IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 18, Issue 11. Ver. VI (November. 2016), PP 62-70
www.iosrjournals.org

Risk Management Mediates the Influence of Good Corporate Governance, Managerial Shareholder, and Leverage on Firm Value

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Abstract: *Objectives of the research were to describe and analyze the influence of good corporate governance, managerial shareholder, and leverage on risk management and firm value, as well as to analyze the risk management in mediating the influence of good corporate governance, managerial shareholders, and leverage on firm value of banking at the Indonesian Stock Exchange. The analysis units of this research were banking corporations and population of the registered banking corporations, which were still active at the Indonesian Stock Exchange during period 2013 and 2015 that comprised of 42 corporations. Among them, 33 samples of banking corporations have met the criteria, for 3 years, as required by sample of the research. Data analysis of the research used Structural Equation Model (SEM) by variance based approach or component based approach and Partial Least Square (PLS). Results of the research showed: Good corporate governance and leverage have negative and significant influence on risk management. Managerial shareholder has positive and significant influenceon risk management. Good corporate governance and leverage have insignificant influence on firm value. Managerial shareholder has positive and significant influence on firm value. Risk management has negative and significant influence on firm value. Risk managementcould mediate the influence of Good Corporate Governance on firm value. Risk management could not mediate the influence of managerial shareholder on firm value. Risk management could mediate the influence of leverage on firm value.*
Keywords: *good corporate governance, managerial shareholders,leverage, risk management,and firm value*

I. Introduction

The main goal for the establishment of a firm is to gain profitability, maximize profit or wealth and firm value. A firm is an organization, which combines and organizes diverse resources to produce goods and/or service to be sold. According to *theory of the firm*, the main goal of a firm is to increase prosperity of the owners and shareholders in order to affect the firm value (Salvatore, 2005).

Firm value is very important because high firm value will be followed by high prosperity of the shareholders (Gapenski, 1996). Firm value can be seen from *Price Book Value* (PBV) as comparison between stock price and book value per share (Ang, 2002). In general, good firm has the ratio of *Price Book Value*more than one (>1). It shows that value of the stock market is higher than the book value of a firm. The higher value of the *Price Book Value* ratio, the higher assessment of the investor is, in comparison with investment that has been invested in that firm, and the higher opportunity of the investor to purchase the firm's stock (Ang, 2002). Table 1 below presents the mean values of *Price Book Value* (PBV) development on banking corporations, which are registered at the Indonesian Stock Exchange during the period 2011 and 2015.

Table 1 Mean Values of *Price Book Value*on Banking Corporations that are Registered at the Indonesian Stock Exchange

Ratio	2011	2012	2013	2014	2015
PBV	**2.10**	**1.92**	**1.67**	**1.62**	**1.45**
PER	**15.50**	**7.55**	**18.82**	**33.04**	**28.87**

Based on Table 1, mean values for *Price Book Value* of the banking corporations are higher than one (>1), it shows that the stock market values are higher than the book values of a firm, so that the investors have wider opportunities to purchase stock of the firm and it reflects high value of the firm. It has been proven by high *Price Earnings Ratio* (PER), which means that profit improvement of the firm is high. High value for *Price Earnings Ratio*shows high market value on the stock, so that the investors are interested in the stock, and finally, it effects on raising price of the stock.

This phenomenon is very attractive to be reviewed empirically, particularly on variable that affects the firm value. Firm value is very important because high firm value will be followed by high prosperity of the shareholders (Brigham and Houston. 2006). The higher price of the stock, the higher value of the firm will. One of the firm's goals is to maximize the firm value (Anggraini, 2012). Effort that can be done by the owner or shareholder to maximize the firm value is transferring the company management to the expert or professional,

which so-called manager. However, effort to increase the firm value may create a conflict of interest between the agent (manager) and principal (shareholder), which so-called agency conflict.

The agency theory describes the emerging problems when the shareholders rely on manager in providing services in the name of shareholders (Jensen and Meckling, 1976). Jensen and Meckling (1976) stated that interest of the agent should be synchronized with the principal in solving the agency problems. In order to overcome the problems, the firm should implement *Good Corporate Governance* (GCG).

Better implementation and management of *Good Corporate Governance*is a concept that emphasizes the importance of shareholder's right in obtaining correct, accurate, and prompt information. Besides that, it shows obligation of a firm to reveal all information about financial performance of the firm accurately, promptly, and transparently. Therefore, both public firm and closed firm should view *Good Corporate Governance* (GCG) not only as accessories, but also as effort to increase the firm value and performance (Tjager, 2003).

Indicators, which are frequently used in diverse researches on *good corporate governance,* include size of board of directors, proportion of independent commissioner, and auditing committee (Yasser, *et al.* 2011, Fidanoski, *et al*. 2013 and Peters and Bagshaw 2014). Tumirin (2007) suggested that the implementation of *goodcorporate governance*may affect the achievement of firm value. Ionescu (2012) suggested that firm may reduce cost of capital and increase market value when *good corporate governance* (GCG) is practiced. Silveira and Barros (2006), in their review, showed the influence of positive and significant *good corporate governance* quality on market value of a firm.

Gill and Mathur (2011) showed that bigger firm (most of them are directors) has negative impact on manufacturing firm value. Obradovich and Gill (2013) showed that board of directors have negative and significant influence on Tobin's Q, while *financial leverage* and firm size have positive and significant influence on Tobin's Q. Auditing Committee and ROA have positive and significant influence on Tobin's Q.

Shareholder by management is basically an effort to draw a parallel between the management's interest and the shareholder's interest (Husnan, 2006:208). As professional, it is expected that the manager should take action in the name of owner in order to achieve the firm's goal, improving the firm value. However, managers are frequently tempted to improve their own prosperity and, automatically, it may create an agency conflict. Such agency conflict may not occur in a firm, where management has a hundred percent ownership. Rizqia *et al.* (2013) concluded that managerial shareholder has positive and significant influence on firm value.Herry and Hamin (2005) showed that managerial shareholder has positive and significant influence on firm value. Different results of review were shown by Abdolkhani and Jalali (2013) concluded that managerial shareholder has negative and significant influence on firm value and when the executive ownership of director ownership are high, of course, the firm value would be lower.Ruan, Tian and Ma (2011) found negative correlation between managerial shareholder and firm value. Rustendi and Jimmi (2008) concluded that managerial shareholder does not partially have any influence on firm value.

Other factor that may affect the firm value is *leverage*. *Leverage* is ratio, which measure the extent of a firm uses debt financing (*financial leverage*) (Brigham *et al*, 2006). Alonso, *et al.* (2005) concluded that *leverage*affects the firm value. Sujoko and Soebiantoro (2007) showed that *leverage* has negative and significant influence on firm value. Ghosh and Ghosh (2008) showed that *leverage* has negative correlation with the firm value. Rahim *et al.* (2010) showed that *leverage*has negative correlation with the firm value. Chang and Zuwei (2011) showed that *leverage* has positive and significant correlation with the firm value before achieving optimal firm's capital structure. Third, positive influence of *leverage*on firm value tends to be stronger when financial quality of the firm is better.

Result of review on the influence of *Good Corporate Governance*, managerial shareholder, and *leverage* on firm value showed inconsistent result or a *research gap*. The existence of *research gap* concerning with the influence of managerial shareholder, firm size, and *leverage*on firm value has created an attractive opportunity to be reviewed in order to fill vacancy and research gap by adding variable of *intervening*or mediation, the*risk management.*

Measuring the risk management ability of a bank can be seen in accordance with four indicators of decomposition result of ROE *DuPont Analysis*, such as *interest rate risk, credit risk, natural hedging strategy* and *solvency/capital risk* (Sensarma and Jayadev, 2009). It is due to banking has been faced on *interest rate risk*, *credit risk*, *solvency/capital risk* and other risks that cannot be measured financially, for example, *obedience risk*, strategic risk, and *natural hedging strategy*.

Managing such *risk management* must be taken by the firm to mitigate any impact that might be happened. If the *risk management*is well-managed, the firm will be able to survive in competitive business competition and the planned target can be achieved.

Ibrahim & Osama (2013) showed that non-executive director, auditing committee, numbers of shareholder, and numbers of board have positive influence on voluntarily revelation. The board's activity does not influence on such revelation. Suhardjanto *et al.* (2012) showed that size for board of directors, numbers of

meeting for board of directors, and *leverage* have positive influence. Proportion of the independent commissioner, education background of the chief commissioner, ethnical background of the chief commissioner, composition of the independent commissioner, composition of the independent auditing committee, numbers of meeting for the auditing committee, and profitability have no influence on *risk management.*

Khlif and Souissi (2010) showed that size (type) of auditor has significant influence on the firm's revelation. Firm size, *leverage*, profitability, *analyst following*, *multy-nationality,* and ownership structure do not have significant influence on *risk management.*Kurt Desender and Esteban Lafuente (2009) showed that *Board Independence, External Audit Fee, The Presence of Big-4 Auditor, Size* and *Leverage* have positive influence on *ERM.*The Presence of *Big-4 Auditor* has negative influence on *risk management*, whileAudit Committee Size and Separation of CEO and Chairman did not have any influence on *risk management*.

Narjes Ashuri *et al.*(2014) proved that characteristics for the board of directors andconcentration of the ownership have no influence on risk management of the firm. Abraham and Cox (2007) suggested that*risk management* is not affected by type of industry, profitability, and public shareholder. However, short-term institutional ownership, size for the board of directors, and numbers of independent commissioner has influence on *risk management.*

Higher percentage of managerial shareholder of a firm makes the management has greater responsibility in decision-making, so that such *risk management* becomes higher (Dampsey and Laber, 1993).

Gerb (2000) concluded that lower managerial shareholder enables more informative risk revelation than higher managerial shareholder. Eng and Mak (2003) concluded the presence of negative correlation between managerial shareholder and the increasing risk management revelation. Dempsey, *et al*. (1993) described that higher percentage managerial shareholder of a firm may bring about greater responsibility as well.

High *leverage* of a firm tends to possess high agency cost, so that it may create high financial risk and *going concern*of the firm (Subramaniam *et al.,* 2009). According to agency theory, creditor of a firm that has high risk of debt in capital structure could force the firm to reveal more information (Amran *et al*, 2009).It is due to a firm, which has high debt, is usually more speculative and risky, so that wider revelation over risk information is required to reduce asymmetric information between the agent and the principal. Saputro and Suryono (2014) concluded that *leverage* has negative and significant influence on *risk management* revelation over the manufacturing firms, which are registered at the Indonesian Stock Exchange (2010-2012). Amran*et al.* (2009) and Khlif and Souissi (2010) concluded that *leverage* does not have significant influence on *risk management*revelation.

Revelation of risk management, which is done by the management, is valuable for the user of financial reports to assess policies made by the management to overcome the risk. Bertinetti, Cavezzali, & Gardenal (2013) in their research found that the application of *risk management* has positive and significant impact on the firm value, and application of this system is viewed as *value driver*, but not as cost for the firm. It supports the previous research by Liebenberg & Hoyt (2003) who found positive correlation between firm value and application of *risk management.*Wiagustini and Pertamawati (2015) showed that the business risk has negative and significant influence on the firm value.

Based on result of the previous empirical review, it showed diverse variables that affect the firm value and has not integrated in a model. Based on the result, there is a gap that needs further research about the influence of *good corporate governance*, managerial shareholder, and *leverage* on firm value along with *risk management* as *intervening*variable.

II. Research Method

The analysis units of this research were banking corporations and population of the registered banking corporations, which were still active at the Indonesian Stock Exchange during period 2013 and 2015 that comprised of 42 banking corporations. Samples were taken by *purposive sampling* technique and there are 33 samples of banking corporations, which have been registered at the Indonesian Stock Exchange and have met the criteria in accordance with requirements as sample of the research. Data of the research was secondary data and data was collected through documentation. Documentation is a method to obtain data by collecting data from the available literatures. Data source of the research was derived from www.idx.go.idand ICMD.

Variable of the research is *Good Corporate Governance* by indicators of board of directors, proportion of independent commissioner, and auditing committee (Yasser, *et al.* 2011, Fidanoski, *et al*. 2013 andPeters and Bagshaw 2014). Managerial Shareholder as vote percentage relates to stock and option of the manager and director of a firm (Mathiesen, 2004).*Leverage* by indicator of *debt ratio*. Indicator of *leverage* is *Total Debt to Equity Ratio, Total debt to total capital assets*and *Long Term Debt to Equity Ratio. Risk Management* is ability of the bank's risk management, which is based on four indicators, such as *interest rate risk, credit risk, natural hedging strategy*and*solvency/capital risk*(Sensarma and Jayadev, 2009), while firm value is perception of the

investor on success of the firm that frequently related to stock price. The firm value is measured by *Price Book Value* (PBV) and *Price Earning Ratio* (PER), Weston and Brigham (2006:115), Warsono (2003:39), Ross *et al*, (2008: 93). Data analysis of the research used *Structural Equation Model* (SEM) by*variance based*approach or*component based*approach and *Partial Least Square* (PLS).

III. Findings

Basically, there are four hypotheses used in this research. Those hypotheses will be examined using structural equation method and PLS (*Partial Least Square*) approach, by examining significance of line coefficient in the model. PLS approach is applied to examine the complex hypothesis by assessing the influence of independent variable (exogenic) on dependent variable (endogen). Therefore, in order to conclude whether hypothesis of the research has been proven, it uses *cut-off value* by the value of t_{table} = 1.96 (Ghozali, 2006:31). Therefore, if t-statistic on the tested line is ≥ 1.96, hypothesis of the research is proven. Details of the test results are presented in Table 2 below.

Table 2. Recapitulation for Result of the Research

Influence Between Variables	Line Coefficient	T-Statistic	Description
Good Corporate Governance → *Risk Management*	**-0.359**	**1.974**	**Significant**
Managerial Shareholder → *Risk Management*	**0.291**	**1.979**	**Significant**
Leverage → *Risk Management*	**-0.540**	**2.871**	**Significant**
Good Corporate Governance → Firm Value	**0.119**	**1.549**	**Insignificant**
Managerial Shareholder → Firm Value	**0.337**	**3.040**	**Significant**
Leverage → Firm Value	**0.021**	**0.149**	**Insignificant**
Risk Management → Firm Value	**-0.568**	**1.977**	**Significant**

H_1 Good Corporate Governance has significant influence on RiskManagement

Based on Table 2, results of the hypothesis test about the influence of good corporate governance onrisk management show coefficient value of pathfor about -0.359 and t-statistic value is higher than t-table (1.974 > 1.960). It shows that good corporate governance has significant influence on risk management, so that the higher value of good corporate governance, the lower level of risk managementby the decrease for about 35.9%.

H_2 Managerial Shareholder has Significant Influence on Risk Management

Results of the hypothesis test about the influence of managerial shareholder on risk managementshow coefficient value of pathfor about 0.291and t-statistic value is higher than t-table (1,979> 1,960). It shows that managerial shareholder has significant influence on risk management, so that the more managerial shareholders, the greater risk management by the increase for about 29.1%.

H_3 Leverage has Significant Influence on Risk Management

Results of the hypothesis test about the influence of leverage on risk managementshow coefficient value of path for about -0.540 andt-statistic value is higher than t-table (2.871 > 1,960).It shows that leverage has negative and significant influence on risk management, so that the higher level of leverage, the lower level of risk managementby the decrease for about 54%.

H_4 Good Corporate Governance Has Significant Influence on Firm Value

Results of the hypothesis test about the influence of good corporate governance on the firm value show coefficient value of path for about 0.119 and t-statistic value is higher than t-table (1.549 < 1,960).It shows that good corporate governancedoes not have significant influence on firm value, so that the better quality of good corporate governance, the higher firm value will be achieved by the increase for about11.9%.

H_5 Managerial Shareholder Has Significant Influence on Firm Value

Results of the hypothesis test about the influence of managerial shareholder on firm value show coefficient value of path for about0.337and t-statistic value is higher than t-table (3.040 < 1,960).It shows that good

corporate governancehas significant influence on firm value, so that the better managerial shareholder, the higher firm value will be achieved by the increase for about 33.7%.

H_6 Leverage Has Significant Influence on Firm Value
Results of the hypothesis test about the influence of leverage on firm valueshow coefficient value of path for about 0.021 and t-statistic value is higher than t-table (0.149 < 1,960). It shows that leverage does not have significant influence on firm value, so that the higher level of leverage, the higher firm value will be achieved by the increase for about 2.1%.

H_7 Risk Management Has Significant Influence on Firm Value
Results of the hypothesis test about the influence of risk management on firm valueshow coefficient value of path for about -0.568 and t-statistic value is higher than t-table (1.977 > 1,960).It shows that risk management has significant influence on firm value, so that the higher level of risk management, the lower firm value will be by the increase for about 56.8%.
The hypothesis test on risk management mediates the influence of good corporate governance, managerial shareholder, and leverage on firm value, is presented in Table 3 below:

Table 3 Influence Between Variables, Directly, Indirectly, and Totally

Influence between Variables	Direct Influence	Indirect Influence through *Risk Management*	Total Influence
Good Corporate Governance → *Risk Management*	**-0.359**	**-**	**- 0359**
Managerial Shareholder → *Risk Management*	**0.291**	**-**	**0.291**
LeverageRisk Management →	**-0.540**	**-**	**- 0.540**
Good Corporate Governance → Firm Value	**0.119**	**(-0.359) x (0.568) = 0.204**	**0.323**
Managerial Shareholder → Firm Value	**0.337**	**(0.291) x (-0.568) = -0.165**	**0.172**
Leverage → Firm Value	**0.021**	**(-0.540) x (-0.568) =0.307**	**0.328**
Risk Management → Firm Value	**-0.568**	**-**	**- 0.568**

H_8 Risk ManagementMediates the Influence of Good Corporate Governance on Firm Value
Total influence of good corporate governance on firm value through risk management has coefficient value for about 0.323, and the coefficient value for the influence of Good Corporate Governance on firm value is 0.119. Based on the result, the hypothesis stated that risk management mediates the influence of good corporate governance on firm value is acceptable. It shows that risk management could mediate the influence of Good Corporate Governance on firm value.

H_9Risk ManagementMediates the Influence of Managerial Shareholder on Firm Value
Total influence of managerial shareholder on firm value through risk management has coefficient value for about 0.172, and the coefficient value for the influence of managerial shareholder on firm value is 0.337. Based on the result, the hypothesis stated that risk management mediates the influence of good corporate governance on firm value is not acceptable. It shows that risk management could not mediate the influence of managerial shareholder on firm value.

H_{10} Risk ManagementMediates the Influence of Leverage on Firm Value
Total influence of leverageon firm value through risk managementhas coefficient value for about 0.328, and the coefficient value for the influence of leverage on firm value is 0.021. Based on the result, the hypothesis stated that risk managementmediates the influence of leverageon firm value is acceptable. It shows that risk managementcould mediate the influence of leverage on firm value.

IV. Discussion

Good corporate governance has negative and significant influence on risk management. The agency theory has close relationship with Good Corporate Governancebecause it concerns with correlation between the shareholder (principal) and management (agent).According to Eisendhart (1989), agency theory uses three assumptions of human nature, for example, selfish (self interest), restricted thought about perception of the future (bounded rationality) and avoids risk (risk averse). Based on those assumptions above, a manager will give priority to his/her own interest in order to gain personal benefit that may inflict a loss upon the shareholder as principal. It may create some agency problemsthat could inhibit the operation of a firm.

Agency problem may also occur due to the shareholders have some restrictions in monitoring the manager's performance as agent, whether the manager works in accordance with the expectation or not. According to Rebecca (2012), separation between ownership and management of a firm creates possibility of agency problemthat could lead to agency conflict, a conflict that emerges as a result of management's (agent) desire to act in accordance with its interest that may sacrifice the shareholder's (principal) interest, so that healthy good corporate governancestructure is one of important indicators, which is highly considered by creditor in determining risk premium of the firm.

Results of this review supported the review by Narjes Ashuri et al. (2014), in which characteristics for the board of directors, concentration of ownership has negative influence on risk management of the firm. Jensen M. (1993) suggested that greater board of directors would increase problems that concerning with coordination and communication, reduce functional effectiveness of the commissioner, which may decrease the risk management as well. Skully (2007), the greater proportion of the independent commissioner, free-riding will be greater as well, which finally make the independent commissioner becomes ineffective and tends to decrease, including the risk management of the firm. Abraham and Cox (2007) concluded that short-term institutional shareholder, board of director's size, and numbers of independent commissioner have influence on risk management. Narjes Ashuri et al. (2014) concluded that characteristics for the board of directors, concentration of ownership has negative influence on risk management of the firm.

Results of this review do not support the review by Suhardjanto et al.(2012) showed that board of director's size, frequency of meeting for the board of directors, and leverage have positive influence. Proportion of the independent commissioner, educational background of the chief commissioner, ethnical background of the chief commissioner, composition of the independent commissioner, composition of the independent audit committee, frequency of meeting for audit commission, and profitability do not have influence on risk management. Khlif and Souissi (2010), ownership structure does not have significant influence on risk management.

Managerial shareholder has positive and significant influence on risk management.Managerial shareholder is management of a firm who plays actively in decision-making to run the firm. Management plays important roles in running a firm. In which, management does not only play as manager, but also as shareholder. Management will responsible for all activities through revelation of financial report of the firm, so that managerial shareholder makes diversities, expertise, experiences, networks, inputs from various perspectives in managerial side become wider. At last, it will give more benefits for the firm in many aspects, including better bank credit risk management (Duggan, 2006).

Results of this review support the review by Chen and Steiner (1999) found that managerial shareholder has positive correlation with the risk, so that it may lead to wealth transfer effect hypothesis. When the managers face high risk, they pry into by cooperating with creditor, so that it may avoid any agency conflict with the shareholders, but as consequence, it may trigger a debt agency conflict. Dampsey and Laber (1993) stated that higher percentage of managerial shareholder may bear greater responsibility of the management in decision-making, so that risk management will be higher as well. Eng and Mak (2003) proved that Risk Managementis relatively high on firm, which has small proportion of ownership by managerial line and significant proportion of ownership by the government. Meanwhile, the centralized shareholder variable does not have any influence on Risk Management.

Leverage has negative and significant influence on risk management. The results explain that one of important factors in financing is debt (leverage). Solvency (leverage) is described to see to what extent the firm's asset is debt financing in comparison with self-capital financing. (Weston and Copeland,1992). Decision of the management to keep the leverageratio stable refers to pecking order theorystated that firm prefers internal financingto external financing, if required.

If the firm could endeavor internal financing, the external financing is not required because in high risk condition, the firm reduce the use of any debt in diverse interest rate. High risk firm may use less debt to avoid possibility of bankruptcy. Higher risk firm may lead to lower ratio of debt.

Results of this review support the review by Khlif and Souissi (2010) who concluded that firm size, leverage, profitability, analyst following, multy-nationality, and ownership structure have negative influence on risk management.Syifa' (2013) argued that high debt firm tends to be careful in doing its activities, so that the

firm will try to reduce any in optimalactivities. It means that high risk firm should use less debt to avoid possibility that makes the debt ratio becomes lower (Mulianti, 2010). It is due to indefinite earning will cause the incoming cash flow as well. If the incoming cash flow is inadequate to pay the interest, the firm may have bankruptcy.

Good corporate governancedoes not have significant influence on firm value. It proves that the board of directors' roles has not optimal in monitoring performance of the management; therefore, the board of directors' proportion has not been able to increase the firm value. Strong control over the firm will still in hands of the founder and majority shareholders, so that makes the supervisory function of the board of directors' member becomes ineffective. Eisendhart (1989) stated that the agency theory uses three assumptions of human nature: selfish (self-interest), restricted thought about perception of the future (bounded rationality) and avoids risk (risk averse). Based on those assumptions above, a manager will give priority to his/her own interest in order to gain personal benefit that may inflict a loss upon the shareholder as principal. It may create some agency problems that could inhibit the operation of a firm.

Results of this review support the review by Bangun and Vincent (2008) who stated that the independent board of directors' proportion does not have influence on the firm value. Obradovich and Gill (2013) showed that board of directors has insignificant influence on the firm value. Aminah and Ramdhani (2008); Wardoyo and Veronica (2013) also showed that the board of directors' variable does not have any influence on firm value. It shows that the proportion size for the independent board of directors in a firm is not guarantee that performance of a firm will be better and no fraud may occur in financial report of a firm. Monitoring by the independent board of directors does not inhibit the managers' behaviors to maximize their own interest and, of course, target of the firm to maximize the firm value will be difficult to be achieved if different self-interests exist.

Results of this review support the review by Gill and Mathur (2011) that bigger size of firm (most of directors) has negative impact on manufacturing firm value in Canada. Silveira and Barros (2006) showed positive and significant influence of good corporate governanceon market value of the firm.

Based on results of inferential statistical analysis, it proves that managerial shareholder has positive and significant influence on firm value. It describes that the term of ownership structure is used to show that important variables in capital structure are not only determined by the amount of debt and equity, but also ownership percentage of the manager (Jensen, 1986).Managerial shareholder could draw a parallel of interest between the shareholder and the manager, in which greater proportion of managerial shareholder in a firm may unify interest between the manager and the shareholder, so that performance of the firm will be improved (Jensen, 1986).

Results of this review support the review by Rizqia, et al. (2013), in which managerial shareholder affects the firm value. Herry and Hamin (2005) proved that managerial shareholder has positive impact on firm value.Ruan, Tian, and Ma (2011) concluded that managerial shareholder affects the firm value. Research by Jensen and Meckling (1976) found that greater managerial shareholder by the management reduce tendency of the management to optimize the use of resources, so that the firm value will be increased.

Results of this review support the review by Rustendi and Jimmi (2008), in which the managerial shareholder does not partially have positive influence on firm value. Abdolkhani and Jalali (2013) showed that managerial shareholder has negative and significant correlation with the firm value.

Based on results of inferential statistical analysis, it proves that leverage does not have any influence on the firm value. It describes that the use of debt in capital structure could control the use of independent cash flow excessively, so that the management would not get involved in disadvantageous investment (Jensen, 1986).

Asgharian (2003) and Opler and Titman (1994) concluded that if a firm has high leverage, it may lose its market share due to high risk given by its customers or due to aggressive response of its competitors (customer driven and competitor driven), therefore profitability and firm value should be lower.

Results of this findings are supported by trade off theory, based on trade offtheory,by assumption that if the targeted spot of optimal capital structure is achieved, leveragewill reduce the form value. Debt will impose fixed burden without considering the amount of earnings.The greater amount of debts, the higher probability of bankruptcy will be occurred due to the firm could not pay off the interest and the principal. Management should be more concerned with the use of debt, because more debts may reduce the firm value. High ratio of leverage shows that the firm is not solvable, negative response to investor, which may reduce the firm value. It means that higher ratio of leverageshows greater fund provided by the creditor (Mahduh and Hanafi, 2005). It would make the investor to be more careful to invest in a firm that has high ratio of leverage (Weston and Copeland, 1992).

Modigliani and Miller (1958) concluded that leveragedoes not have influence on firm value as long as no tax. The research is the base of debate between leverage and firm value. Research byDemirguc-Kunt and Moksimovic (1999) drew identical conclusions as Modigliani and Miller.But, research by Arditi and Pinkerton (1978) showed some weaknesses on theory formulation of Modigliani Miller. No influence of leverage on firm

value shows that investors expect the prospect of high returns, but they are reluctant to face the risk because they are more interested in firm, which does not bear too much risk of high risk debt (Brigham and Houston, 2006:103).

Results of this review do not support the review by Alonso et al. (2005), which found that leverageaffects the firm value. Sujoko and Soebiantoro (2007) showed that leverage has negative and significant influence on firm value. Cheng, et al. (2010) showed that variable of leveragehas individually influence on firm value. Chang Ming and Zuwei-Ching Tzeng (2011) showed that leveragehas significantly positive correlation with the firm value before achieving optimal capital structure.Third, positive influence of leverageon firm value tends to be stronger when financial quality of the firm is getting better. Ghosh and Ghosh (2008) showed that leveragehas negative correlation with the firm value.

Based on result of the inferential statistical analysis, it has been proven that risk managementhas negative and significant influence on firm value. It describes that the increasing risk management, which is proximated with interest rate risk, has negative impact on firm value. It describes that the increasing interest rate will encourage the public to save their money and reluctant to invest in real sectors. The increasing interest rate will also be borne by investor, in the form of increasing interest rate for the firm. The public does not want to have risk in making investment with high cost; and as a result, the investment would not be developed. The firm faces some difficulties to survive and, of course, it will reduce performance of the firm. Reducing performance of the firm may decrease the stock price, which means that the firm value will decrease as well.

Results of the research support the review by Wiagustini and Pertamawati (2015), which showed that business risk has negative and significant influence on firm value and do not support the review by Bertinetti, Cavezzali, & Gardenal (2013), which showed statistically positive and significant correlation between Risk Managementand firm value.

V. Conclusion

This research examines the influence of capital structure, dividend policy, firm size, managerial shareholder, and profitability on firm value. Based on results of the research, some conclusions are drawn as follow:

1. Good corporate governancehas negative and significant influence on risk management.
2. Managerial shareholder has positive and significant influence on risk management.
3. Leverage has negative and significant influence on risk management.
4. Good corporate governance does not have significant influence on firm value.
5. Managerial shareholder has positive and significant influence on firm value.
6. Leveragedoes not have significant influence on the firm value.
7. Risk management has negative and significant influence on the firm value.
8. Risk managementcould mediate the influence of Good Corporate Governanceon firm value.
9. Risk managementcould not mediate the influence of managerial shareholders on firm value.
10. Risk managementcould mediate the influence of leverageon firm value.

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