

Agency Conflict Control on Corporate Values in Companies With the Best GCG Period 2008-2014

Amelinda, Rita¹, Setyawan, Ignatius Roni^{2*}

¹ Department of Management, Faculty of Business and Economics, Tarumanagara University, Jakarta, 11470, Indonesia

² Department of Management, Faculty of Business and Economics, Tarumanagara University, Jakarta, 11470, Indonesia

* Corresponding author. Email: ign.s@fe.untar.ac.id

ABSTRACT

The study aims to analyze the effects of CGPI, free cash flow, leverage, managerial ownership, and asset turnover to the value of the firm. Sample consisted of 23 companies with the best GCG and listings on the Indonesia Stock Exchange (IDX) between 2008-2014. Thus obtained 161 observations for each group. This research used Ordinary Least Square (OLS) in order to test their hypothesis and has shown that, CGPI, free cash flow and asset turnover contribute significantly positive effects on the value of the firm based on Tobin's Q model with alpha 5%, while leverage and managerial ownership contributes to a negative effect on it with a significant different level. Overall the results of this study support Arsiah (1) and Destriana (8) states CGPI as the main factor in the analysis model.

Keywords: CGPI, GCG, free cash flow, leverage, managerial ownership, asset turnover, value of the firm, Tobin's Q, Market to Book Ratio

1. INTRODUCTION

The emergence of agency conflict is one of the signals in the decline in the value of the company through its share price. A very well-known case is the Enron case. Companies in the energy sector of the United States with extensive business coverage announced a bankruptcy in 2002 when the financial statements showed good and safe performance at the time. In this case, moral hazard behavior is known. The agent or in this case the Enron manager has acted rationally in his own interests by setting aside healthy business norms and ethics. Berk & de Marso (2) express the same thing with Ross, et.al. (24), they show that the occurrence of asymmetric information leads to agency conflict. This is caused by information that is not transparent, restricted, or even covered from the manager to investors or other external parties.

Table 1. CG Watch Scores 2007-2012

Country	2007	2010	2012
Singapore	65	67	69
Hong Kong	67	65	66
Thailand	47	55	58
Japan	52	57	55
Malaysia	49	52	55

Taiwan	54	55	53
India	56	48	51
Korea	49	45	49
China	45	49	45
Philippines	41	37	41
Indonesia	37	40	37

Source: CLSA Asia-Pacific Markets, Asian CG Association
(special note: *Indonesia is still the worst of Corporate Governance, then we must discuss it*)

When seen from table 1 above, the rampant application of the principles of Corporate Governance has spread to various countries. Considering that Good Corporate Governance in Indonesia is still low and weak [see Kaihatu (17)], the problems that arise in companies that adhere to the principles of GCG are also a result of agency problems. The presence of Good Corporate Governance in crisis recovery in Indonesia is absolutely necessary, Good Corporate Governance also requires a good management in an organization.

The Forum for Corporate Governance in Indonesia [see FCGI (10)] states that the aim of corporate governance is to create added value for stakeholders. With good corporate governance through these good principles,

it is expected that the company's value will be valued well by investors. Crutchley & Hansen (7) suggested that the proportion of ownership structure and the use of fund allocations combined with equity and debt would tend to reduce the cost of the agency conflict.

Destriana (8) revealed a positive relationship between asset turnover and corporate value through productive and efficient performance which without adding assets can produce performance and value for the company. However, research by Karaca & Savsar (18) shows that asset turnover has a negative and less significant effect on firm value.

Jensen & Meckling (16), proves that the use of debt can then bring benefits to companies because of the tax shield concept of interest payments so that it will also have an impact on performance improvement. Freydenberg (11) proves that the existence of debt can have a positive or negative impact on company performance. If this is seen from the positive side, with the existence of debt, the company is supervised from unnecessary expenses. However, the benefits of debt tend to be smaller than the interest costs of the debt, so that the proportion of excessive debt can bring the company in financial distress or even bankruptcy. Harvey, Lins, & Roper (15) found that cash flow and debt ratios had a negative and significant impact on Tobin's Q.

On the other hand, managerial ownership can also reduce the amount of agency conflict. High ownership is deemed able to balance the potential differences of interests between shareholders outside management so that agency problems are assumed to be minimized by managerial ownership [see Jensen & Meckling, (16)].

In another study, Sulong, et.al. (26), examining firm value in 82 companies in Malaysia during 2007-2009 proves that leverage and managerial ownership negatively affect firm value. A number of parties assess the current economic conditions have entered a period of crisis such as in 1997-1998 which triggered the presence of agency conflict, so to prove the existing research and concepts, researchers will conduct research on "*Agency Conflict Control on Corporate Values in Companies with the Best GCG Period 2008-2014*". The reason for using the year 2008-2014 is related to the 2008 global financial crisis which has an extraordinary impact on the effectiveness of GCG implementation in the world and Indonesia. In 2014-2019 the issue of GCG was not so visible anymore.

2. LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Along with the development of literature, Black, Jang, & Kim (3) states that CGPI as a measure of the implementation of GCG of a company is one of the determinants of company value. CGPI is an index that has

been routinely assessed since 2001 to inspire corporate awareness of the importance of GCG. Companies that adopt and apply the principles of good corporate governance will provide a signal that shows that the company's internal behavior is good to be trusted, ultimately this signal will affect the company's value. [Klapper & Love (20) and CLSA (6)]. This corporate governance mechanism is an agency problem controller with the aim of increasing productivity and managerial efficiency [Fama & Jensen, (9)]

Corporate governance helps managers adapt market strategies to competitive positions. Corporate governance is an integration of internal and external controls that control the relationship of managers and shareholders to reduce conflicts of interest that occur due to the separation of ownership and management [Williamson, (28)]. The main objective of the application of the principles of good corporate governance is as a system that represents shareholders in maximizing their wealth and increasing the value of the company through its stock market price [Monks & Minow (21)]. Thus, a good CGPI will maintain value for stakeholders because of control.

Hadlock & James (14) stated in their research that a company uses debt and has benefits for the company over its tax shield. Penman (23) defines free cash flow as cash from operating profit after retaining a portion of the profit as an asset and is net cash generated from operations that shows the company's ability to pay claims on debt and equity. Substantial free cash flow that will lead to the wrong manager behavior and poor decisions that are not in the interests of ordinary shareholders of the company. In other words, managers have a tendency to use the excess profits for consumption and opportunistic behavior which lowers the value of the company because of a conflict of interest exists.

The use of DER is expected to reduce agency conflicts and increase company value. Crutchley & Hansen (7) stated that the increase in debt would be to minimize the conflict between shareholders and management through the monitoring conducted by the creditor. Debt will also reduce the excess cash flow in the company so that it can reduce the possibility of waste by the management. This is supported by Reyna & Encalda (24) which proves that capital structure such as debt will affect the performance and value of the company with positive implications. Hadlock & James (2002) stated in their research that a company uses debt and has benefits for the company over its tax shield.

Penman (23) defines free cash flow as cash from operating profit after retaining a portion of the profit as an asset and is net cash generated from operations that shows the company's ability to pay claims on debt and equity. Large free cash flow will lead to wrong manager behavior and bad decisions that are not in the best interests of the company's ordinary shareholders. In other words, managers have a tendency to use excess profits for

consumption and opportunistic behavior that decreases the value of the company because of the conflict of interest.

Ghodrati & Hashemi (13) states that free cash flow is a measure of company performance reflected through the cash available to the company after paying the expenses needed to maintain and develop its assets. Free cash flow is considered important because it provides a reflection for the company in seeing opportunities to increase the value of its shares. This is supported to Jensen (16) which revealed that the value of the company is the value of future cash flows discounted at this time. Managerial ownership gives the impact of diversification in terms of ownership structure that is expected to represent the interests of shareholders in increasing the value of the company. Ballesta & Garcia-Meca (5) explained that the concentration of ownership and internal ownership is the main mechanism of the company that affects the value of the company. Bodie, Kane, & Marcus (4), prove that managerial ownership in the future will align the interests of management and shareholders (outsiders ownership), so that they will benefit directly from decisions taken and bear losses as a consequence of wrong decision making. According to Reyna-Encalada. (24), ownership structure greatly influences company performance. Internal ownership will change member ownership of the company which also has an impact on performance. Managerial ownership changes the concentration of ownership. This ownership will improve company performance which also encourages managerial efficiency in generating shareholder wealth and the value of the company which is reflected through its share price.

The value of the company is obtained through the results of a cash flow analysis formed from company assets [see Karaca & Savsar, (19)]. This statement is supported by Gamayuni (12) which states that the company's assets contribute significantly to the competitive position in the business. This competitive position is then defined as value added for stakeholders according to Wang (27). The use of opportunities in the assets of the company in creating a product according to the needs provides added value for the company and will

3. RESEARCH METHOD

The method used in the selection of the sample of this study uses a purposive sampling method which means that the sampling technique is by selecting the sample among the population that the author wants, so that the sample represents the characteristics of the population. The sample selected in this study was 23 companies that had CG indexes and data completeness from 2008-2014 so that the number of observations was 161. The determination of 23 companies was due to be nominated for awards for Good Corporate Governance with various countries in ASEAN. While the determination of the period 2008-2014 was set on the basis of the period around the financial crisis.

ultimately provide added value and competitive position in any condition.

Based on the results of previous studies, a hypothesis can be formulated as follows:

- H1: there is the influence of CGPI, free cash flow, leverage, managerial ownership, and asset turnover on Tobin's Q to maximize the value of the company together.*
- H2: there is the influence of CGPI, free cash flow, leverage, managerial ownership, and asset turnover on Tobin's Q to maximize the value of the company individually or can be written*
- H2.1: There is a CGPI effect on Tobin's Q to maximize company value.*
- H2.2: There is an influence of free cash flow on Tobin's Q to maximize the value of the company.*
- H2.3: There is a leverage effect on Tobin's Q to maximize the value of the company.*
- H2.4: There is an influence of managerial ownership on Tobin's Q to maximize the value of the company.*
- H2.5: There is an effect of asset turnover on Tobin's Q to maximize the value of the company.*
- H3: there is the influence of CGPI, free cash flow, leverage, managerial ownership, and asset rotation on PBV to maximize the value of the company together.*
- H4: there is the influence of CGPI, free cash flow, leverage, managerial ownership, and asset rotation on PBV to maximize the value of the company individually or can be written*
- H4.1: There is a CGPI effect on PBV to maximize company value.*
- H4.2: There is an influence of free cash flow on PBV to maximize company value.*
- H4.3: There is a leverage effect on PBV to maximize the value of the company.*
- H4.4: There is an influence of managerial ownership on PBV to maximize the value of the company.*
- H4.5: There is an effect of asset turnover on PBV to maximize company value.*

Data collection was carried out with documentation from IDX and SWA. Analysis of data from the model with the support of the Eviews program which examines how large and significant the effect of agency conflict control (CGPI, FCF, leverage, managerial ownership, and asset turnover) is on firm value.

Analysis of estimated data from all regression equation models in this study with the help of the Eviews 7.0 program. produce a regression equation [inspired by the study of Arsyah (1)] in which it is formulated as follows:

Model 1 (for H1 & H2 tests)

$$Q_{i,t} = \alpha_1 + \beta_1 CGPI_{i,t} + \beta_2 FCF_{i,t} + \beta_3 DER_{i,t} + \beta_4 MOWN_{i,t} + \beta_5 TATO_{i,t} + \varepsilon_{i,t}, \dots \dots (1)$$

Model 2 (for H3 & H4 tests)

$$PBV_{i,t} = \alpha_2 + \beta_6 CGPI_{i,t} + \beta_7 FCF_{i,t} + \beta_8 DER_{i,t} + \beta_9 MOWN_{i,t} + \beta_{10} TATO_{i,t} + \varepsilon_{i,t} \dots \dots (2)$$

where:

Symbol	Notification
Q	Tobins Q
PBV	Price Book Value
CGPI	Corporate Governance Perception Indices
FCF	Free Cash Flow
DER	Leverage
MOWN	Managerial Ownership
TATO	Total Asset Turnover

4. RESULT ANALYSIS

4.1. OLS Regression Analysis

Based on the OLS regression analysis, it can be empirically proven that CGPI, free cash flow, leverage, managerial ownership, and asset turnover have a significant effect together on firm value (Tobin's Q) such as table 2 below

Table 2. OLS Regression Analysis

Independent Variables	Model 1 (Tobins Q)	Model 2 (PBV)
CGPI	0.052677***	0.135609***
DER	-0.046196	-0.132558
FCF	1.389029**	2.282709***
MOWN	-10.27436	-31.03413
TATO	0.926459***	0.799356
Intercept	0.350702	2.233929
Prob. from F-Test	0.000000	0.000000
Adj-R ²	0.795386	0.858857

This is indicated by the F statistic of 0.0000 <from alpha that is tolerated by 5%. Thus the first hypothesis is proven through this regression model for further analysis. Similarly, the second hypothesis which proves the second regression model produces a significant effect with alpha < 5%, that is 0.0000 together.

Based on OLS regression data, empirical results are obtained as follows:

- 1) CGPI variable partially has a positive effect of 0.052677 on Tobin's Q and is significantly equal to 0.0000 at alpha 5%, so H2.1. cannot be refused.
- 2) The variable Leverage partially has a negative effect of 0.046196 on Tobin's Q and less

significantly by 0.5391 at 5% alpha, so H 2.2 is rejected

- 3) Free cash flow variable partially has a positive effect of 1.389029 on Tobin's Q and significantly equal to 0.0029 at alpha 5%, so H2.3 cannot be rejected.
- 4) The managerial ownership variable partially has a negative effect of 10.24736 on Tobin's Q and less significantly by 0.6885 at alpha 5%, so H2.4 is rejected.
- 5) The variable of asset turnover partially has a positive effect of 0.926459 on Tobin's Q and less significantly by 0.0008 at alpha 5%, so H2.5 cannot be rejected.
- 6) The CGPI variable partially has a positive effect of 0.135609 on PBV and is significantly equal to 0.0000 at alpha 5%, so H4.1 cannot be rejected
- 7) .Leverage Variable partially has a negative effect of 0.132558 on PBV and less significant by 0.2103 at alpha 5%, so H4.2 is rejected.
- 8) The free cash flow variable partially has a positive effect of 2.282709 on PBV and significantly at 0.0020 at alpha 5%, so H4.3 cannot be rejected.
- 9) The managerial ownership variable partially has a negative effect of 31.03413 on PBV and is less significant at 0.9616 at alpha 5%, so H4.4 is rejected.
- 10) Asset turnover variable partially has a positive effect of 0.799356 on PBV and less significantly by 0.1649 at alpha 5%, so H4.5 cannot be rejected.

4.2. Discussion

4.2.1 Related research test results

This research was conducted with the aim to test, prove, and analyze the effect of CGPI, leverage, free cash flow, managerial ownership, and asset turnover on firm value. Xiao (29) revealed from the stock exchange conditions in China that Corporate Governance can reduce agency costs which will also have an impact on increasing the value of the company and supported by research Sulong, et.al. (26) which states that the implementation of corporate governance mechanisms can improve the financial performance of companies which also indirectly spur increased corporate value.

Furthermore, regarding the analysis of the test results of the free cash flow variable (FCF) which has a significant value with $\alpha = 5\%$ gives results that are in accordance with the hypothesis and support research and relevant theories. Free cash flow contributes significantly positive direction to the increase in Tobin's Q. company's value. This is contrary to the majority of existing research journals. Existing research discusses the impact of cash flows that can reduce the value of the company [see Xiao (29)] which proves its relationship to agency conflict which is a major factor in the decline in corporate value.

In the third partial test, assessing the DER variable which is an indicator of leverage on equity which has a less significant probability value of $\alpha = 5\%$ but gives results that are contrary to the hypothesis and support of relevant research and theory. DER contributed in a negative direction to the increase in Tobin's Q value of -0.046196. This insignificant result can be caused by variations in DER data which are very heterogeneous and have an abnormal distribution. In addition, the size of the debt owned by the company is not given much attention by investors, but investors look more at how the company's management uses these funds effectively and efficiently in order to create added value for the company.

The fourth variable tested against Tobin's Q value is the managerial ownership variable. Managerial ownership has less significant results with a probability value above the significance level $\alpha = 5\%$. This less significant condition negatively affected Tobin's Q value, amounting to -10,24736.

From these results mean, the results of managerial stock ownership test on the value of the company do not match or contradict the existing hypothesis. Hypothetically it says that, diversification in larger shares will have a positive impact on Management share ownership. [Crutchley & Hansen (7)] and Sulong, et.al. (26) also suggest that by increasing managerial ownership, companies will force managers to take joint risks as a consequence of decisions so that they will be more careful in making decisions about the use of debt.

Finally, the asset turnover variable is the last variable tested against Tobin's Q. company value. TATO or asset turnover has a positive effect on Tobin's Q value of 0.795386. This is in accordance with research Destriana (2010).

Destriana (8) revealed that, high asset turnover rates indicate the amount of sales and cash generated from the use of these assets is high for use in activities that generate cash flow by managers. A high turnover rate is an indication that managers are practicing efficient practices in asset management which will increase the value of the company.

The overall results of the two models CGPI and FCF have an important role to play in maximizing the value of the firm. This result supports Arsyah (1), Sulong, et.al. (26) and Xiao (29). A good company is a company that implements good corporate governance supported by adequate free cash flow.

4.2.2. Compared to previous research

Differences in the results of research trials with hypothesis and theories from relevant research are

estimated to be due to the selected sample data. The basic reason for choosing a company sample is only based on the best GCG factors do not see the need to have managerial stock ownership. For this reason, in the end, it makes data that some of the sample companies that are processed do not have managerial share ownership, while those that have a managerial share composition tend to be small in the selected companies. This is because the division of the composition of major shares is dominated by the government and institutions. As a result, management can be triggered by actions that will increase short-term profits, for example by manipulating earnings. The existence of institutional ownership causes managers feel bound to meet the profit targets of investors, so managers will still tend to be involved in earnings manipulation actions.

Kaihatu (26) revealed that the implementation of good corporate governance is the key to the company's success to grow and be profitable in the long run and face global competition. This is evidenced by the sample of large companies that have been known by the market for a long time and persevere in their competitive strategies so far in the world of industrial competition such as UNVR, HMSP, TLKM, and others.

Meanwhile, when viewed from another perspective, this study has the same findings as Wang (27), FCF gives a significantly positive direction to the value of Tobin's Q company is considered to support the hypothesis that has been described. This is due to the factors that trigger agency conflicts and a decline in the value of the company will occur if the value and ratio of the free cash flow is too large. However, if the value or the ratio of free cash flow is considered reasonable in the average, this can increase the value of the company. Jensen (16) and Ross, et al. (25) revealed excess cash flow needed to fund investments, projects, and needs in the coming period. This feasibility will generate profits and net present value which will have an impact on increasing the value of the company, especially at high growth rates.

Based on relevant research, they prove that leverage has a positive effect on firm value because it will ultimately minimize agency problems and improve better information flow [Obradovich & Gill, (22)]. Liabilities incurred by companies will reduce excess cash flow thereby reducing the possibility of waste and abuse that triggers conflict [Crutchley & Hansen, (7)]. However, the results of research contrary to this hypothesis are supported by Freydenberg (11).

Freydenberg (11) revealed that debt can have two-sided effects. Both benefits and losses. In terms of agency conflict, of course the existence of debt helps minimize agency conflict and increases the value of the company as explained earlier. However, excessive use of debt due to periods of economic and corporate trends can bring the company into financial distress.

5. CONCLUSION & IMPLICATION

5.1 Conclusion

Based on the description and discussion, the conclusions that can be drawn from this study are:

- a) CGPI, financial leverage, free cash flow, managerial ownership, and asset turnover together significantly affect the value of the company both from Tobin's Q and PBV in the company with the best GCG in the period 2008-2014.
- b) CGPI significantly influences the value of the company from Tobin's Q and PBV to the company with the best GCG in the period 2008-2014.
- c) Free cash flow significantly affects the value of the company from Tobin's Q and PBV to the company with the best GCG in the period 2008-2014.
- d) The level of leverage affects the value of the company both from Tobin's Q and PBV negatively and significantly less to the company with the best GCG in the period 2008-2014.
- e) Managerial ownership affects the firm value of both Tobin's Q and PBV negatively and less significantly in the company with the best GCG in the period 2008-2014.
- f) Asset turnover affects the value of the company both from Tobin's Q and PBV positively in the company with the best GCG in the period 2008-2014.

Thus, it has been proven hypothesized that there are major agency conflict controlling factors such as CGPI, FCF, and TATO which have significantly increased the value of the company rather than debt utilization. The purpose of obtaining empirical evidence regarding the effect of CGPI, FCF, leverage, managerial ownership, and asset turnover on Tobin's Q and PBV to maximize company value in controlling agency conflict has been obtained with the results of regression testing.

5.2. Suggestion

Based on the research and conclusions that have been made, the following are suggestions that can be given, as follows:

- a) The company considers the conditions that have an impact on the value of the company as well as possible. This is because the value of the company becomes a reflection as well as the sale value of a company both in terms of internal and external.

- b) This research has adapted the theory and research from various journals with different gaps. However, this research does not focus on companies that absolutely must have managerial ownership. In addition, research on opportunistic management, GCG scorecards, and adjusted present value methods can also be part of further research objects
- c) This study also only used 23 companies as samples. Researchers can then provide a broader range of companies in testing relationships or influencing existing variables. Variable share ownership can also be considered variations. Recognizing that the majority shareholding of companies in Indonesia is government, foreign and institutional. The three types of share ownership composition can be considered to be a reference for further research testing.
- d) As a follow-up, this study also suggests further studies on the effect of the time of the impact of the crisis which may be started from a crucial crisis period to see how drastic the impact is. In addition, research testing in a number of specific sectors that are stable can also be a sample criterion for future research.
- e) Seeing the plan of the Financial Services Authority (OJK) to make the latest regulations and procedures regarding the GCG index can be one of the new topics that can be raised in further research.

REFERENCES

- [1] Arsiah, Regina Jansen. (2005) Ringkasan Disertasi: Hubungan Corporate Governance, Nilai Perusahaan, dan Pengelolaan Laba di Bursa Efek Jakarta. Jakarta: Universitas Indonesia.
- [2] Berk, Jonathan & Peter DeMarzo. (2014). Corporate Finance. 3rd edition. United States: Pearson Education
- [3] Black, Bernard S., Hasung Jang, & Woonchan Kim. (2003). Does Corporate Governance Affect Firm Value? Evidence from Korea. Mitsui Life Symposium on Global Financial Markets.
- [4] Bodie, Kane, & Marcus. (2007). Essentials of Investments. Sixth Edition. New York : McGraw Hill.
- [5] Ballesta, Juan Pedro Sánchez & Emma Garcia-Meca. (2007). Ownership Structure, Discretionary Accruals, and the Informativeness of Earnings. Corporate Governance: An International Review. Vol 15 (4).
- [6] CLSA – Credit Luonnaise Securities Asia. (2001). CG Watch – Corporate Governance in Emerging Markets.

- [7] Crutchley, C.E., & Hansen, R.S. (1989). A Test of the Agency Theory of Managerial Ownership, Corporate Leverage, and Corporate Dividends. *Financial Management*. Vol. 18(4).
- [8] Destriana, Nicken. (2010). Masalah dan Biaya Keagenan. Thesis Trisakti.
- [9] Fama, Eugene F & Jensen, M.C. (1983). Agency Problems and Residual Claims. *Journal of Law & Economics*, Vol. XXVI
- [10] FCGI (2002), Tata Kelola Perusahaan (CG); The Essence of Good Corporate Governance; Konsep dan Implementasi Perusahaan Publik dan Korporasi Indonesia. Jakarta: Yayasan Pendidikan Pasar Modal Industri & Sinergy Communication.
- [11] Freydenberg, Stein (2004), Determinant of Corporate Capital Structure of Norwegian Manufacturing Firms, Working Paper from SSRN
- [12] Gamayuni, Rindu Rika. (2015). The Effect of Intangible Asset, Financial Performance and Financial Policies on the Firm Value. *International Journal of Scientific & Technology Research*. Vol 4 (1).
- [13] Ghodrati, Hassan, & Abbas Hashemi. (2014). A Study on Relationship among Free Cash Flow, Firm Value, and Investors' Cautiousness: Evidence from Tehran Stock Exchange. *Management Science Letters*.
- [14] Hadlock, C.J. & James, C.M. 2002. Do banks provide financial slack?, *Journal of Finance*, Vol. 57: 1383-1420
- [15] Harvey, Campbell R., Karl V. Lins, & Andrew H. Roper. (2004). The Effect of Capital Structure when Expected Agency Costs are Extreme. *Journal of Financial Economics*.
- [16] Jensen, Michael. (1986). Agency costs of free cash flow, corporate finance, and takeovers.
- [17] Jensen, M.C. & W.H. Meckling, (1976). Theory of the firm: Managerial behavior, agency costs and ownership stucture. *Journal of Financial Economics*.
- [18] Kaihatu, Thomas S. (2016). Good Corporate Governance dan Penerapannya di Indonesia. *Jurnal Manajemen dan Kewirausahaan* Vol. 8 (1).
- [19] Karaca, Suleyman Serdar & Arif Savsar. (2010). The Effect of Financial Ratios on the Firm Value: Evidence from Turkey. *Journal of Applied Economic Sciences*.
- [20] Klapper, L.F., & I. Love (2002). Corporate Governance, Investor Protection and Performance in Emerging Markets. Working Paper, Development Research, World Bank.
- [21] Monks, R. A. G., & N. Minow. (2001). *Corporate Governance*, 2nd Edition. Massachussets: Blackwell Publishers Inc.
- [22] Obradovich, John & Amarjit Gill. (2013). The Impact of Corporate Governance and Financial Leverage on the Value of American Firms. *Faculty Publications and Presentations*. Paper 25.
- [23] Penman, S. H. (2001). *Financial Statement Analysis and Securities Valuation*, 2nd edition. United States: Mc Graw-Hill, Inc.
- [24] Reyna-Encalada. (2012). Ownership Structure, Firm Value, and Investment Opportunity Sets: Evidence from Mexican Firm. *Journal of Entrepreneurship, Management, and Innovation*. Vol 8 (3).
- [25] Ross, Stephen A., Westerfield, Randolph W., & Jordon, Bradford D. (2006). *Fundamental of Corporate Finance*. New York. The McGraw Hill.
- [26] Sulong, et.al. (2013). Managerial Ownership, *Leverage*, and Audit Quality Impact on Firm Performance: Evidence from the Malaysian Ace Market. *Accounting & Taxation Journal*. Vol 5.
- [27] Wang, George Yungchih. (2010). The Impacts of Free Cash Flows and Agency Costs on Firm Performance. *Journal of Service Science & Management*.
- [28] Williamson, O.E. (1984). *Corporate Governance*. *Yale Law Journal*. Vol 93.
- [29] Xiao, Sheng. (2009). How Do Agency Costs Affects Firm Value? Evidence from China.