have an impact on coordination, communication, resulting in disagreement and differences in views. Making decisions that will adversely affect the company's profitability. (Yermack, 1996), (Sondokan et al., 2019), and (Lastanti & Salim, 2018)also say that a tremendous large ofthe board of directors will cause agency problems which will impact the difficulty of evaluating the work of the board of directors so that it reduces company performance which will have an impact on profitability and lower stock process will affect the value of the company.

This result is in line with the research of (Faatihah et al., 2016),(Taufik, 2016), and (Handayani, 2019) which states that the increasing number of BOC will have a negative impact on company performance. This case is a matter because the increasing number of BOC will find it difficult to carry out their role as management supervisor, and communication and coordination between the board of commissioners will be disrupted. Thus, the existence of BOC does not increase the effectiveness of supervision and company performance, which in turn will have an impact on company profitability.

VI. CONCLUSION

To sum it up the results of the research and discussion above, it can be concluded that the board of directors (BOD) does not have a significant effect on firm value, meaning that a large number of BOD as the organ responsible for the company can cause ineffectiveness in decision making that affects firm value. The Board of commissioner (BOC) has a significant negative effect on firm value. The board structure, which is BOD and BOC, does not have a significant effect on profitability, because companies that have more BOC and BOD numbers will face problems in coordination and communication resulting in disagreements and differences in views in decision making which will adversely affect the company profitability. Meanwhile, from the results of the path analysis, it was found that profitability was not able to become an intervening variable between the board of director and board of commissioner variables.

This research is expected to help investors who are going to invest must be more careful in analyzing the financial performance and value of a company. More attention should be paid to the number of directorsand commissioners as a form of indirect supervision on companies that will become investment destinations. The results of this study are also expected to be used as a reference by future researchers. This research still has many weaknesses so that it is hoped that it can be further investigated by further researchers.

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