AKUA: Jurnal Akuntasi dan Keuangan
https://journal.yp3a.org/index.php/AKUA
e-ISSN 2809-851X | p-ISSN 2810-0735
Vol. 4 No. 4 (Oktober 2025) 926-937
DOI: 10.54259/akua.v4i4.5527

Profitability, Audit Oversight, and Their Impact on Firm Value: Evidence from Indonesia's Mining Sector

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Abstract

Understanding the determinants of firm value is a critical issue in corporate finance, particularly in emerging markets where governance, transparency, and efficiency differ from developed economies. This study examines the effect of Gross Profit Margin (GPM), Return on Investment (ROI), and audit committee size on firm value, proxied by Tobin's Q, using 70 observations from mining companies listed on the Indonesian Stock Exchange during 2021–2022. Panel data regression with specification tests (Chow, Hausman, and Breusch-Pagan) identifies the Random Effects Model (REM) as the most appropriate estimation method. The findings reveal that GPM has a significant negative effect on Tobin's Q. This paradox indicates that higher profitability, when not supported by strategic positioning and operational sustainability, may be undervalued by the market, especially under conditions of limited transparency and weak investor trust. In contrast, ROI and audit committee size show no significant impact, suggesting that financial returns and numerical governance structures alone are insufficient indicators of firm value. These results highlight the complexity of value creation in emerging markets, emphasizing the importance of combining profitability with strong governance, transparency, and strategic execution. The study provides insights for managers, investors, and policymakers in strengthening governance practices and fostering sustainable firm value growth.

Keywords: *Firm Value, Tobin's Q, Gross Profit Margin, Return on Investment, Audit Committee Size.*

1. INTRODUCTION

In recent years, the Indonesian capital market has attracted the attention of many people, especially the business community. This is due to the growing capital market activities and the increasing desire of the business community to find different sources of business financing from banks [1]. Investors in Indonesia are encouraged to allocate part of their assets to be invested in financial assets to generate profits. To reduce the high risks caused by macro and micro factors, investors must make decisions based on facts, data and analysis [2]. Companies that have reached a high level will certainly consider their prospective situation carefully when determining their capital structure and financing policies [3].

Corporate value is the investor's perception of the fair value of a company. Corporate value serves as a measure of the company's real asset valuation and is a measure of the welfare of the company's shareholders [4]. The company seeks to improve the welfare of its owners or shareholders through sustainable increase in the company's value. The company's value reflects the market's perception of its long-term prospects and is an important tool for investors to assess its performance and potential [5]. Financial performance is one of the components that is considered to have a major influence on the value of the company. Good financial performance shows the ability to generate profits, efficient management of resources, and operational stability [6]. All of this increases investor confidence and, ultimately, increases the company's market valuation. As a result, evaluating financial performance metrics is critical to understanding how a business creates and sustains value for its stakeholders [7]. The value of companies in Indonesia changes from year to year, mostly due to changes in investor interest in the capital market. These changes indicate the market's response to the company's performance and future, which is

Submitted:24-08-2025 | Accepted: 21-09-2025 | Published: 15-10-2025

reflected in the stock price [8]. When a company's value is low, it indicates that the market views the stock as undervalued; in other words, its value is considered low by the market. Conversely, when a company's value is high, it indicates that its stock price is higher than the book value of its assets, indicating that the market views the company's future prospects favorably. Company value is very important to investors because it reflects long-term profitability [2]. Various management departments must work together well to improve the overall performance of the company. Strategic and efficient management can increase value through effective decision-making, operational efficiency, and continuous innovation. In turn, financial statements are an important means of communication between the company and investors. The fact that the information contained therein provides early signals about the company's financial health and growth potential is an important factor in making investment decisions. Good corporate governance builds investor confidence and creates a transparent, accountable, and competitive business environment. Both of these factors are essential to consistently increase the company's value [9].

Increasing profitability can also increase the value of the company. High profitability shows that the business is running well and efficiently, attracting investors to invest, which will ultimately result in an increase in the value of the company. According to [10], Profitability ratio is a ratio that is intended to measure how efficient a business operation is and how well the business can earn profits. In this study, two main indicators are used to measure profitability, namely Gross Profit Margin (GPM) and Return on Investment (ROI). GPM shows how well a company can generate gross profit from sales after deducting the cost of goods sold. The higher the GPM value, the greater the profit margin obtained from each unit of sales, which shows how efficiently the company manages the selling price [11], [12]. However, if high GPM is not offset by a sustainable business strategy or other operational efficiencies, the market may perceive the high margins as temporary or unsustainable [13] In addition, return on investment (ROI) shows how effectively a company uses its invested assets or capital to generate profits. A high ROI indicates that the company is able to optimally utilize its investments to generate profits. These two indicators are used to evaluate the extent to which profitability affects the value of the company, because investors tend to consider the efficiency and effectiveness of resource management simultaneously [14], [15], [16].

In addition to profitability, the quality of corporate governance (GCG) is one of the important factors that is thought to affect the value of the company. GCG consists of a set of mechanisms, principles, and systems designed to direct and control the company's operations efficiently, transparently, and responsibly with a focus on achieving the interests of the Company's owners [17]. With a good governance system, companies can avoid managers or other internal parties abusing their authority in ways that could harm capital owners [18]. In practice, the number and form of the audit committee is a way for the company to implement GCG principles. The audit committee is part of the board of commissioners and is responsible for financial reporting, internal and external audits, and compliance with laws and business ethics [19]. An adequate number of audit committee members can indicate better quality of supervision because it increases the ability to control management activities that may cause conflicts of interest or organizational conflicts [20]. The existence of different goals between the owner (principal) and the manager (agent) often causes agency conflict. Managers tend to make decisions that benefit themselves. In such situations, the audit committee functions as an independent control mechanism that helps balance the relationship, maintain the integrity of financial information, and ensure that management decisions are in accordance with the interests of shareholders. As a results according to [21], the existence and number of ideal audit committee members can increase the effectiveness of GCG implementation, which will ultimately increase the company's value in the eyes of investors and the market [22].

Thus, based on the background above, the purpose of this study is to study and analyze how a company's profitability and governance impact its value on the Indonesia Stock Exchange. Specifically, this study concentrates on two profitability indicators: Gross Profit Margin (GPM) and Return on Investment (ROI). In addition, the quality of corporate governance, which is projected by the number of audit committee members involved, is also discussed in this study. The purpose of this study is to gain a deeper understanding of how market perceptions of a company's value are influenced by financial performance and internal control systems. With this research method, it is expected that the results can provide empirical contributions to management in making strategic decisions. They can also be a reference for investors in assessing the components that affect a company's market valuation.

Agency theory provides a conceptual basis for understanding the relationship between the company's owners (owners) and management (agents) [23]who introduced this theory, states that both parties have their own interests in an agency relationship and will try to maximize the benefits or opportunities they have. In business, management is assigned by the owner to run the company in a way that is more profitable for the shareholders (Bendickson et al., 2016. However, managers do not always act in accordance with the owners' goals when carrying out their duties. When they receive compensation, take disproportionate risks, or act in other opportunistic ways, they may be motivated to make decisions that benefit themselves [24]. Agency conflicts, where managers do not act in the best interests of shareholders, can arise because of these differences in interests. Business owners typically create and implement various monitoring and control systems to address this problem [25]. This is part of good business management. The goal is to ensure that managers operate in a transparent and accountable manner and remain aligned with the company's goals and vision with a focus on increasing shareholder value. One of the most common methods of oversight is to form an audit committee. This committee is tasked with monitoring financial performance and ensuring that management adheres to good governance standards [26]. The agency theory applied in this study provides a relevant framework for analyzing how financial performance and governance can help achieve optimal firm value and reduce conflicts.

The main tool for assessing the effectiveness of operational activities and the effectiveness of asset use to generate profits for the company is the profitability ratio. Both internal companies and external parties, such as investors and creditors, benefit from this ratio. The main benefits of the profitability ratio, starting from assessing the company's ability to generate profits in a certain period of time and conducting gross, operational, and net profit margin analysis on sales [27]. In this study, two indicators are used to project the profitability ratio, namely Gross Profit Margin (GPM), which is the percentage of gross profit to sales that shows the efficiency of the cost of goods sold, and Return on Investment (ROI), which is a ratio that measures how effectively a company utilizes its capital or assets to generate profits. Empirical research has shown that GPM has a significant correlation with company value, such as in F&B companies on the IDX (2017–2021) based on research conducted by [28]. On the other hand, ROI and ratios such as ROA and ROE are often associated with Tobin's Q [29]. Based on this framework, GPM and ROI are selected to be analyzed in this study as a proxy for profitability, with the aim of determining how much profitability. So that a hypothesis can be formed and this is supported by previous research conducted by [30], [31], [32], [33], [34], [35].

H1: Gross Profit Margin has a significant effect on the Company's value.

H2: Return on Investment has a significant effect on the Company's value.

In agency theory, the establishment of an audit committee is considered as one of the important mechanisms to prevent conflicts of interest between agents and owners. The audit committee is a strategic part of a company's internal control, enhancing oversight through internal and external audits, and ensuring the quality of financial reporting. As a result, the audit committee protects shareholders' rights by maintaining financial transparency and openness. According to Kusmayadi et al. (2019), The number of audit committee members must be adjusted to the complexity of business activities in order to remain effective in decision-making, and at least one member must have an accounting or financial background. The audit committee is chaired by an independent commissioner and can involve employees from outside the company, especially from public institutions and significant environments. Their functions include ensuring the accuracy of financial reports, internal control performance, and the quality of audit implementation. The involvement of the audit committee in the process of selecting external auditors and supervising the follow-up of audit results also increases the company's accountability. The existence of an audit committee is expected to increase investor confidence, strengthen corporate governance (GCG), and ultimately increase the company's value in the market if properly supervised. According to reserach [36], The number of audit committee members has a positive and significant impact on company value in manufacturing sector companies listed on the Indonesia Stock Exchange. The results show that the more audit committee members, the more supervision can be carried out on the financial reporting process and the company's compliance with good governance principles. Competent audit committee members with an accounting or financial background tend to be more able to find risks and ensure transparent financial reports. Ultimately, this shows that an audit committee consisting of competent members with a financial or accounting background will be better able to identify

potential risks. So based on this study, So that a hypothesis can be formed and this is supported by previous research conducted by [37], [38], [39].

H3: Number of Committee Audit s a significant effect on the Company's value.

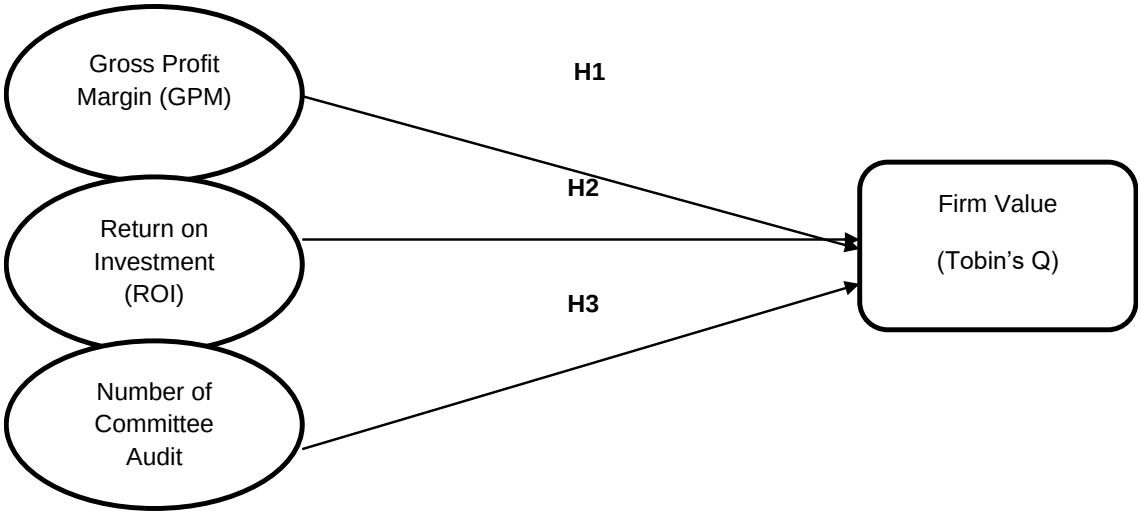

Figure 1. Research Model

2. RESEARCH METHODOLOGY

This study uses a quantitative approach with a causal-comparative design that aims to examine the effect of profitability and corporate governance on company value in the mining sector listed on the Indonesia Stock Exchange (IDX). This study focuses on three independent variables, namely Gross Profit Margin (GPM), Return on Investment (ROI), and the number of audit committees, as well as one dependent variable, namely company value proxied through Tobin's Q because Tobin's q was chosen as a superior proxy for firm value because it eliminates the q theory of investment and combines forward-looking market values and expected cash flows, growth opportunities, and intangible assets with measures of capital, thus providing a more comprehensive measure of economic value than historical accounting metrics. The GPM variable is used as an indicator of the company's efficiency in generating gross profit from its sales activities after deducting the cost of goods sold. ROI is used as an indicator of the company's effectiveness in utilizing available assets or capital to generate profit. The number of audit committees reflects aspects of corporate governance and is measured by the number of individuals formally designated as members of the audit committee in the annual report, indicating the capacity for oversight of the financial reporting process and management compliance.

Meanwhile, the company's value is proxied by Tobin's Q, which reflects how the market assesses the company's value based on the comparison between the market value and the book value of its assets. The higher the Tobin's Q, the greater the market's appreciation of the company's prospects. The sampling technique was carried out using purposive sampling, namely by selecting mining companies. Of the total 63 mining companies listed on the IDX in 2021 and 64 companies in 2022, 35 companies each were selected based on the completeness and suitability of the data, resulting in a total of 70 observations over two years. After conducting a series of model specification tests, namely the Chow Test, Hausman Test, and Breusch-Pagan Test, the most appropriate approach to analyzing the data in this study was to use the Random Effects Model.

Table 1. Purposive Sampling

No	Year	Total Mining Companies Listed on the IDX	Selection Criteria	Total Sample
1	2021	63	- Complete financial report - GPM, ROI, Audit Committee, Tobin's Q data available	35
2	2022	64	- Complete financial report - GPM, ROI, Audit Committee, Tobin's Q data available	35
Total Observations (35 companies × 2 years)				70

Source: Data processed by Author, 2025

3. RESULT AND DISCUSSION

This model (REM) is a model that assumes the difference between the intersection point and the constant is caused by residual error. Meanwhile, the error or residual is caused by differences between units and between time periods that occur randomly and the location of the difference is in the individual specific error not in the intercept. Another name for the REM model is the error component model (ECM). There are advantages when using the REM model, namely it can eliminate non-uniform dispersion. The equation for the Random Effects Model (REM) panel regression analysis is:

$$Y_{it} = \alpha + X'_{Kit}\beta_k + \varepsilon_{it}$$

$$\varepsilon_{it} = \mu_i + v_{it}$$

Information:

Yit= dependent variable observation
α= joint intersection point
XKit^'= vector of independent variables with dimension 1×k
β_k= vector of estimated parameters with dimension k×1
εit= regression error component of i-th cross section unit and t-th time series
μ= individual effect
vit= error between individuals and time (overall)
i= cross section data unit from 1, 2, …, N
t= time data unit from 1, 2, …, T
k= independent variable from 1, 2, … K.

3.1 Panel Data Regression Model Identification

In general, of the three panel data regression models that are available, there is one model that is best for estimating the panel data studied. To determine the best model, it is necessary to identify the model by conducting several considerations and tests. According to Gujarati (2009), the selection of the best model can be done formally, namely by considering the results of statistical tests from the test. The tests are:

Table 2. Model Identification

Test	Statistic	Probability
Chow test	5,879925	0,0000
Hausman test	0,094579	0,9925
LM Breusch Pagan test	1190,000	0,0000

Source: Data processed by Author, 2025

3.2 Chow Test Result

First, the Chow Test is conducted to choose between two models, namely the Common Effect Model and the Fixed Effect Model. Based on table 3, the Chow Test produces a statistical value, namely a p-value of less than 0.05, which indicates that at a significance level of five percent, the decision to reject the null hypothesis is obtained. This results in a conclusion, namely with a confidence level of 95%, it can be interpreted that the fixed effect model is the best model selected compared to the common effect model.

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	5.879925	(34,32)	0.0000
Cross-section Chi-square	138.645193	34	0.0000

Figure 2. Chow Test E-Views

3.3 Hausman Test Result

In the previous chow test stage, the best Random Effect model results were obtained or the decision to fail to reject the null hypothesis. Then, the results of the hausman test can be seen in the table above, which shows a p-value greater than 0.05. This means that at a 95 percent confidence level, a decision to fail to reject the null hypothesis was obtained, which means that at a 95 percent confidence level, it can be concluded that the selection of the random effect model as the best model rather than the fixed effect model.

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.094579	3	0.9925

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
X1	-3.377384	-3.316042	0.367573	0.9194
X2	-0.000037	-0.000197	0.000001	0.8325
X3	1.041288	1.004733	0.057625	0.8790

Figure 3. Hausman Test E-Views

3.4 LM Breusch Pagan Test Result

The BP-LM test is used to determine the best model between the common effect and random effect models. Then the test produces a p-value of less than 0.05. This means that at 95 percent confidence there is enough evidence to say that the random effect model is the best model.

Residual Cross-Section Dependence Test
Null hypothesis: No cross-section dependence (correlation) in residuals
Equation: Untitled
Periods included: 2
Cross-sections included: 35
Total panel observations: 70
Note: non-zero cross-section means detected in data
Cross-section means were removed during computation of correlations

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	1190.000	595	0.0000
Pesaran scaled LM	17.24819		0.0000
Pesaran CD	-0.289886		0.7719

Figure 4. LM Breusch Pagan Test E-Views

3.5 Estimation Model Random Effect

The equation formed from the output of e-views 10 below is:

$$Y_{it} = -1{,}8411 - 3{,}3160X_{1it} - 0{,}0002X_{2it} + 1{,}0047X_{3it}$$

Information:

Y_{it} = Score Tobin's Q
X_{1it} = GPM
X_{2it} = ROI
X_{3it} = Number of Committee Audit

The resulting regression equation shows the relationship between Tobin's Q score (Y_it) and three independent variables, namely Gross Profit Margin (GPM), Return on Investment (ROI), and the number of audit committees in a company. The negative coefficients on GPM (-3.3160) and ROI (-0.0002) indicate that an increase in both variables tends to decrease the Tobin's Q value, although the effect of ROI is very small and almost close to zero. Conversely, the positive coefficient on the number of audit committees (1.0047) implies that the more audit committee members there are, the Tobin's Q score will increase, indicating a positive role of internal supervision on firm value. The negative constant (-1.8411) indicates the baseline value of Tobin's Q when all independent variables are zero. Overall, this model indicates that the supervisory structure through the audit committee has a more positive effect on firm value compared to financial performance as measured by GPM and ROI in the context of this study.

3.6 Multicolinearity Test Result

The classical assumption test that must be met is the assumption of non-multicollinearity. How to find out whether there are symptoms of multicollinearity or not: by checking the correlation between independent variables using a correlation matrix. The assumption of non-multicollinearity

is met when the correlation value between variables is less than 0.8. Based on the table below, there is no correlation between independent variables that exceeds 0.8 so that the assumption of non-multicollinearity is met.

Table 3. Multicolinearity Test Result

Variable	GPM	ROI	Audit Committee
GPM	1,0000	0,0922	-0,0388
ROI	0,0922	1,0000	-0,0293
Audit Committee	-0,0388	-0,0293	1,0000

Source: Data processed by Author, 2025

	X1	X2	X3
X1	1.000000	0.092242	-0.038767
X2	0.092242	1.000000	-0.029319
X3	-0.038767	-0.029319	1.000000

Figure 5. Multicolinearity Test Result E-Views

3.7 Autocorrelation Test Result

The next assumption that must be met is the non-autocorrelation assumption. The non-autocorrelation test uses Durbin Watson as a statistical value that will check whether there is a violation of the non-autocorrelation assumption or not. The DW statistical value is obtained from the EViews calculation of 1.9730. Based on a test level of five percent with 70 observations and three independent variables, the values of dL = 1.5542 and dU = 1.67152 are obtained. When compared to the DW value, DW> dU and DW <4 - DL which means the decision to fail to reject the null hypothesis is accepted with meaning at a 95 percent confidence level, it is proven that there are no symptoms of autocorrelation in the model or the non-autocorrelation assumption is met.

Statistics	
Mean dependent var	0.883052
S.D. dependent var	1.783832
Sum squared resid	192.9347
Durbin-Watson stat	1.973041

Figure 6. Autocorrelation Test Result E-Views

3.8 Heteroscedastic Test Result

Finally, the heteroscedastic test using the Breusch Pagan test. After the REM model estimation is carried out, save the residual value e_i. Then calculate the residual square e_i^2 as the dependent variable and perform regression with the independent variables of the main model. The R^2 value will be 0.1003 and calculate the test statistic value with the formula LM=n ×R^2; where n is the number of observations. The LM test statistic value is 7.0243, where the LM value <χ_(k,α)^2 is 7.815. This means that the model formed is free from heteroscedasticity and the assumptions are met.

Dependent Variable: RESID_KUADRAT
Method: Panel Least Squares
Date: 06/09/25 Time: 15:00
Sample: 2021 2022
Periods included: 2
Cross-sections included: 35
Total panel (balanced) observations: 70

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-89.35112	43.58866	-2.049871	0.0444
X1	-64.17270	34.92075	-1.837667	0.0706
X2	0.001499	0.047356	0.031647	0.9748
X3	25.99522	13.54823	1.918717	0.0593

R-squared	0.100347	Mean dependent var	10.13878
Adjusted R-squared	0.059453	S.D. dependent var	57.68155
S.E. of regression	55.94059	Akaike info criterion	10.94190
Sum squared resid	206537.1	Schwarz criterion	11.07039
Log likelihood	-378.9666	Hannan-Quinn criter.	10.99294
F-statistic	2.453865	Durbin-Watson stat	0.991648
Prob(F-statistic)	0.070907		

Figure 7. Heteroscedastic Test Result E-Views

3.9 Model Significance Testing

Based on the results of each step that has been carried out previously, it has been decided that the REM model is the best model to describe the influence of GPM, ROI, and audit committee on the Tobins Q score. Therefore, researchers must decide whether the model is suitable or not to be used so that it is necessary to carry out a check using the goodness of fit model test to ensure this.

Table 4. Significance Test Result

Variabel	Koefisien	*t-Statistik*	*P-value*
C	-1,8411	-0,9778	0,3318
GPM	-3,3160	-2,2723	0,0263
ROI	-0,0002	-0,1019	0,9191
Audit Committee	1,0047	1,7604	0,0830
F-statistic		3,0363	
Prob(F-statistic)		0,0352	

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 06/09/25 Time: 12:23
Sample: 2021 2022
Periods included: 2
Cross-sections included: 35
Total panel (balanced) observations: 70
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.841106	1.883077	-0.977712	0.3318
X1	-3.316042	1.459300	-2.272352	0.0263
X2	-0.000197	0.001936	-0.101928	0.9191
X3	1.004733	0.570731	1.760432	0.0830

Effects Specification	S.D.	Rho
Cross-section random	2.883195	0.7311
Idiosyncratic random	1.748675	0.2689

Weighted Statistics

R-squared	0.121274	Mean dependent var	0.883052
Adjusted R-squared	0.081332	S.D. dependent var	1.783832
S.E. of regression	1.709752	Sum squared resid	192.9347
F-statistic	3.036258	Durbin-Watson stat	1.973041
Prob(F-statistic)	0.035171		

Unweighted Statistics

R-squared	0.055571	Mean dependent var	2.240414
Sum squared resid	709.7145	Durbin-Watson stat	0.536368

Figure 8. Significance Test Result E-Views

The regression results show that among the three independent variables tested, only Gross Profit Margin (GPM) is statistically significant in influencing the dependent variable at the 5% significance level. GPM has a coefficient of -3.3160 and a p-value of 0.0263, which is smaller than 0.05, so it can be concluded that there is a significant negative relationship between GPM and the dependent variable (which is assumed to be related to the quality of financial statements or earnings management). This means that the higher the company's gross profit margin, the less likely the company is to manipulate financial statements. This finding is in accordance with signaling theory, which states that companies with good financial performance will provide positive signals to the market through their financial statements without having to do accounting engineering. Financially healthy companies tend not to need to disguise their performance because their profitability is enough to attract investors and creditors.

Meanwhile, the Return on Investment (ROI) and Audit Committee variables are not significant at the 5% significance level. ROI has a p-value of 0.9191, far above 0.05, indicating that ROI does not have a strong enough influence on the dependent variable in this model. Although ROI is often considered an important performance indicator, in this context, ROI is not sufficient to explain variations in the quality of financial reports, possibly due to accounting bias or the influence of other more dominant factors. The Audit Committee variable has a p-value of 0.0830, which means it is not significant at the 5% level but approaches significance if the 10% significance level is used. This indicates that the existence or effectiveness of the Audit Committee has the potential to influence the dependent variable, although it is not strong enough to be considered statistically significant at α = 0.05. Theoretically, this remains relevant to agency theory and corporate governance theory, which state that the existence of an audit committee as an internal monitoring mechanism can suppress opportunistic management actions and increase the transparency of the company's finances.

In addition, the F-statistic test result of 3.0363 with a probability value of 0.0352 indicates that the overall regression model is significant at the 5% significance level. This means that the three independent variables together have a significant influence on the dependent variable, although not all are significant individually. This finding confirms that profitability and corporate governance mechanisms play an important role in determining the quality of financial reports. In practice, this reflects that companies that are operationally healthy and closely monitored are less likely to engage in accounting manipulation practices. Thus, this model contributes to the empirical and theoretical understanding of how a company's internal characteristics can affect the quality of financial information presented to the public.

3.10 F-Simultant Test Result

Researchers use F statistics to see the significance of the model. The p-value of the F statistic itself is 0.0352, which is less than the significance level of 0.05, so the decision to reject the null hypothesis is accepted. This decision to reject the null hypothesis means that at a 95 percent confidence level, there is enough evidence to say that there is at least one explanatory variable that has a significant influence on the dependent variable in the related model.

3.11 T-Partial Test Result

Next, a partial test or t-test needs to be conducted to determine which explanatory variables have a significant influence on the dependent variable. Based on table 6, each independent variable produces a t-test statistic value and p-value obtained from the EViews application calculation and these values must be compared with the t-table value or significance level in order to determine the decision. Of the three independent variables, there is one variable that has a p-value that is smaller than the significance level, namely GPM. This shows that the variable produces a decision to reject the null hypothesis and at a significance level of five percent there is sufficient evidence to say that the GPM variable has a significant influence on the Tobin's Q variable. While the rest or the ROI and audit committee variables have p-values that are greater than the level, meaning that the decision fails to reject the hypothesis is accepted and at a significance level of five percent there is not enough evidence to say that the ROI and Audit Committee variables have a significant influence on the Tobin's Q variable or the ROI and Audit Committee variables do not significantly affect the Tobin's Q variable.

3.12 Interpretation of Estimation Results

$$Y_{it} = -1{,}8411 - 3{,}3160X_{1it} - 0{,}0002X_{2it} + 1{,}0047X_{3it}$$

Information:

Y_{it} = score Tobin's Q

X_{1it} = GPM

X_{2it} = ROI

X_{3it} = Number of Committee Audit

The estimation results above show that one of the three independent variables has a significant negative influence at the five percent level on the dependent variable, namely GPM. While ROI has an insignificant negative influence and the Audit Committee has an insignificant positive influence on Tobin's Q.

4. CONCLUSION

The results of this study conclude that Gross Profit Margin (GPM) has a significant negative effect on firm value as proxied by Tobin's Q, indicating that the market tends to respond negatively to high gross profit margins if they are not accompanied by trust in operational sustainability and managerial transparency. Meanwhile, Return on Investment (ROI) and the number of audit committees do not show a statistically significant effect, although the direction of the effect is in accordance with existing theory, namely negative ROI and positive number of audit committees. This finding indicates that in the context of developing markets such as Indonesia, investor trust factors, governance quality, and perceptions of the company's operational performance are more complex and cannot be explained solely through financial indicators. Although ROI is generally considered an important measure of investment effectiveness, in this study it does not have a strong effect on firm value, which could be due to exogenous factors such as market volatility, ownership structure, or managerial practices that are not reflected in financial figures. Likewise, the role of the audit committee, which is theoretically important in increasing transparency and supervision, is not statistically strong enough to have a direct impact on market valuation, but still provides a positive signal to the corporate governance mechanism. Overall, this study confirms the need for a more holistic approach to understanding the determinants of firm value, particularly in an environment where governance and transparency are still evolving.

Future research is suggested to not only rely on quantitative indicators such as financial ratios, but also combine them with qualitative variables such as audit quality index, corporate governance score, external auditor reputation, and investor perception through surveys or media analysis. In addition, extending the observation time horizon and expanding the sample to various industrial sectors will increase the generalizability of the results and strengthen the external validity of the findings obtained. Researchers also need to consider contextual factors such as institutional ownership, government intervention, or macroeconomic stability that can moderate the relationship between profitability, audit supervision, and firm value. A mixed-method approach can also enrich insights, especially in exploring how market players interpret financial indicators in making investment decisions. Thus, future researchers are expected to be able to produce a more comprehensive understanding of the dynamics of firm value in the capital markets of developing countries such as Indonesia.

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