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The Influence of Corporate Governance Criteria, Accounting Conservatism, Sales Growth and Firm Size on Investment Efficiency

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ABSTRACT: This study investigates the effect of corporate governance, accounting conservatism, firm size, and sales growth on investment efficiency. A multiple linear regression model was employed using SPSS for data analysis. The study covers the period from 2013 to 2023 and focuses on non-cyclical consumer sector companies, with a total sample of 379 observations. The data were obtained from the financial statements of companies listed on the Indonesia Stock Exchange (IDX). Investment efficiency was measured using the proxy developed by (Richardson, 2006), which relates free cash flow to the level of overinvestment at the firm level. Corporate governance was proxied by the proportion of independent board members and board size, while accounting conservatism was assessed through the quality of financial reporting. Firm size was measured using the natural logarithm of total assets, and sales growth was assessed using the growth rate of sales. The research results show that corporate governance, as measured by board independence and board size, influences investment efficiency, with the board fulfilling its obligations effectively. Accounting conservatism also influences investment efficiency, as a result of the concept of prudence in investment decisions. Sales growth and company size also have no effect on investment efficiency due to excessive leverage.

Keywords: Investment Efficiency, Corporate Governance, Accounting Conservatism, Company Size and Sales Growth.

INTRODUCTION

The dynamics of global economic development have driven increasingly intense and complex business competition. Companies are required to optimize resource management effectively and efficiently in order to achieve the strategic goals that have been set. In this competitive landscape, the challenges faced do not only come from external factors such as market competition, but also from internal problems that affect the company's operational value. One of the goals of establishing a company is to maximize the company's value. Maximizing the company's value means maximizing the present value of all profits that will be received by shareholders in the future (Hertina et al., 2019). During the 1950s, firm value was commonly associated with the level of firm efficiency (Houcinel & Kolsi, 2017). Uncertainty in policy during that time reshaped the economic landscape in which companies operated, thereby influencing the potential for efficient investment

(Yoon & Chung, 2018). The investment choices made by firms, along with their resulting outcomes, play a crucial role in shaping future cash flows and profitability, significantly affecting the firm's sustainability, long-term expansion, and investment efficiency (Lai et al., 2014). Investment efficiency is inherently linked to corporate growth and reflects a firm's capacity to optimize investment based on its growth trajectory, financial resources, and available investment opportunities. Prior studies have primarily concentrated on developed countries, even though the policy environment in developing nations may exhibit distinct relationship patterns with investment efficiency.

Investment efficiency is fundamentally linked to a company's growth, financial capacity, and investment opportunities. In an increasingly complex business environment marked by intense global competition, firms are under mounting pressure to utilize resources efficiently and optimize their investment decisions. Efficient capital allocation plays a vital role in enhancing a company's financial performance and long-term growth. According to (Jensen & Meckling, 1976) , investment decisions are shaped by both institutional frameworks and behavioral factors. The topic of corporate investment behavior and investment efficiency remains central in the field of corporate finance, as emphasized by (Hubbard & Petersen, 1987) Investment efficiency reflects how well a company allocates capital to productive uses that align with its strategic goals and growth potential. Companies invest not only to expand but also to improve operational outcomes, making efficient investment crucial to increasing revenues. For example, PT Indofood Sukses Makmur Tbk demonstrates investment efficiency by optimizing its production equipment and incorporating advanced technology into its manufacturing processes. The company operates modern, internationally standardized production facilities that support the delivery of high-quality products with high efficiency

This study further examines the role of corporate governance in shaping investment efficiency. Corporate governance serves to reduce information asymmetry and align managerial actions with shareholders' interests, thereby mitigating opportunistic behavior. It plays a critical role in monitoring managerial decisions to ensure they are consistent with the objectives of the principals. The effectiveness of corporate governance in addressing agency problems is influenced by contextual factors, such as the competitive intensity of the industry. A highly competitive environment can pressure management into making suboptimal investment decisions (Bimo et al., 2022a) .According to agency theory, corporate governance is a vital mechanism for deterring opportunistic behavior by managers (Hlel et al., 2020). It functions as a set of monitoring tools that safeguard investor interests (Utama et al., 2017a). Within this framework, the board of directors represents a central component of internal governance, playing a strategic role in decision-making regarding resource allocation and long-term corporate sustainability (Aqsa et al., 2022). Effective financial management and capital investment decisions are essential to ensure a firm's enduring success. Independent board members contribute valuable objectivity in evaluating corporate strategies, assessing risks, and identifying opportunities.

Board in Indonesia based on laws and regulations, where in Indonesia is the PT Law Number 40 of 2007. The existing regulations will help the structure in a corporation in the formal and informal systems. Several studies on board governance have been conducted, including: board independence, board governance, level of board monitoring, board meeting, board gender

diversity, strong board governance, and so on. This study measures board size, board independence.Many corporate governance regulations and practices often stipulate a minimum percentage of board members who must be independent to ensure independent oversight. This number can vary depending on local regulations and industry practices. Board independence has several important functions in board governance. Most of the studies show that board independence can strengthen the relationship in achieving value in investment decisions (Chen, 2015). Board size can also vary depending on the legal regulations and corporate governance practices in a country or industry. Board size can have a significant impact on the effectiveness of corporate governance. The role of board size increase investment efficiency (Bimo et al., 2022b). When assessing the effectiveness of a company's board, the board is considered one of the most important. In particular, board size is a significant factor influencing the board's success (Jensen & Meckling, 1994). Board size represents a corporate governance structure that plays a role in overseeing and directing investment strategies. Optimal board size composition and characteristics can minimize agency conflicts and encourage more efficient investment decision-making that aligns with the company's long-term interests. This study will explore how board size configurations in these three sectors affect the quality of investment decision-making.

Financial reporting is fundamentally intended to support decision-making by providing relevant and reliable information. However, even when companies adhere to generally accepted accounting principles (GAAP), the quality of financial reporting can vary significantly (Choi & Pae, 2011). One of the most prominent and influential features of financial reporting is accounting conservatism. As a core principle embedded in accounting systems, conservatism represents a cautious approach to uncertainty by recognizing potential losses promptly while deferring the recognition of gains until they are realized (Basu, 1997). The use of conservative accounting practices in financial statements sends a positive signal that management is taking a cautious stance, thereby avoiding the overstatement of assets and earnings (Rosalina, 2024). This approach tends to accelerate the recognition of economic losses—especially those that are harder to verify—compared to gains, which can lead to a downward bias in reported net asset values (Lara et al., 2010). Empirical evidence in the literature suggests that accounting conservatism contributes to improved investment efficiency by limiting the tendency toward overinvestment.

Firm size refers to the scale of a company, commonly measured by total assets, total sales, or market capitalization. The size of a firm can impact its overall value, as larger firms typically have greater access to external financing. According to (Jensen & Meckling, 1976), larger firms may experience higher agency costs compared to smaller ones. Research conducted by (Ramadhani, Z. I., & Adhariani, 2015) suggests that firm size can affect investment efficiency, with larger firms tending to exhibit higher levels of investment efficiency

Sales growth is a indicator reflecting a company's capacity to expand market share and increase operating income. Consistent and sustainable sales growth provides the foundation for more efficient investment allocation and more measurable expansion opportunities. Sales growth trends in the three sectors focused on in this study over the past decade (2013-2023) demonstrate dynamics influenced by various macroeconomic factors and changes in consumer preferences. Firm size also reflects the operational scale and complexity of the organization, which have implications for investment capacity and ease of access to funding sources. Jensen and Meckling

(1976) stated that large companies tend to have higher agency costs than small companies, potentially impacting the efficiency of investment decision-making. Variations in firm size across the three research sectors provide a comprehensive analysis of its impact on investment efficiency.

Based on this background, this study aims to analyze corporate governance, accounting conservatism, sales growth, and firm size on investment efficiency in companies in the non-cyclical consumer sectors. The manufacturing firms in the non-cyclical consumer sector are selected because they exhibit stable demand patterns and consistent investment practices, enabling a more accurate assessment of investment efficiency by minimizing the impact of volatility commonly present in cyclical sectors. The research findings are expected to provide significant contributions to the development of financial management literature and provide practical implications for stakeholders in optimizing investment policies of multi-sector companies in Indonesia.

Investment Efficiency

Investment efficiency is a measure of how effectively an investment is used to achieve a desired goal or objective. In the context of corporate finance, investment efficiency is crucial for maximizing corporate value and sustainable economic growth (Jin & Yu, 2018). Investment decisions require a company to decide how to allocate some of its resources. Typically, management will explore different potential investment opportunities. The topic of this research is investment efficiency, examining its influences based on agency theory. Within agency, In a non-complex company, decision management and decision control are the same but in a complex company both exist.

Corporate Governance

Corporate governance comprises a set of oversight mechanisms designed to safeguard the interests of investors (Utama et al., 2017b). Its primary objective is to align the goals of management with those of shareholders. By promoting this alignment, corporate governance helps to reduce information asymmetry, thereby lowering the risk of moral hazard and adverse selection. Consequently, investment efficiency is likely to improve, as management is more inclined to pursue investment opportunities that generate optimal returns for the firm (Suman & Singh, 2021).

Board independence is a member of the Board who does not have any significant financial or personal relationship or ties with the company or management, which could affect his ability to make objective decisions and oversee the company independently (Rajkovic, 2020). Board Independence affects the level of investment (Soliman, 2020). In several studies, it was also found that there was no influence of board independence on investment efficiency, as stated by (Nor et al., 2017).

H1: Board independence influence on investment efficiency

Board Size refers to the number of members on a company's board of directors. The board of directors is a body that has important responsibilities in making strategic decisions and overseeing

the company's operations. increase investment efficiency (Ahmed et al., 2021). Previous research, the best comparison with what was put forward by several other researchers,The significant negative influence of family companies on investment efficiency still has the same magnitude in China (Huang et al., 2023)

H2: Board Size influence on investment efficiency

Konservatisme Akuntansi

Accounting conservatism has become synonymous with overall earnings quality. Accounting conservatism is an attribute of financial statements that focuses on the accuracy of accounting information. The underlying rationale for using accounting conservatism as a proxy is the idea that it is a reliable estimate of future cash flows (M.Dechow & Dichev, 2002). ThatAccounting Conservatismhas a positive impact on Investment Efficiency (Basu, 1997). Conditional accounting conservatism reduces investment sensitivity in firms (Biddle et al., 2009).

H3: Accounting Conservatism influence on investment efficiency

Sales Growth

Sales Growth It reflects the increase in a company's revenue over time, which is often used as an indicator of future prospects, and the extent to which investment is analyzed based on sales increases. Several previous studies have shown that sales growth has a significant effect on investment efficiency, especially in industries with high demand uncertainty (Elberry & Hussainey, 2020). Sales growth is not significantly correlated with investment efficiency, because investment decisions are more influenced by family interests and internal controls (Xie et al., 2021).

H4: Sales Growthinfluence on investment efficiency

Firm Size

Firm size is a scale that classifies companies in various ways, including total assets, sales, number of employees, and so on. Investments made by small companies are more sensitive to factors inherent in a perfect capital market. Large companies are expected to have easier access to capital markets for several reasons. Large companies are also considered to have a good reputation and will implement better corporate governance. One variable that influences investment efficiency is firm size (Novary & Lestari, 2016). Firm size has a negative relationship with investment, especially under conditions of high leverage (Mani et al., 2020).

H5: Firm Size influence on investment efficiency

Research Framework

This research framework uses three independent variables: Board Independence (X1), Board Size (X2), Accounting Conservatism (X3), Sales Growth (X4), and Firm Size (X5) in non-cyclical consumer sector companies in Indonesia. The dependent variable (Y) in this study is investment efficiency. Based on previous research and the relationships between variables, the following research framework can be formulated:

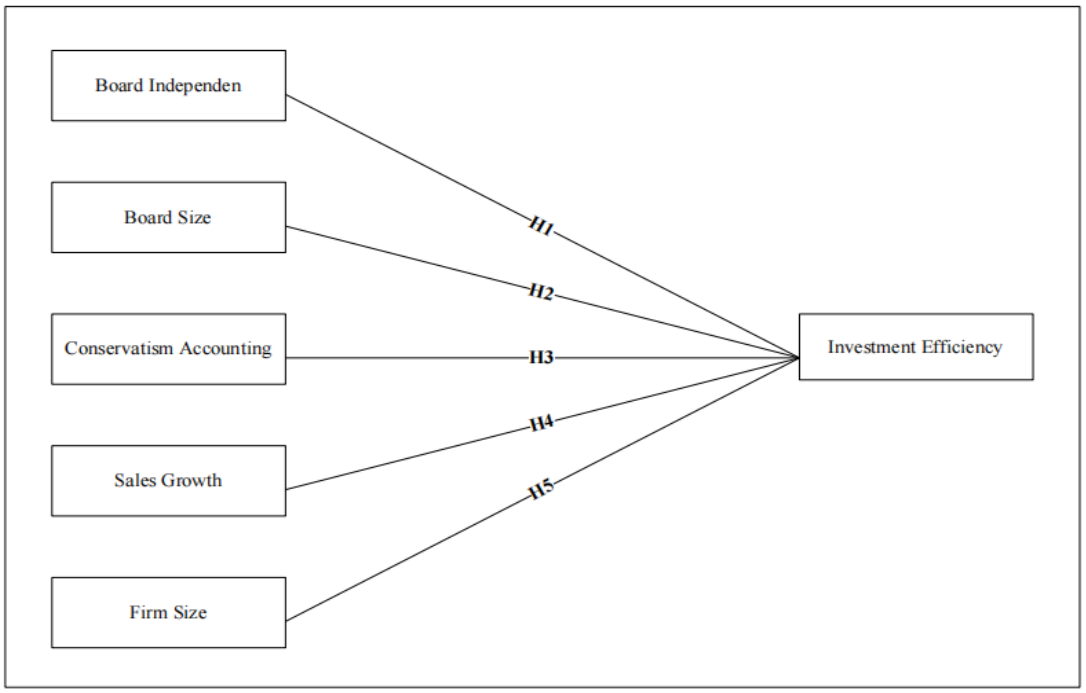


Figure 1. Research Framework

METHOD

This study employs a quantitative research method, which involves examining a defined population or sample using structured data collection tools and statistical analysis to describe phenomena and test specific hypotheses (Sugiyono, 2017). The sample comprises 379 observations from companies in the non-cyclical consumer sector listed on the Indonesia Stock Exchange (IDX) over the period 2013–2023. Data processing using SPSS, starting with the Classic test to data testing. This sector was selected due to its relatively stable financial performance, which is less susceptible to economic cycle fluctuations. Focusing on this sector enables the study to assess investment efficiency in a stable business environment, where firms typically exhibit consistent operational and financial outcomes. Non-cyclical consumer companies, as producers of essential goods, are generally unaffected by macroeconomic volatility. In many developing countries, the non-cyclical consumer sector forms the backbone of the manufacturing industry because it directly relates to people's basic needs. Therefore, research in this sector is more relevant for industrial and investment policy, allowing data to assess the efficiency of investments. Therefore, the selection of this sector is expected to offer more reliable insights into the impact of financial reporting quality and debt maturity on investment efficiency during the specified period. The companies

included in the sample met specific selection criteria, as detailed below. Non-cyclical consumer sector companies listed on the IDX for the 2013-2023 period :

a. Non-cyclical consumer sector companies that reported financial reports to the IDX consecutively for the period 2013-2023
b. Non-cyclical consumer sector companies that present financial reports with the end of the financial report period being December 31 on the IDX consecutively for the period 2013-2023.
c. Non-cyclical consumer sector companies that presented financial reports in Indonesian Rupiah currency on the Indonesian Stock Exchange consecutively for the period 2013-2023
d. Have complete data according to needs.

Data collection is a critical component of any research, as the primary objective is to obtain accurate and relevant data (Sugiyono, 2017). In this study, data were collected using a document analysis technique. Documents refer to written records of past events, and in this context, the data were sourced from companies in the non-cyclical consumer sector listed on the Indonesia Stock Exchange (IDX) during the period 2013–2023.The research instrument in this study consists of the variables that serve as the focus of observation and analysis. These variables represent key elements determined by the researcher to gather meaningful information and draw valid conclusions. The study includes one dependent variable investment efficiency and several independent variables corporate governance, accounting conservatism, sales growth, and firm size. Investment efficiency was measured using the proxy developed by (Richardson, 2006), which relates free cash flow to the level of overinvestment at the firm level. Corporate governance was proxied by the proportion of independent board members and board size, while accounting conservatism was assessed through the quality of financial reporting. Firm size was measured using the natural logarithm of total assets, and sales growth was assessed using the growth rate of sales.

RESULT AND DISCUSSION

This research focused on non-cyclical consumer sector companies in 2013 and 2023. The sample size was 379 normal data sets. Several tests were conducted to determine the validity of the data. The equation is as follows:

$$IE = \alpha + \beta_1 IB + \beta_2 BS + \beta_3 NOAC + \beta_{54} SG + \beta_5 FZ + \varepsilon$$

Statistics Data

Descriptive statistics are used to provide an overview of the variables used in the study, such as the average value (mean), maximum and minimum values, and standard deviation (the standard deviation of the data from the mean). The results of the descriptive statistics are presented in the following table:

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
IB	379	1.00	5.00	19,472	.96902
BS	379	2.00	10.00	44,169	165,882
NOAC	379	-.01	4.62	13,028	.90149
SG	379	-.43	.91	.0753	.17966
FS	379	11.30	14.27	126,703	.64056
IE	379	-.07	.12	.0006	.02871
Valid N (listwise)	379				

According to the descriptive statistics, the variables of accounting conservatism and board independence show standard deviations that are lower than their respective mean values. This suggests that the data for these variables are closely clustered around the mean, reflecting a high level of consistency and similarity across companies. In contrast, the variables board size, sales growth, and firm size exhibit standard deviations that exceed their mean values. This implies greater variability in the data, indicating that there are notable differences among companies in terms of their board composition, revenue growth, and overall size.

Normality Test

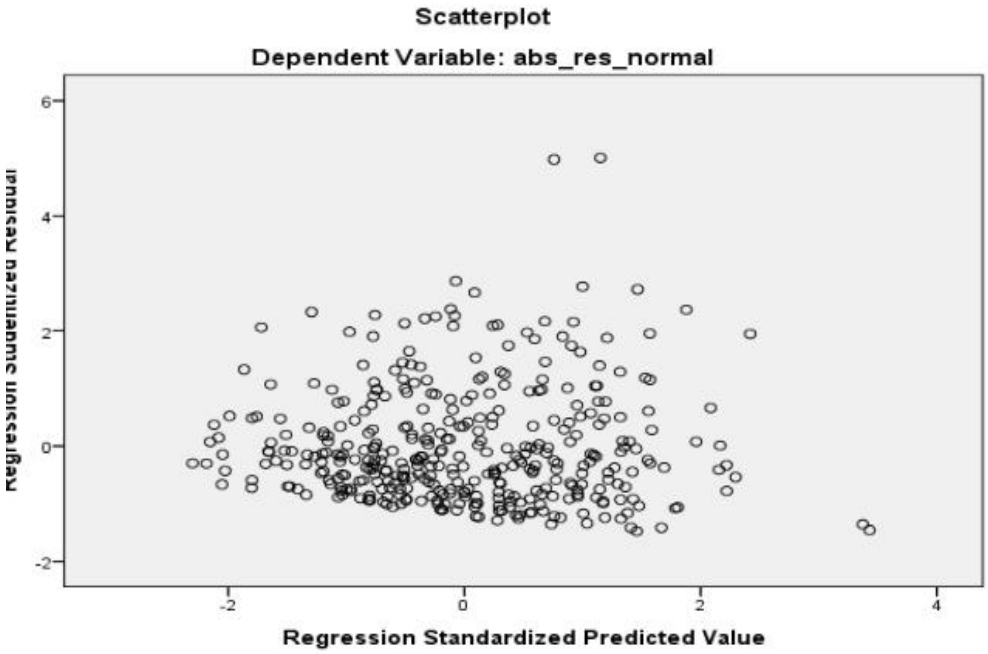
A normality test is performed to determine whether the residual data in a regression model is normally distributed. Residual normality is one of the classic assumptions in multiple linear regression analysis. If the data is not normally distributed, the estimated regression coefficients can be biased or invalid. In this study, the normality test was performed usingKolmogorov-Smirnov (K-S) test and alsothrough graphical analysis (histogram and normal P-P plot)**.**The test results are presented as follows:

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			379
Normal Parameters[a,b]	Mean		-.0057608
	Std. Deviation		.02870323
Most Extreme Differences	Absolute		.066
	Positive		.066
	Negative		-.044
Test Statistic			.066
Asymp. Sig. (2-tailed)			.200[c]
Monte Carlo Sig. (2-tailed)	Sig.		.068[d]
	99% Confidence Interval	Lower Bound	.061
		Upper Bound	.074
a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors Significance Correction.			
d. Based on 10000 sampled tables with starting seed 1502173562.			

From the table above, the results of the normality test as shown in the table above show that the Asymp. Sig. (2-tailed) value is 0.200, which indicates that the Asymp. Sig. (2-tailed) value is > 0.05. Therefore, it can be concluded that the residual values in this study are normally distributed.

Heteroscedasticity test

The heteroscedasticity test in this study is conducted using the Glejser test, which involves regressing the absolute values of the residuals on the independent variables. If the significance value of the relationship between each independent variable and the absolute residual exceeds 0.05, it indicates the absence of heteroscedasticity in the model.



Based on the image above, the data points in the regression model appear to be randomly scattered both above and below the zero line on the Y-axis. This pattern indicates that the regression model is free from heteroscedasticity, suggesting that the variance of the residuals is constant across all levels of the independent variables.

Autocorrelation Test

An autocorrelation test is performed to determine whether there is a correlation between the residuals (errors) of one observation and other observations in a regression model. Autocorrelation is often a problem in time series data, but it also needs to be tested in cross-sectional data to ensure model validity. In this study, the autocorrelation test was performed using Durbin-Watson test (DW test). DW values range from 0 to 4, with the following interpretations:

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.167[a]	.028	.015	.02850	1,910
a. Predictors: (Constant), firm size, sales growth, konservatisme akuntansi, board size, board independent					
b. Dependent Variable: Investment Efficiency					

According to the table, the du value for this regression model, based on the Durbin-Watson table at a significance level of $\alpha = 5\%$, is 1.7691. The Durbin-Watson statistic obtained from the model falls between the du and (4 - du) values, specifically 2.2309. Since the Durbin-Watson value lies within this range ($1.7691 < 1.910 < 2.2309$), it can be concluded that there is no indication of autocorrelation among the residuals in this regression model.

Multicollinearity test

The multicollinearity test is performed to identify whether a strong linear correlation exists among the independent variables in the regression model. The presence of multicollinearity can compromise the validity of coefficient interpretation, as it may lead to unstable and unreliable estimates. In this study, multicollinearity was assessed using two key indicators: Variance Inflation Factor (VIF) and Tolerance.

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	IB	.397	2,517
	BS	.418	2,391
	NOAC	.960	1,041
	SG	.990	1,010
	FS	.780	1,282
a. Dependent Variable: Investment Efficiency			

Based on the multicollinearity test results presented in the table above, all independent variables exhibit tolerance values greater than 0.10 and Variance Inflation Factor (VIF) values less than 10. Therefore, it can be concluded that multicollinearity is not present among the variables in this study.

Hypothesis Test

Subsequently, multiple linear regression analysis is employed to assess the extent to which the independent variables influence the dependent variable, as well as to evaluate the model's ability

to predict the value of the dependent variable, under the assumption that the values of all independent variables are known or held constant.

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	-.077	.032
	IB	.003	.002
	BS	-.003	.001
	NOAC	-3.52	.002
	SG	.002	.008
	FS	.006	.003

Based on the table above, the multiple linear regression model that has been formed is described as follows:

$$IE = -0.077 + 0.03\,IB - 0.003BS - 3{,}52\,NOAC + 0{,}002\,SG + 0{,}006\,FZ + \varepsilon$$

From the multiple linear regression equation above, it can be interpreted as follows:

1. The constant value (α) of -0.077 indicates that if all independent variables, namely independent board, board size, accounting quality, sales growth, and company size, are considered to have a value of zero or no effect, then investment efficiency is estimated to be at -0.077. This means that in conditions without the influence of these five variables, the model predicts investment efficiency to have a negative value of 0.077.
2. The coefficient for the Independent Board variable (X1) is 0.03, indicating a positive relationship with investment efficiency. This suggests that an increase in the number or proportion of independent board members is associated with an increase in investment efficiency.
3. The Board Size variable (X2) has a coefficient of -0.003, which reflects a negative relationship. This means that a decrease in board size is associated with an increase in investment efficiency, implying that smaller boards may lead to more efficient investment decisions.
4. The coefficient for the Accounting Conservatism variable (X3) is -3.52, also indicating a negative relationship. This suggests that lower levels of accounting conservatism are associated with higher investment efficiency, although this may depend on how conservatism is operationalized in the study.
5. The Sales Growth variable (X4) has a coefficient of 0.002, demonstrating a positive relationship. This implies that an increase in sales growth correlates with improved investment efficiency.
6. The Firm Size variable (X5) shows a coefficient of 0.006, suggesting a positive association. This indicates that larger firms tend to have higher levels of investment efficiency, possibly due to better access to resources and economies of scale.

T-test

The t-test is conducted to determine the influence of each independent variable on the dependent variable partially, namely by testing one by one whether each independent variable significantly influences the dependent variable. The decision-making criteria in the t-test are as follows: If the significance value (Sig.) < 0.05, then the independent variable has a significant influence on the dependent variable. If the significance value (Sig.) > 0.05, then the independent variable does not have a significant influence on the dependent variable.

Coefficients[a]

Model		t	Sig.
1	(Constant)	-2,421	0.016
	IB	1,391	0.001
	BS	-0,929	0.018
	NOAC	-0.341	0.021
	SG	0.304	0.761
	FS	2,505	0.913

a. Dependent Variable: Investment Efficiency

The basis for making decisions for the partial test (t) in this regression model is that if the significance value is < 0.05, then the independent variable partially influences the dependent variable (Y). In addition, another basis for making decisions for the partial test is that if the calculated T value is > T table, then the independent variable (X) partially influences the dependent variable (Y) (Ghozali, 2018). The findings of the regression analysis reveal that the variables independent board (p = 0.001), board size (p = 0.018), and accounting conservatism (p = 0.021) significantly influence investment efficiency, as their p-values fall below the 0.05 threshold. On the other, sales growth (p = 0.761) and firm size (p = 0.913) do not exhibit a significant effect, given that their p-values exceed 0.05.

These results indicate that within the framework of agency theory, board independence is crucial because it is expected to provide control over managers' tendencies to act opportunistically. This independence is expected to eliminate the possibility of partial and non-neutral oversight functions (Prof Niki Lukviarman, MBA, 2016). Independent boards often encourage transparency, this allows investment decisions to be made based on more accurate information, making investments more efficient (Abang'a et al., 2021). The results state that there is a unidirectional relationship between independent boards and investment efficiency and this research is in line with (Soliman, 2020) stating the efficiency of investment decisions with the Board mechanism in the company, this mechanism must ensure that the company's assets are managed efficiently and make efficient investment decisions. Board size can vary from one company to another, depending on several factors such as the type of industry, company size, and applicable regulations (Haishan & Chen, 2018) The importance of board size in corporate governance is because this size can influence the efficiency and effectiveness of the board in carrying out its responsibilities (Pekovic & Vogt, 2021). Board size influences investment levels. Larger boards have greater oversight capacity, thus preventing opportunistic managerial practices, such as overinvestment to expand power or pursue

personal interests. The results indicate a unidirectional relationship between board size and investment efficiency. This research aligns with the efficiency (Ahmed et al., 2021) which states the board size Increase investment efficiency. A high level of accounting conservatism, grounded in the principle of prudence, can support companies in making well-considered and efficient investment decisions. Quality accounting conservatism also plays a role in reducing internal information asymmetry. These findings are consistent with agency theory, which describes the relationship between principals (owners) and agents (management). Through conservative and cautious financial reporting, companies can provide more accurate, relevant, and reliable information, thereby enhancing owners' understanding of corporate performance and supporting more informed decision-making.High-quality financial reports serve as an effective monitoring tool, enabling principals to oversee management behavior and ensure alignment with their interests. This study's results are in line with previous findings by (Amrullah & Fatima, 2013), who also observed a positive and significant relationship between accounting conservatism and investment efficiency. The findings suggest that a high degree of accounting conservatism enables firms to make more cautious and efficient investment choices by providing financial statements that carefully reflect anticipated cash flows and associated risks. This is especially significant in contexts with limited external oversight or pronounced agency conflicts, which are common in many developing economies.From a practical standpoint, companies particularly those in sectors with minimal investor scrutiny are encouraged to implement conservative accounting practices to enhance the credibility of financial data used in strategic investment decisions. For regulators, these results emphasize the importance of enforcing robust and conservative financial reporting standards as a form of internal governance that facilitates more effective capital allocation.The study's novelty lies in its empirical examination of the link between accounting conservatism and investment efficiency within the non-cyclical consumer manufacturing industry in a developing country setting a context rarely explored in existing literature. In contrast to earlier research centered in developed nations, this study offers fresh insights into how conservative financial practices operate as internal governance mechanisms under different regulatory and institutional conditions.In terms of scholarly contribution, this research expands agency theory by illustrating that accounting conservatism serves not only as a reporting principle but also as a strategic tool for enhancing the efficiency of investment decisions. Moreover, it provides practical guidance for firms and policymakers in emerging markets, underscoring the value of transparent and prudent financial reporting in promoting optimal investment outcomes. These findings reinforce the idea that strong accounting conservatism contributes to more effective and efficient corporate investment practices. However, the strength of this relationship may also be influenced by regulatory enforcement and corporate culture in developing markets like Indonesia, where formal independence does not always translate into effective monitoring due to potential informal relationships between board members and executives.

The findings of this study are grounded in agency theory, which outlines the relationship between the principal and the agent. In this context, the agent who is directly involved in managing the company's operations and holds superior information is entrusted with the responsibility of managing the company's resources in the best interests of the principal. Firm size, however, does not necessarily reflect the level of risk faced by a company. Investment efficiency is more closely tied to how well a company is able to manage and mitigate risks. Smaller firms with competent

and strategic management may still attain high investment efficiency by making well-calculated and informed risk decisions. The results of data analysis conducted using a t-test indicate that firm size has no effect on investment efficiency because the figure is greater than the significance value of 0.05. Therefore, the hypothesis in this study is rejected. Moreover, agency theory provides a theoretical lens to interpret this finding: as firms grow in size, agency problems may intensify, making it harder for owners to monitor managers effectively. Without strong governance mechanisms, larger firms may be prone to overinvestment, especially when decision-makers pursue personal goals over shareholder value. The implication is that simply increasing firm size does not guarantee more efficient investment behavior. In practice, smaller firms with strategic and responsive management may outperform larger firms in capital efficiency, especially if they maintain lean structures and clearer lines of accountability. For policymakers and investors, this highlights the importance of evaluating firm governance and operational agility over size alone when assessing investment performance.

This research is in line with (Mani et al., 2020) that firm size has a negative relationship with investment, especially under conditions of high leverage. Similarly, sales growth, which refers to the increase in a company's sales over time and is often used as an indicator of performance and growth prospects, is often accompanied by an increase in working capital, such as inventory and receivables. This can drain liquidity, making long-term investments unfocused and less efficient. This research aligns with (Xie et al., 2021)**.** Stated that sales growth was not significantly correlated with investment efficiency, because investment decisions were more influenced by family interests and internal controls.

CONCLUSION

Based on the statistical findings and data analysis conducted, it can be concluded that independent board, board size, and accounting conservatism significantly influence investment efficiency in non-cyclical consumer sector companies listed on the Indonesia Stock Exchange. The results of the t-tests on these independent variables support the acceptance of hypotheses H1, H2, and H3. Conversely, firm size and sales growth were found to have no significant effect on investment efficiency, leading to the rejection of hypotheses H4 and H5.Future research is encouraged to expand the scope by examining other industry sectors, including financial companies listed on the Indonesia Stock Exchange, to generate broader and potentially more accurate findings. Additionally, incorporating other independent variables such as alternative corporate governance indicators and financial reporting quality metrics may offer deeper insights into the determinants of investment efficiency.

This research offers a valuable contribution to the academic literature by providing empirical evidence on the influence of internal corporate governance mechanisms specifically board composition and accounting conservatism—on investment efficiency, within a particular industry and national context that has received limited scholarly attention. The novel aspect of this study lies in its focus on the non-cyclical consumer sector in a developing economy, where corporate governance and financial discipline often encounter unique institutional and operational challenges. From a practical standpoint, the results indicate that companies should, Maintain a

board size that achieves a balance between diverse perspectives and streamlined governance processes, Implement conservative financial reporting to minimize internal information asymmetry and encourage careful investment evaluation. In terms of policy implications, regulators are encouraged to strengthen frameworks that uphold board independence and financial transparency, particularly in industries where effective capital deployment is critical to long-term growth. Likewise, investors may consider governance attributes such as board structure and accounting practices as essential indicators when assessing a firm's investment efficiency potential.

Despite its contributions, this study has several limitations. Its scope is confined to a single industry sector, which may limit the applicability of the findings to other contexts. Moreover, the model does not include potential moderating or mediating variables that could further explain the governance–investment efficiency relationship.Therefore, for future research, it is suggested to Broaden the research scope to include various sectors, such as finance and technology, which may exhibit different governance characteristics or Utilize longitudinal or panel data approaches to capture investment efficiency patterns over time and under diverse economic conditions.

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