The Effect of Audit Committee Characteristics and Board Size Moderated by Ownership Concentration on Profitability of Commercial Banks in Indonesia

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A B S T R A C T

This study aims to analyze the effect of audit committee size, audit committee independence, audit committee meetings, board size, bank size, leverage on profitability with variable ownership concentration as a moderating variable in banking companies in Indonesia. Profitability in this study is focused on assessing the company's ability to generate corporate profits against company assets (ROA). Sample selection using purposive sampling method in this study was conducted on 41 conventional commercial bank companies listed on the Indonesia Stock Exchange (IDX) for the period 2019 - 2023. The data used in this study are secondary data sourced from the annual reports of banking companies published on the Indonesia Stock Exchange. Data analysis using multiple regression tests, using Eviews 10 in data processing. The results of this study are audit commitee size has an insignificant effect on profitability. In model 1 audit commitee independence has a negative and significant effect on profitability. In model 2 audit commitee independence has an insignificant effect on profitability. In model 1 audit commitee meetings have an insignificant effect on profitability. In model 2, audit committee meetings have a negative and significant effect on profitability. In model 1, board size has a negative and significant effect on profitability. Model 2, board size has a positive and significant effect on profitability. In model 1 ownership concentration has an insignificant effect on profitability. In model 2 ownership concentration has a positive and significant effect on profitability. In model 2, audit committee size moderated by ownership concentration has an insignificant effect on profitability. In model 2 audit committee independence which is moderated by ownership concentration has an insignificant effect on profitability. In model 2 audit committee meetings moderated by ownership concentration have a positive and significant effect on profitability. In model 2 board size which is moderated by ownership concentration has a negative and significant effect on profitability. bank size has a positive and significant effect on profitability. And the leverage variable has a negative and significant effect on profitability.

INTRODUCTION

The success of a country is measured by its economic stability, which is influenced by the banking sector. In situations of economic instability, restructuring the banking sector becomes an important step to restore and restore stability (Yayan & Putri, 2024). Banks act as "financial intermediaries" by collecting and channeling funds for financing needs, such as business capital, so as to increase productivity and profitability (Rina & Rofiuddin, 2021). Banking financial activities are carried out through loans to support companies that need funds, with profits varying depending on their respective financial conditions (Almunawwaroh, 2022). The financial performance of banks can be analyzed through annual reports, which provide information on the performance and financial position of banks that are important for decision making (Lestaluhu et al., 2024).

One of the main indicators to assess the performance of the banking sector is profitability, which is measured by the Return on Assets ratio (E. A. Budiman & Nasution, 2024). ROA is considered effective in showing managerial efficiency and bank performance (Karadayi, 2023). Bank management must maintain (ROA) to maintain profitability and show the efficiency of asset utilization in generating income (Raharjo et al., 2020). Rapid economic growth in Indonesia requires companies to maintain profitability and maximize resources to be in line with their vision and mission (Putri & Sumriyah, 2023). Therefore, corporate governance practices in the banking sector need to be improved, because poor governance can cause financial problems, especially due to the lack of supervision (Alkhalaileh et al., 2024). Audit committees play a crucial role in governance, serving to ensure financial reporting quality, transparency and risk management (Hutchinson et al., 2024).

In corporate governance, the existence of an independent audit committee is essential to monitor financial performance and ensure management actions are in line with company objectives. Audit committee members should not have relationships with directors, significant shareholders, or commissioners, to maintain the reliability of financial statements (Arista & Serly, 2023). Research shows that the level of independence of audit committee members affects the speed of audit completion; the higher the independence, the faster the audit process can be completed (Al-Billeh et al., 2024). This study focuses on the effect of audit committee characteristics on the profitability of commercial banks in Indonesia and considers the role of ownership concentration. With an effective audit committee, it is expected that financial performance and transparency of financial statements can improve, thereby increasing investor confidence (Hazzaa et al., 2024). Furthermore, this study aims to explain the mixed results regarding the impact of audit committee characteristics on financial performance (Al-Azzam & Shatnawi, 2021).

1. Literature Review

Profitability

Profitability is an indicator of a company's financial performance that reflects success in achieving goals and ensuring survival in a competitive market (Masithoh & Dewayanto, 2020). Measuring profitability is important to assess a bank's ability to generate profits and its overall financial health (Sethi et al., 2024). A decline in performance can lead to problems such as employee turnover and stakeholder dissatisfaction, so management and stakeholders need to work together to strengthen profitability. Good performance attracts investors and creates a positive work environment, while poor profitability can lead to economic and social problems (Hersugondo & Aliyuna, 2024). According to My & Quoc (2022). Return on Asset (ROA) is an effective measure of profitability, reflecting management's efficiency in utilizing assets to generate revenue. ROA is calculated by dividing annual profit by total assets Hasan et al (2022) and is used to assess the bank's ability to create profits (Abdallah Saleh & Paz, 2023).

Audit Commitee Size

Audit committee size is an important component of corporate governance, tasked with assisting the board of commissioners in overseeing the integrity of financial statements and the effectiveness of the internal control system. Audit committee functions include oversight of the audit process, regulatory compliance, and review of financial and operational risks, which contribute to accountability and transparency in reporting (Alhassan & Boakye, 2020). However, inactivity of audit committee members may result in a lack of financial advice needed to improve profitability. Members who lack experience in accounting or financial management can reduce company performance, so audit committee size can negatively affect profitability (Puni & Anlesinya, 2020). The effectiveness of audit committee size depends on the independence and expertise of its members, where adequate size and specialized expertise in finance, accounting, and auditing are essential. Sufficient meeting frequency is also required to discuss important issues and follow up on audit findings (Alhassan & Boakye, 2020). Audit committee size and independence have a significant impact on firm efficiency, especially in the banking industry.

Audit Commitee Independence

Audit committee independence consists of a board of commissioners who are not directly related to company management, so that they can contribute objectively to decision making (Alshaboul & Zraiq, 2020). The main task of this committee is to maintain the integrity and transparency of the company, review financial reports, and ensure the effectiveness of internal controls. It is also involved in selecting external auditors and determining auditor fees (Saliya & Dogukanli, 2022). Audit committee independence is measured by the proportion of independent non-executive directors on the board, with a minimum percentage of two independent directors (Hasan et al., 2022). Independent directors must meet certain criteria to maintain their independence, including not being employees of the company and not having business relationships with related entities (Bunget et al., 2020).

Audit Commitee Meetings

Audit committee meetings are the number of meetings held by board members to monitor and make strategic decisions, as well as ensure fulfillment of responsibilities in the financial reporting system (Sahoo et al., 2023). Audit committees need to meet at least four times a year Ardyanti (2023), and regular meetings can help evaluate policies and programs, reduce conflicts of interest, and improve organizational performance (Puni & Anlesinya, 2020). However, a high frequency of meetings can also incur additional costs (Farooque et al., 2021). Audit committee meetings are measured by the total meetings held in a year, and the intensity of meetings plays a role in monitoring company activities which can reduce agency costs (Saliya & Dogukanli, 2022). More frequent meetings during turbulent times may indicate increased profitability (Ardyanti, 2023). Frequent meetings encourage the exchange of ideas and resolution of agency problems, and improve firm performance and efficiency. Effective board meetings can identify problems in business operations (Yakob & Abu Hasan, 2021).

Board Size

Board size is the highest decision-making body in charge of running the company profitably and overseeing and formulating policies (Hezabr et al., 2020). Board size is measured based on the total members consisting of executive and non-executive directors, with the recommendation that the number of members does not exceed 15 people (Al-Absy & Hasan, 2023). The board of directors is tasked with protecting shareholder rights and serves as a monitoring mechanism for management activities, including the replacement of managers if necessary (Farooque et al., 2021). The task of the board of directors is to establish policies and strategies that apply to the resources of each company both in the short and long term (Juliani & Alima, 2022). A larger board can improve company performance through the accumulation of experience and knowledge of members (Sahoo et al., 2023). Research shows that board size has a positive effect on profitability, where a larger board brings important resources and expertise, thus improving company performance according to research (Edi & Felicia, 2022).

Ownership Concentration

Ownership concentration is the proportion of shares owned by an individual or entity, reflecting the value of majority ownership and playing a role in monitoring managers (Sijabat, 2020). This measure can encourage a focus on short-term profits, providing incentives to improve company performance (Jiang & Kim, 2020). Ownership concentration influences decision-making and encourages managers to invest in profitable projects, even if they require additional capital. Increased ownership concentration can force managers to go into debt or avoid taxes to obtain additional capital for investment (Kinanti et al., 2023). The monitoring mechanism of share ownership can increase profitability because managers are more cautious in making decisions, given the consequences of mistakes (Anggraeni & Hadiprajitno, 2023).

Bank Size

Bank size refers to the size of a bank as measured by its total assets. According to Antunes et al (2022), bank size is influenced by various factors, including the average level of sales. According to Puspitasari & Astrini (2022) emphasizes that bank size reflects the size of the company's assets, where banks with large total assets are considered stable and able to generate high profits. The good reputation of large banks increases public and investor confidence, allowing management to maintain stable financial performance and reduce the risk of internal manipulation (Henryanto Wijaya, 2020). Total assets owned, including machinery for operations, can increase sales and profitability (Linggasari & Adnantara, 2020). Bank size also affects operational and strategic aspects, where large banks have more capacity to provide financial services and a greater impact on the financial sector. However, they also face regulatory and operational challenges. Research shows that bank size can have a significant positive impact on profitability, thanks to economies of scale and access to capital (Damayanti & Mawardi, 2022).

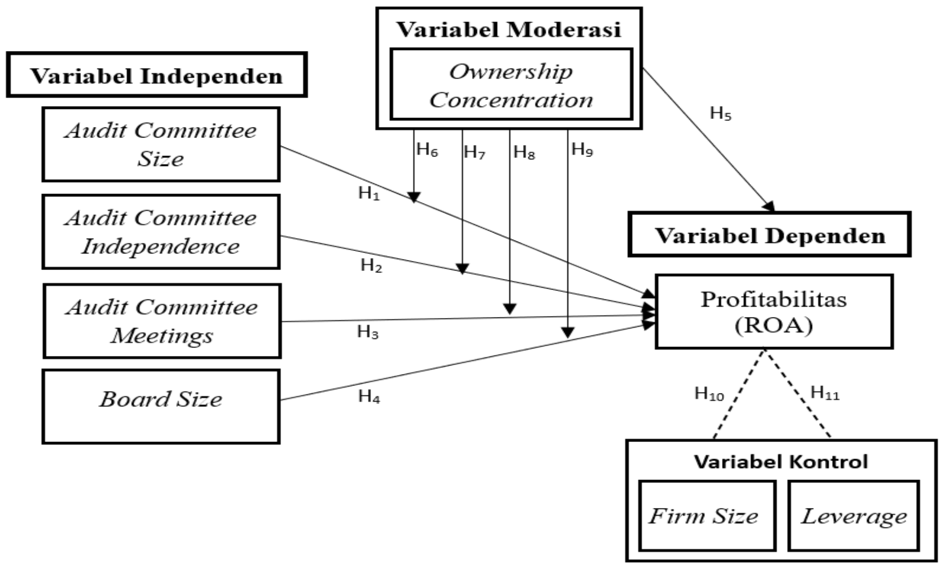
Leverage

Leverage is a debt ratio that measures the extent to which a company's assets are financed by debt (Agatha, 2024). It includes total assets financed from sources other than own capital, such as loans and debts to suppliers or countries (Gitman & Zutter, 2022). Leverage is calculated by dividing total debt by total company assets (Al-Absy & Hasan, 2023). Leverage has a significant effect on corporate governance and operational performance. Debt taken can stimulate governance mechanisms to generate cash for debt and interest payments, but it can also affect profitability through changes in the cost of capital (Oana Pintea et al., 2021). Companies with high debt tend to carry out earnings management to increase profitability and gain trust from external parties (Saputra & Ardiles, 2024). Companies without leverage operate only with their own capital. The lower the leverage factor, the lower the risk faced in the event of a downturn in economic conditions (L.G.Risna. & Putra., 2021). The debt ratio has a two-sided impact: if managed well, debt can increase revenue; however, if ineffective, it can lead to bankruptcy (Nguyen Trong & Nguyen, 2021).

2. Hypothesis Development

With the research results above, the conceptual framework is as follows:

Figure 1. Conceptual Framework



Source: Data Processed, 2024

From this framework, a hypothesis can be formulated:

The Influence of Audit Committee Size on Profitability

Several studies have shown that a larger audit committee size can improve governance and financial statement transparency. With additional members who bring different expertise and perspectives, audit committees can improve oversight, internal controls, and the quality of financial disclosures, ultimately increasing investor confidence and company profitability (Al-Jalahma, 2022). Research by

Yadav et al (2020) also shows a significant positive effect of audit committee size on profitability, although there are other factors that can have a negative effect. This finding is in line with research by Baker et al (2020), which also found a significant positive effect. However, not all studies support this. Shiwari et al (2021) and Widyasari & Marheni (2020) showed a positive effect on profitability, while Wided & Yosr (2022), found a negative effect of audit committee size on profitability. Based on the discussion above, the following hypothesis is proposed:

H_1: Audit Committee Size affects Profitability

The Influence of Audit Committee Independence on Profitability

Audit committee independence has an important role in increasing company profitability through more objective and effective oversight of financial statements. Companies with more independent audit committees tend to have good oversight, contributing to an increase in shareholder value and company profitability (Syariati & Purwaningsih, 2024). The results of the meta-analysis also show that audit committee independence is consistent with better profitability (Hati & Sari, 2020). The results of previous research by Yakubu et al (2022) show that the size of the audit committee has a significant effect of 38 percent on the increase in profitability. This is supported by Farooque et al (2021) which informs that audit committee size has a significant positive effect on profitability policy. This finding is in line with research Akhtar (2022) which states that the size of the audit committee can control management opportunism, having a positive effect on profitability. However, research by Queiri et al (2021) shows that audit committee size has a negative effect on profitability. Based on the discussion above, the following hypothesis is proposed:

H_2: Audit Committee Independence on Profitability

The Influence of Audit Committee Meetings on Profitability

Audit committee meetings have a significant impact on profitability, especially in strengthening governance and risk management oversight. Research shows that a high frequency of audit committee meetings enables more effective oversight of risk management and financial reporting, which in turn increases shareholder confidence and firm profitability (Yakubu et al., 2022). Reports from Deloitte and KPMG show that more active audit committees, through regular meetings, are better equipped to handle important issues such as internal countermeasures and regulatory compliance. Frequent meetings can create a safer environment from misreporting or manipulation of financial data, providing additional protection for firm value. Research by Rodrigues & Rodrigues (2019) found that audit committee meetings have a significant positive effect on profitability. However, research Yakubu et al (2022) shows a significant negative effect of audit committee meetings on profitability in Ghana. Likewise, research Saliya & Dogukanli (2022) also found a significant negative correlation between the frequency of audit committee meetings and profitability at a certain level. Based on the discussion above, the following hypothesis is proposed:

H_3: Audit Committee Meetings affects Profitability

The Influence of Board Size on Profitability

The relationship between board size and profitability has been the subject of extensive research, with mixed results. Some previous studies suggest that larger boards can improve performance by bringing in diverse perspectives and expertise, which has a positive impact on decision-making and reduces agency costs. Research in Oman suggests that a larger board can effectively supervise managerial actions and drive better financial results (Almashhadani & Almashhadani, 2023). Research Sahoo et al (2023) found that board size has a positive effect on profitability as measured by Return on Assets (ROA). Similar findings were also noted by Juliani & Alima (2022) and Puni & Anlesinya (2020), which showed a positive effect of board size on profitability. However, research by Hermawan et al (2022) shows that board size has a significant negative effect on profitability. This result is in line with the findings of Altass (2022) who also found that board size has a negative effect on profitability. Based on the discussion above, the following hypothesis is proposed:

H_4: Board Size affects Profitability

The Influence of Ownership Concentration on Profitability

Agency theory proposed by Jensen & Meckling (1976) suggests that ownership concentration can improve monitoring of management and emphasizes the importance of ownership in corporate governance (Krisyadi & Anastasya, 2023). In the corporate governance system, ownership concentration serves as a mechanism through which owners can influence managers to protect their interests (Supheni et al., 2024). Strict supervision can prevent unethical management behavior (Tanujaya & Verent, 2020). Previous research also shows that the higher the level of ownership concentration, the more effective the company can be in improving its performance and generating income through asset management (Tanujaya & Verent, 2020). Reducing conflicts between managers and shareholders is an important aspect of ownership concentration. Companies that have high ownership concentration are accountable to their shareholders and must comply with company regulations (Eryda & Nalurita, 2024). In developing countries, ownership concentration is associated with higher profitability and serves as a protection for minority shareholders, reducing the risk of adverse management behavior (Alkurdi et al., 2021). Based on the discussion above, the following hypothesis is proposed:

H_5: Ownership Concentration affects Profitability

The Influence of Audit Committee Size on Profitability Moderated by Ownership Concentration

Recent research has shown that a large audit committee size can increase supervisory effectiveness, which has a positive impact on profitability by reducing risk and increasing financial transparency (Sallemi & Zouari, 2024). However, this positive effect may be weakened if share ownership is concentrated in a few shareholders (Sulaiman & Mat Yasin, 2022). Research by Kanakriyah (2021), shows that a large board of directors allows directors to have more skills and experience, which suggests an effect between audit committee size and profitability moderated by concentrated ownership. Based on the discussion above, the following hypothesis is proposed:

H_6: There is influence between Audit Committee Size on Profitability moderated by Ownership Concentration

The Influence of Audit Committee Independence on Profitability Moderated by Ownership Concentration

Audit committee independence plays an important role in improving performance and reducing agency problems between shareholders and management (Madi et al., 2019). Several studies have shown that audit committee independence is positively related to profitability. For example, Azhar & Geraldina (2019) found a significant relationship between independent directors and scale efficiency in the financial industry. Similar results were also obtained by Sallemi & Zouari (2024), which emphasize the importance of supervision by independent directors in improving company performance. However, there are studies that show different results. Such as research Oudat et al (2021) found that the presence of independent directors has a negative and significant effect on profitability. Research conducted Khan & Zahid (2020) states that audit committee independence has no significant effect on profitability, and Ocak et al (2022) found that companies with a dominance of independent directors are less motivated to comply with shareholder interests. Based on the findings of the studies above, the following hypothesis is proposed:

H_7: There is influence between Audit Committee Independence on Profitability moderated by Ownership Concentration

The Influence of Audit Committee Meetings on Profitability Moderated by Ownership Concentration

The effect of audit committee meetings on profitability can be understood through various perspectives, especially when moderated by ownership concentration. This can ultimately support firm profitability Tanujaya & Verent (2020) however, ownership concentration adds complexity to this relationship. When share ownership is concentrated in large shareholders, they often have a large influence on decision-making, including oversight of the audit committee. In situations with high concentrated ownership, an active audit committee can help reduce conflicts of interest, improve operational efficiency, and oversight, which has a positive impact on profitability (Setiyono & Munawaroh, 2024). These findings are also in line with research by Musallam (2020) which shows that ownership concentration significantly affects the relationship between audit committee meetings and profitability. Based on the findings of the studies above, the following hypothesis is proposed:

H_8: There is influence between Audit Committee Meetings on Profitability moderated by Ownership Concentration

The Influence of Board Size on Profitability Moderated by Ownership Concentration

Research in Oman found that large boards can increase diversity of experience and supervisory capacity, which supports firm profitability. However, these risks increasing agency costs, especially if not supported by effective ownership concentration to reduce conflicts of interest between management and shareholders (Almashhadani & Almashhadani, 2023). Conversely, research from Harvard Law School suggests that large board size can be detrimental to profitability, especially in an environment where oversight is more dispersed and unfocused. This problem gets worse when share ownership is dispersed, making decision-making difficult. However, in the case of highly concentrated ownership, oversight becomes more focused, which can ameliorate the coordination problems of larger boards. Thus, ownership concentration as a moderating variable has a significant effect on the relationship between board size and profitability (Schmid et al., 2024). This finding is in line with previous research by (Almashhadani & Almashhadani, 2023). Based on the findings of the studies above, the following hypothesis is proposed:

H_9: There is influence between Board Size on Profitability moderated by Ownership Concentration

The Influence of Bank Size as control variables on Profitability

Company size or bank size is an important factor that can affect bank profitability, which is often measured by Return on Assets (ROA). Several studies have shown that larger banks tend to have higher ROA, indicating a positive relationship between bank size and profitability. The advantages of large scale include increased fiscal efficiency, ease of access to capital, and the ability to hire the best individuals (Melania & Tjahjono, 2022). An increase in the scale of banking operations will encourage greater diversification, minimize risk, and allow banks to expand their operations with better capital and stable funding (Nurfitria et al., 2023). However, there are also studies that show that bank size and profitability can be negatively correlated. Large companies often face bureaucratic problems, slow decision-making processes, which can hinder innovation and creativity, and disrupt communication within the organization. Research by Linggasari & Adnantara (2020) found that bank size has a positive and significant effect on profitability, in line with the findings of Salehi et al (2020) which show that bank size has a negative effect on profitability. Based on the findings of the studies above, the following hypothesis is proposed:

H_{10}: Bank Size affects Profitability

The Influence of Leverage as control variables on Profitability

Leverage has a complex relationship with profitability, with effects that can be positive or negative depending on the firm context and external factors. Research by Bensaadi et al (2023) shows that leverage tends to have a negative impact on profitability in companies that have a large debt burden because interest costs reduce revenue that can be used to increase operating profits. However, in companies that utilize leverage moderately and efficiently, leverage can increase profitability by utilizing external capital to expand operations and strengthen market positions, thereby achieving greater economies of scale. Another study conducted by Purnamasari & Agung (2024), highlighted that the appropriate level of leverage should be in accordance with the risk profile and growth potential of the company. Some studies show similar results, such as Nyamekye et al (2024) which found that leverage affects profitability. Higher debt ratios can result in financial difficulties, which can affect company profitability (Winiadi et al., 2024). Based on the findings of the studies above, the following hypothesis is proposed:

H_{11}: Leverage affects Profitability

RESEARCH METHOD

Each variable is measured to assess the impact of the independent variable on the dependent variable, with measurements:

Table 1. Definition of Operational Variables

Variable Types	Variable Name	Symbol	Definition of Operational Variables	Reference
Dependent Variable	*Profitability*	ROA	$\frac{Net\ Income}{Total\ Asset}$	(Nouraldeen, 2024)
Independent Variable	*Audit Committee Size*	ASIZE	*Total Audit Committee*	(Nouraldeen, 2024)
	Audit Committee Independence	AIND	Total independent members / all audit committee members	(Umiyati & Baiquni, 2019)
	Audit Committee Meetings	AMEET	Total number of meetings during the year	(Nouraldeen, 2024)
	Board Size	BZ	Number of directors	(Sallemi & Zouari, 2024)
Moderating Variable	*Ownership Concentration*	OC	Percentage of shares owned by controlling shareholders (who own more than 5% of the bank's shares)	(Nouraldeen, 2024)
Control Variable	*Firm Size*	SIZE	*Log of Total Assets*	(Nouraldeen, 2024)
	Leverage	LVG	$\frac{Total\ Assets}{Total\ Equity}$	(Sallemi & Zouari, 2024)

Source: Data Processed, 2024

The collection of data obtained indirectly (secondary data) is the data collection method used in this study. The data sources for this research were obtained through the Indonesia Stock Exchange website (https://www.idx.co.id), from which data for each company sampled in this study were gathered. The research data consists of data from construction companies listed on the Indonesia Stock Exchange for the 2019–2023 period. In this study, the data collection method used was purposive sampling. This method was chosen based on considerations focusing on specific objectives. In other words, the sample for this study consists of companies that meet certain predetermined criteria. Sample selection criteria such as: 1) Banking Companies Listed on the IDX: Only banking companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2023 period will be analyzed. 2) Conventional Banking Companies: This study only includes conventional banking companies and excludes Islamic banks. 3) Issuance of Annual Reports: Companies must publish annual reports and financial statements during the 2019-2023 period. 4) Data Completeness: The selected companies must have the completeness of data required for each measurement of the research variables.

The results of the analysis in the Chow test and Hausman test show a cross-section probability value of Chi-square <0.05, so H_0 is rejected so that the model used is the Fixed Effect Model (FEM). The results of the analysis in the F test show that the probability value of the F-statistic < 0.05; indicating that the independent variables simultaneously influence the dependent variables, so that the regression model is suitable for use. Based on the results of the goodness of fit test on model 1, the adjusted r-square value is 0.865874. Explains the variation of return on assets by 89.6776% and the remaining 13.4126%. Then in model 2, the adjusted r-square value is 0.868923. Explains the variation of return on assets moderated by ownership concentration by 86.8923% and the remaining 13.1077%. These two models explain that return on assets moderated by ownership concentration can be influenced by other factors not contained in this model.

RESULTS AND DISCUSSION

Explanation of data characteristics is obtained by descriptive statistics. Data characteristics used in the study are seen from the minimum, maximum, mean, median and standard deviation values. Descriptive statistics can be seen in the following table:

Table 2. Descriptive Statistics

Variable	N	Mean	Min.	Max.	Standard Deviation
ROA	205	0.004943	-0.092320	0.041400	0.019365
ASIZE	205	3.819512	2.000000	8.000000	1.163838
AIND	205	0.570616	0.250000	1.000000	0.135814
AMEET	205	12.34634	4.000000	41.00000	7.326560
BZ	205	6.702439	3.000000	12.00000	2.672343
OC	205	0.612987	0.143839	0.988063	0.237911
ASIZE*OC	205	2.337718	0.431516	5.489025	1.111440
AIND*OC	205	0.350947	0.052080	0.746978	0.164946
AMEET*OC	205	7.693340	0.736238	26.80561	5.356241
BZ*OC	205	4.210317	0.441332	10.97805	2.391214
SIZE	205	31.50453	27.90945	35.31545	1.713230
LVG	205	6.360413	1.328921	18.07140	2.935792

Source: Data Processed, 2024

Partial Test (T-Test) is conducted to see whether each independent variable has a significant influence on the dependent variable. The decision-making criteria are if sig.t <0.05, H_0 is rejected and if sig.t >0.05, H_0 is accepted. The results of the regression t-test can be seen in the following table:

Table 3. T-Test Results Model 1

Independent Variable	Dependent Variable Return on Assets		
	Coefficient	Probability	Conclusion
Constants	-0.401871	-	-
ASIZE	-0.0000862	0.8639	Not Significant
AIND	-0.007425	0.0315	Negative Significant
AMEET	0.0000445	0.6457	Not Significant
BZ	-0.001181	0.0185	Negative Significant
OC	0.000617	0.8812	Not Significant
SIZE	0.013399	0.0002	Positive Significant
LVG	-0.000592	0.0207	Negative Significant

Source: Data Processed, 2024

Multiple Regression Equation:

PROF = -0.401871 - 0.0000862ASIZE - 0.007425AIND + 0.0000445AMEET – 0.001181BZ + 0.000617OC + 0.013399SIZE - 0.000592LVG

Table 4. T-Test Results Model 2

Independent Variable	Dependent Variable Return on Assets		
	Coefficient	Probability	Conclusion
Constants	-0.453718	-	-
ASIZE	0.001378	0.3305	Not Significant
AIND	0.000890	0.9228	Not Significant
AMEET	-0.000847	0.0010	Negative Significant
BZ	0.002818	0.0003	Positive Significant
OC	0.038614	0.0003	Positive Significant
ASIZE*OC	-0.001814	0.2758	Not Significant
AIND*OC	-0.016814	0.2057	Not Significant
AMEET*OC	0.001359	0.0104	Positive Significant
BZ*OC	-0.006983	0.0000	Negative Significant
SIZE	0.014404	0.0000	Positive Significant
LVG	-0.000613	0.0389	Negative Significant

Source: Data Processed, 2024

Multiple Regression Equation:

PROF = -0.453718 + 0.001378ASIZE + 0.000890AIND - 0.000847AMEET + 0.002818BZ + 0.038614OC - 0.001814ASIZE*OC – 0.016814AIND*OC + 0.001359AMEET*OC - 0.006983BZ*OC + 0.014404SIZE - 0.000613LVG

H_1: Audit Commitee Size affects Profitability

Based on the regression test results of model 1 and model 2, there is no significant effect between audit committee size and profitability of banking companies in Indonesia. In model 1, the coefficient value is -0.0000862 with a significant value of 0.8639, while in model 2, the coefficient value is 0.001378 with a significant value of 0.3305. Since both significant values are greater than 0.05, H1 is rejected. This indicates that although the number of audit committees is large, it does not guarantee an increase in financial performance. Audit committee involvement cannot improve financial reporting standards and does not significantly affect firm performance. Optimal accounting practice function and performance cannot be guaranteed by increasing the number of audit committees in a company (Haryanto et al., 2022). Causes may include unclear roles and responsibilities of the audit committee as well as weak accountability mechanisms, which may reduce motivation to work effectively. Nonetheless, audit committees still have an important role in overseeing financial reporting and internal controls, while the board of directors or CEO is responsible for ensuring financial statements are presented fairly and accurately (Aditiya et al., 2024).

H_2: Audit Commitee Independence affects Profitability

Based on the results of model 1 regression test, this study shows a negative and significant influence between audit committee independence and profitability of banking companies in Indonesia. The t-test results show a coefficient value of -0.007425 with a significant value of 0.0315, which is less than 0.05, so H2 is accepted. These findings suggest that independent audit committee members play an important role in providing an objective view in the financial reporting monitoring process, which contributes to the transparency and accuracy of financial statements. This helps prevent data manipulation that may be carried out by managers or executive directors of the company (Al-Matari et al., 2014). Research Robin & Amran (2020) also confirms that audit committee independence is considered a better management control than internal directors, where companies with a majority of internal directors are at higher risk of financial fraud.

Meanwhile, based on the results of model 2 regression test, this study shows that there is no significant influence between audit committee independence and profitability of banking companies in Indonesia. The t test results show that audit committee independence has a coefficient value of -0.000890 with a significant value of 0.9228, which means H2 is rejected. This finding indicates that the effect of audit committee independence on profitability can be influenced by other factors, such as market conditions, business strategy, company risk management, the effectiveness of the implementation of audit committee recommendations, or internal company conditions (Syariati & Purwaningsih, 2024). Although audit committee independence remains important in corporate governance, its impact on profitability may need support from factors such as an effective board structure, the active role of majority shareholders, and a strong internal control system. This finding is in line with research by (Megarani et al., 2022).

H_3: Audit Commitee Meetings affects Profitability

Based on the results of model 1 regression test, this study shows that there is no significant influence between audit committee meetings and profitability of banking companies in Indonesia. The t-test results show a coefficient value of 0.0000445 with a significant value of 0.6457, which means H3 is rejected. This finding indicates that although audit committee meetings are an important element of corporate governance, the number of meetings does not always guarantee increased profitability. The effectiveness of meetings depends more on the quality of discussion and implementation of recommendations, not just the quantity of meetings (Hermanto & Nurriyah, 2023). In addition, audit committee meetings often focus more on regulatory compliance and financial reporting, not on strategies to increase profitability, so the impact on profitability is insignificant (Sulkipli & Qonita, 2023).

Based on the results of the Model 2 regression test, this study shows a negative and significant influence between audit committee meetings and profitability of banking companies in Indonesia. The t test results show a coefficient value of -0.000847 with a significant value of 0.0010, which means H3 is accepted. These findings are in line with research by Oudat et al (2021), which found that audit committee meetings have a significant negative effect on financial performance as measured by ROA. Research by Danoshana & Ravivathani (2019) also supports these results, stating that the more meetings conducted by the audit committee, the costs incurred for organizing meetings will increase, which can result in a decrease in profitability.

H_4: Board Size affects Profitability

Based on the results of model 1 regression test, this study shows a negative and significant influence between board size and profitability of banking companies in Indonesia. The t-test results show a coefficient value of -0.001181 with a significant value of 0.0185, which means H4 is accepted. Recent research shows that board size can have a negative and significant effect on profitability, depending on various factors such as industry context and internal management. One of the main reasons is that too large a board size can result in less effective coordination, difficulty in decision making, and increased conflict between members, which in turn can reduce the efficiency and profitability of the company (Khoirunnisa & Aminah, 2022). For example, research by Mishra & Kapil (2017) shows the potential for unproductive debate and increased agency costs.

While the results of the model 2 regression test, this study shows a positive and significant influence between board size and profitability of banking companies in Indonesia. The t test results show a coefficient value of 0.002818 with a significant value of 0.0003, so H4 is accepted. Board size, which reflects the number of board members, contributes to improved financial performance through more effective decision making and better supervision. Research by Purnomo & Prasetyo (2021) and others also supports that more board members are able to manage resources and strategize more optimally. This finding is in line with research by Sahoo et al (2023) also found the same result.

H_5: Ownership Concentration affect Profitability

Based on the regression test results of Model 1, this study shows that there is no significant influence between ownership concentration and profitability of banking companies in Indonesia. The t test results show a coefficient value of 0.000617 with a significant value of 0.8812, which means insignificant. These results contradict research by Nouraldeen (2024) which found that ownership concentration has a significant and positive effect on profitability. However, this finding is in line with (E. O. Putri & Setyarini, 2024), which shows that ownership concentration has no effect on profitability. This study also suggests that profitability may be more influenced by other factors, such as corporate strategy, market conditions, management competence, and corporate governance, rather than by ownership concentration (E. F. Budiman & Juliarto, 2024).

Then for the Model 2 regression test results, the results of this study indicate that there is a positive and significant influence between ownership concentration on profitability in banking companies in Indonesia. This is stated from the t test results where ownership concentration has a coefficient value of 0.038614 with a significant value of 0.0003> 0.05. Based on the hypothesis testing that has been done, ownership concentration has a positive and significant effect on profitability. This means that the greater the ownership by major shareholders, the stronger the incentive to monitor company performance and encourage profitable decisions. This research is also in line with research that has been conducted by several other researchers, such as (Setiawan et al., 2024).

H_6: Audit Commitee Size affects Profitability which is moderated by Ownership Concentration

Based on the results of the Model 2 regression test, this study shows that there is no significant effect between audit committee size moderated by ownership concentration on the profitability of banking companies in Indonesia. The t test results show a coefficient value of -0.001814 with a significant value of 0.2758, so hypothesis 5 is rejected. This finding is different from research by Javeed et al (2020) which found that ownership concentration can strengthen the relationship between audit committee size and profitability. These results suggest that although ownership concentration is important in controlling and overseeing financial interests, it is not enough to develop an effective audit committee in Indonesia. The possible cause is the lack of interest of companies in Indonesia to spend more on audit quality, unlike countries in East Asia (Javeed et al., 2020).

H_7: Audit Commitee Independence affects Profitability which is moderated by Ownership Concentration

Based on the results of the model 2 regression test, this study shows that there is an insignificant influence between audit committee independence moderated by ownership concentration on the profitability of banking companies in Indonesia. The t test results show a coefficient value of -0.016814 with a significant value of 0.2057, so hypothesis 6 is rejected. Recent research shows that audit committee independence moderated by ownership concentration does not always show a significant effect on profitability. Some studies reveal that the role of audit committee independence can be less effective when ownership concentration is high, because majority shareholders tend to have greater control over company policies. This can reduce the influence of audit committee independence in ensuring transparent and accountable governance (Qiyah et al., 2020). In addition, other studies show that audit committee effectiveness depends on the support of other governance mechanisms, such as board structure and ownership policy. When ownership concentration is too dominant, audit committee independence may lose its effectiveness due to the influence of majority shareholders (Apriliana & Zulfikar, 2024).

H_8: Audit Commitee Meetings affects Profitability which is moderated by Ownership Concentration

Based on the results of the model 2 regression test, this study shows a positive and significant effect between audit committee meetings moderated by ownership concentration on profitability as measured using ROA in banking companies in Indonesia. The t test results show a coefficient value of 0.001359 with a significant value of ROA of 0.0104, so hypothesis 7 is accepted. This study found that audit committee meetings have a positive and significant effect on profitability, especially when moderated by ownership concentration. The frequency of audit committee meetings plays an important role in improving supervisory effectiveness, mitigating agency conflicts, and ensuring the reliability of financial reporting (Anita & Cahyati, 2023). This finding is in line with agency theory, which emphasizes the importance of supervision to reduce information asymmetry between management and shareholders. Ownership concentration can strengthen this relationship by putting additional pressure on management to comply with good governance (Nur Cahyati et al., 2024).

H_9: Board Size affects Profitability which is moderated by Ownership Concentration

Based on the results of the model 2 regression test, this study shows a negative and significant influence between board size moderated by ownership concentration on the profitability of banking companies in Indonesia. The t test results show a coefficient value of -0.006983 with a significant value of 0.000, so hypothesis 8 is accepted. This study indicates that too large a board size can complicate the decision-making process, which reduces the effectiveness of supervision and increases coordination costs. When ownership concentration is high, majority shareholders tend to dominate strategic decisions, which can reduce the collective role of the board in increasing profitability (Nurmayanti & Shanti, 2023). This study is in line with Almashhadani & Almashhadani (2023) which state that ownership concentration as a moderating variable has a significant effect with board size on profitability.

H_{10}: Bank Size as Control Variable affects profitability

Based on the regression test results of model 1 and model 2, this study shows a positive and significant influence between bank size on the profitability of banking companies in Indonesia. The t test results in model 1 show a coefficient value of 0.013399 with a significant value of 0.0002, and in model 2 show a coefficient value of 0.014404 with a significant value of 0.0000. Therefore, hypothesis 9 is accepted. This positive relationship illustrates the unidirectional relationship between bank size and profitability. This finding is in line with research by Oudat et al (2021), which found that bank size has a significant positive effect on profitability. In addition, research by Linggasari & Adnantara (2020) revealed that bank size has a positive and significant effect on profitability.

H_{11}: Leverage as Control Variable affects profitability

Based on the regression test results of model 1 and model 2, this study shows a negative and significant influence between leverage on the profitability of banking companies in Indonesia. In model 1, the t-test results show a coefficient value of -0.000592 with a significant value of 0.0207, which means that the higher the leverage value of the company, the greater the effect on decreasing profitability. A good company should have a greater proportion of capital than debt. The higher the debt, the greater the possibility of bankruptcy (Adelia et al., 2022). In addition, low corporate debt can increase profits, because the obligations that must be repaid are not too heavy. This shows the company's good financial health, which can build investor confidence (Oktasari & Nurjaya, 2024).

CONCLUSION

Based on the results of the study, it was found that board size, ownership concentration, and audit committee meetings moderated by ownership concentration and firm size have a positive and significant effect on profitability (ROA), while audit committee meetings, board size moderated by ownership concentration, and leverage have a negative and significant effect.

The managerial implications of this study suggest that companies increase profitability by adding independent audit committee members to optimize financial reporting supervision, as well as reducing the number of audit committee meetings to avoid excessive costs. Managers also need to realize that with a larger number of board members, investor confidence can increase, thereby strengthening firm value. In addition, companies should limit managers' opportunistic behavior through effective supervision, ensuring audit committee meetings are held regularly, and supporting recommendations from the meetings. In the context of ownership concentration, it is important for managers to maintain a balance of power on the board so that company performance is not negatively affected. Companies are also advised to optimize investment in assets and reduce the use of leverage, with a focus on controlling the cost of debt, to improve overall profitability.

For investors, the presence of an audit committee in the company is expected to increase confidence in making investments. This study provides an overview of the effectiveness of the audit committee in influencing the company's financial performance, so that investors can analyze the characteristics of the audit committee to obtain information from the financial statements. Investors are advised to choose companies that have quality audit committee independence, audit committee meetings, board size, ownership concentration, firm size, and leverage, because these factors can increase profitability. Conversely, investors should avoid companies with large audit committee sizes, as a large number of members may not necessarily correlate with improved financial performance. This could be due to unclear roles and responsibilities of the audit committee as well as weak accountability mechanisms, which may reduce the motivation to work effectively. On the other hand, investors need to focus on companies with high ownership concentration, which reflects better profitability. Commercial bank companies that have good financial performance demonstrate the capability to provide benefits to customers, thus attracting investors to invest.

Based on the results of the conclusions and limitations that exist in this research, there are several suggestions, namely as follows: 1) For further research, it can take samples from service companies in other sectors such as the energy sector, food & beverage and transportation sectors, as well as in manufacturing companies listed on the Indonesian stock exchange. 2) For further research, it can conduct similar research on more diverse variables related to their influence and add other variables to measure the company's financial performance such as net interest margin (NIM) and return on equity (ROE) (A. Al-Homaidi et al., 2021).

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