The Effect Of Corporate Governance, Funding Decision On Firm Performance And Values With Firm Size Moderation

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Abstract— This study aims to examine the effect of corporate governance, risk, funding policies on firm values through firm performance, the influence of firm performance on firm values and the influence of corporate governance, risk and performance that are moderated by the size of companies in manufacturing companies listed on the Indonesia Stock Exchange. The population of this study is manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2012 to 2016. The samples are determined based on the purposive sampling method, so that a sample of 115 manufacturing companies is obtained. The data used in this study is secondary data. Data collection techniques are carried out with documentation techniques obtained through the official IDX website: www.idx.co.id. The data analysis used is warp PLS.

The results of the study prove that (1) there is a significant influence between corporate governance on firm values, (2) there is no influence between governance on firm value through performance, (3) there is a significant direct influence between funding decisions on firm value, (4) no there is an influence between funding decisions on firm value through firm performance, (5) there is no influence between firm performance on firm value, (6) firm size cannot moderate the relationship between governance and firm value, (7) firm size can moderate the relationship significantly between performance and firm value, (8) firm size can significantly moderate the relationship between funding decisions and Firm value, (9) firm performance is unable to mediate governance relationships with firm value, (10) there is no influence between decision on funding and firm value recognize firm performance

Keywords— Corporate Governance, Funding Decisions, Firm Performance, Firm Value, Firm Size

I. INTRODUCTION

Industrial development in a country cannot be separated from the performance of manufacturing companies in the country. In Indonesia, the manufacturing industry itself is a sector that has a major influence on the national economy. The magnitude of the influence of the manufacturing industry on the national economy can be seen from the large portion of the manufacturing sector in Gross Domestic Product (GDP). Indonesia's economic growth can be seen from the size of the Gross Domestic Product (GDP) owned by a

country. The magnitude of the influence of the manufacturing industry on the national economy can be seen from the large portion of the manufacturing sector in Gross Domestic Product (GDP).

TABLE I THE ROLE OF THE INDUSTRIAL SECTOR AGAINST NATIONAL GDP (PERCENT) IN 2011-2015

No	Business Field	2011	2012	2013	2014*	2015**
1.	Agriculture, Forestry and Fisheries	13.51	13.37	13.39	13.34	13.52
2.	Mining and Excavation	11.81	11.61	10.95	9.87	7.62
3.	Processing Industry	21.76	21.45	20.98	21.01	20.84
	a. Oil and Gas Industry	3.63	3.46	3.26	3.11	2.67
	b. Non-Oil and Gas Industry	18.13	17.99	17.72	17.89	18.18
4.	Construction	9.09	9.35	9.51	9.86	10.34
5.	Large and Retail Trade; Car and Motorcycle Repair	13.61	13.21	13.27	13.44	13.29
	Total GDP	**100**	**100**	**100**	**100**	**100**

Source: Statistics processed by Ministry of Industry; * Temporary Data; ** Very Temporary Data

Source: Central Bureau of Statistics, www.bps.go.id

The increase and the estimated growth in the manufacturing industry sector cannot be separated from the increase in firm performance in that sector. Firm performance can increase if internal factors and external factors that influence it can be managed properly so as to increase the value of the company. Firm value can be increased if internal factors derived from funding decisions, company risk, can be managed properly and conflicts of interest that occur within the company can be reduced, so that the firm performance can be increased which ultimately can increase the firm value. The relationship between firm value and funding decisions and company risk has been proposed by Jacob and Pettit (1989) which states that maximizing firm value can be done through funding decisions and company risks.

In addition, corporate governance is directed at reducing information asymmetry between principals and agents, which in the end is expected to minimize conflicts that will affect the value of the company. The relationship between the principal and agent can lead to conditions of information imbalance (asymmetrical information) because the agent is in a position that has more information about the company than the principal. According to Michael C. Jensen and Meckling (1976), agency theory emphasizes agency relationships that occur when one party (principals) delegates its work to another party (agent) who carries out the work. Conflicts of interest that occur within the company will certainly result in the decrease of firm performance and firm value.

Furthermore, the size of the company also influences policies in funding decisions and will have an impact on firm performance and firm value. This is in accordance with the pecking order theory which says

that large companies tend to use funding that comes from internal companies, so that it will have an impact on firm performance and value.

Based on the description of the background, the researcher formulated the problems as follows: whether corporate governance, risk, and funding policy had a direct influence on firm values through firm performance, whether the firm performance had a direct influence on firm value and whether there was an influence of corporate governance, risk and performance which was moderated by firm size could increase the firm value.

The purpose of this study was to obtain empirical evidence and explain the effect of corporate governance, risk, funding policy on firm values through firm performance, the influence of firm performance on firm values and the influence of governance, risk and firm performance moderated by firm size could increase firm value.

II. REVIEW OF LITERATURE

Firm Value

Firm value is a goal that must be achieved by the company because it involves the problem of the company's survival in the future. The firm value on companies that do not go public is the value of debt and stock value, while the firm value for go-public companies is the total value of debt plus the equity value of the company where the equity value is the result of multiplying the stock price with the number of shares outstanding. company if the company is sold. According to Jensen (2001) in Stakeholder Theory, it is suggested that maximizing firm value is a trade off of the maximum value of the company received by stakeholders in the long term. Based on the opinion of Jacob and Pettit (1989), it can be explained that maximizing firm value through choice of investment decisions, funding and dividends and how these decisions have an impact on future cash flows, the risks and returns expected by the company. This can be interpreted that the value of the company is very important to increase the prosperity of shareholders. Furthermore, the value of the company is also influenced by external factors where there is a demand for good corporate governance that is transparent, accountable, fair, independent and responsible.

Firm Performance

Firm performance plays an important role in increasing the value of the company, but the firm performance in this study emphasized on the company's financial performance. The company's financial performance includes the company's ability to maintain company liquidity, control debt and get profits by using assets it has. Therefore, the firm performance includes liquidity, solvency and profitability. Liquidity reflects the company's ability to meet its short-term obligations at maturity. Furthermore, solvency (leverage) reflects the company's ability to fulfill all its obligations both short and long term. Profitability is defined as the company's ability to generate profits by maximizing the assets it has.

Corporate Governance

Corporate governance is a tool that can minimize conflicts between managers and company shareholders. The main principles of corporate governance which need to be considered for the implementation of good corporate governance practices are; transparency, accountability, and responsibility (responsibility).

Sheikh and Wang (2012) analyzed the influence of corporate governance on the capital structure. This study showed that board size, outside directors and ownership concentration have a positive effect on capital structure. Research According to Sujoko (2007), large firm size shows that companies experience development so that investors will respond positively, and firm value will increase.

Funding Decision

Debt policy in the company is a policy related to corporate funding decisions. Gitman (2003) argued that: "Investment decisions, both the mix and type of assets held by the firm. Financing decision determines both the mix and type of financing used by the firm.

Based on what Gitman stated that investment decisions determine the asset combination used by the company, while funding decisions relate to the form of mixed financing used by the company.

A. Relevant Theories

Agency Theory

According to Jensen and Meckling (1976) stated that agency relations is a contract where one or more principals (owners) use other people or agents (managers) to manage the company. What is meant by preliminary in agency theory is the shareholder/ owner/ investor, while the agent is the management that manages the company. Thus, the point in agency theory is that there is a separation of functions between company owners and company management. Jensen and Meckling (1976) also stated that agency problems will occur if the proportion of manager ownership of the company's shares is less than 100% so it tends to act in pursuit of its interests and has no basis in maximizing the value of the company in making funding decisions. Agency conflict can arise between owners and managers, creditors with managers and between employees and managers, which is caused by managers who are more concerned with individual goals from the interests of the company.

Asymmetric Information Theory

The theory states that the parties related to the company do not have the same information about the prospects and risks of the company. Certain parties have good information compared to other parties, where managers have better information than outside parties (investors).

Signaling Theory

Capital structure (use of debt) is a signal conveyed by the manager to the market. If the manager has confidence that the prospect of the company is good because he/she wants to increase stock prices and wants to communicate this to investors.

Trade Off Theory

The value of the company with debt will increase with increasing debt but the value begins to decline to a certain point, where there is a trade-off of tax savings due to debt owed.

Pecking Order Theory

The company has sequence of preference starting from meeting the needs of funds originating from an external new internal which starts from debt and issuing the last selected shares.

Modigliani – Miller Theory

Capital structure does not have an influence on firm value (1958). Whereas, MM (1963) said that with taxes, the capital structure has an influence on the value of the company.

Effect of Corporate Governance on Firm values

Agency conflict arises when there is a separation of functions between owners and managers (Jensen, 1986). Agency theory itself is related to contracts between the principle of shareholders and agents (managers) where shareholders provide power to managers to manage the company. Putterman (1993) that the ownership structure of a company can affect the performance of a company by reducing agency conflict between management and shareholders. Stulz (1988) found that high concentrated ownership does not allow hostile takeovers to cause a relationship between ownership in and firm value to decrease. Ming (2013) suggested that ownership changes have a significant effect on firm value while Helwege et.al. (2007) emphasized ownership change due to changes in the number of shares held by managers.

Effect of Corporate Governance on Firm values through Firm performance

The imbalance of information obtained by managers with majority shareholders and creditors as well as minority shareholders arises from the agency conflict. Thus, there is a need for good corporate governance to overcome the conflict (to be accountable, transparent, fair and responsive and independent). This conflict will affect the firm performance. Research on governance has been carried out by Dahya, Dimitrov, and McConnell (2008); Aggarwal et al. (2009) and Bruno and Claessens (2010), where they found that corporate governance seen by independent commissioners had a significant influence on firm performance. Furthermore, Black and Khana (2007), Dahya and Mc Connell (2007); Black and Kim (2012) found that an increase in the number of independent commissioners significantly improved Firm performance in India, UK and Korea. Furthermore Stulz (1988) found that high concentrated ownership does not allow hostile takeovers to cause the relationship between inside ownership and firm value to decrease. Hermalin and Weisbach (2003) concluded that the composition of the board of commissioners does not have an influence on firm value. Ming (2013) suggested that ownership changes have a significant effect on firm value while Helwege et.al. (2007) emphasized ownership changes due to changes in the number of shares held by managers.

Effect of Funding Decisions on Firm values

Based on the relevant capital structure theory, it is stated that the capital structure affects the value of the company, while Modigliani and Miller stated that the capital structure does not affect the value of the company. By entering the tax value of debt companies increases with increasing debt, this can mean that the capital structure affects the value company, but this theory does not consider transaction costs and bankruptcy costs. The trade off theory explains that the value of the company will increase if the benefits of using debt are greater than the costs incurred by the company due to the existence of debt. Furthermore, assuming perfect market conditions. Research Hasnawati (2005) also stated that funding decisions have a significant influence on the value of the company. Hatfield, Cheng and Davidson (1994) also Nirwana (2009)

stated that debt and funding decisions do not affect firm value while Clearly (1994), Pasternah and Roseborg research (2003), Fama and French (1997) stated that debt policy has a negative influence on firm value.

Effect of Funding Decisions on Firm values Through Firm Performance

The Trade-Off theory in the capital structure suggested that the higher the debt, the higher the probability of bankruptcy. Because the higher the debt, the greater the interest that must be paid, the higher the possibility of not paying high interest. The lender can bankrupt the company if the company does not pay the debt. The trade off theory shows that an investor must consider the benefits of using debt (tax savings) compared to the costs arising from debt. Increased risk will affect the decline in firm value.

Effect of Financial Performance on Firm Values

Research on the influence of financial performance on firm value has been widely carried out. Based on the theory, the better the company's financial performance, the stock price will increase as well as the value of the company. Research on financial performance has been carried out by Handoko (2010).

Effect of Firm Size on Firm Performance and Value

Firm size reflects the company's potential in gaining access to financial markets, the size of the company is able to influence the value of the company because the company has the ease of obtaining corporate funding so that the capital costs incurred are low due to firm performance and firm value. Furthermore, the value of the company can also be increased through corporate governance. Research on the size of the company to the value of the company has been carried out by many other researchers Hermuningsih (2012); Soliha and Taswan (2012) found that firm size has a positive influence on firm value. Corporate governance research has a significant effect on firm value (Ming, 2013: Helwege et al, 2003; Stulz, 1988; Putterman 1993).

Effect of Firm Size on Corporate Risk and Funding Decisions

Based on the trade-off theory, large companies tend to diversify as a result of the firm size having a positive relationship with funding policies. This is also stated by Timan and Wessel (1998); Huang and Song (2002). Whereas based on the Pecking order theory, companies tend to use internal funds to meet their funding needs. This means that the size of the company has a negative relationship with funding decisions. The same thing was found from the results of sh (1982), Rajan and Zingales (1995), Wald (1999), and Booth et al. (2001). While the size of the company with risk is theoretically stated that large companies are relatively small in risk compared to small companies because large companies tend to diversify their business (Timmanand Wessel, 1998).

B. **Research Hypothesis**

Based on the results of previous research, the research hypothesis can be presented, namely:

H1: Corporate governance has an influence on firm value.

H2: Corporate governance has an influence on firm values through firm performance.

H3: Funding decisions have an influence on firm value.

H4: Funding decisions have an influence on firm value through firm performance.

H5: Financial performance has an influence on firm value.

H6: Corporate governance moderated by firm size can improve firm performance.

H7: Corporate governance moderated by firm size can increase firm value.

H9: Firm size is able to moderate the relationship between risk and firm value.

H10: Firm size is able to moderate the relationship of funding decisions with firm value.

III. RESEARCH METHOD

The research was conducted at companies in the manufacturing sector listed on the Indonesian Stock Exchange. This research was conducted for 6 months. The data used in this research were secondary data. Secondary data according to Sugiono (2012) were data obtained from the annual financial report document, fact book and ICMD from 2012 to 2016. In this study, the population was the company in the manufacturing sector for 145 companies. The sample is a company that has the following characteristics:

1. Registered on the Indonesia Stock Exchange continuously during 2012-2016, meaning that the company has never experienced delisting in the research period.
2. Have complete financial statements during the study period.
3. Does not have a negative equity value.

The research sample was 115 companies as a unit of analysis with a total of 575 data. The method of data collection in this study was sampling method with purposive sampling technique.

A. Data Analysis Technique

Descriptive Statistics

Statistics was used for data analysis by describing or portraying data that has been collected as it was without the purpose of making conclusions for generalization.

Inferential Statistics of Path Analysis

In addition to descriptive statistics, this study used inferential analysis to test the relationship between five research variables using PLP Warp. Path analysis was used to analyze the pattern of relationships between variables with the aim of knowing the direct or indirect effects of a set of independent variables (exogenous) on the dependent variable (endogenous). Warp PLS could not require strong theory, data was normally distributed and applied to all data scales and could be used to develop relationships that had no theoretical basis (preposition testing) and could also be used to confirm the theory (hypothesis testing). Warp PLS method included three analyzes algorithms which were the estimator outer model algorithm, inner model estimation algorithm and hypothesis testing.

- CONVERSION OF PATH DIAGRAM TO EQUATION
  + **OUTER MODEL**
- For variable of exogen latent 1 (reflective)
  - $X_1 = \lambda_{x1} \, \xi_1 + \delta_1$
  - $X_2 = \lambda_{x2} \, \xi_2 + \delta_2$
  - $X_3 = \lambda_{x3} \, \xi_3 + \delta_3$

- For variable of exogen latent 2 (formative)
  - $\xi_2 = \lambda_{x4} X_4 + \lambda_{x5} X_5 + \lambda_{x6} X_6 + \delta_4$
- For variable of endogent latent 1 (reflective)
  - $y_1 = \lambda_{y1} \eta_1 + \varepsilon_1$
  - $y_2 = \lambda_{y2} \eta_2 + \varepsilon_2$
- For variable of endogent latent 2 (reflective)
  - $y_3 = \lambda_{y3} \eta_3 + \varepsilon_3$
  - $y_4 = \lambda_{y4} \eta_4 + \varepsilon_4$

INNER MODEL

$\eta_1 = \partial_1 \xi_1 + \partial_2 \xi_2 + \varsigma_1$

$\eta_2 = \beta_1 \eta_1 + \partial_3 \xi_1 + \partial_4 \xi_2 + \varsigma_1$

GOODNESS OF FIT - OUTER MODEL

• **Convergent validity**

– Loading value of 0.5 to 0.6 was consider enough, for the total of indicator from latent variable range from 3 to 7.

• **Discriminant validity**

– Recommended that AVE value was bigger than 0.50.

TABLE III GOODNESS OF FIT INNER MODEL

No	Model fit and quality indices	Fit Criteria
1	Average path coefficient (APC)	$p < 0.05$
2	Average R-squared (ARS)	$p < 0.05$
3	Average adjusted R-squared (AARS)	$p < 0.05$
4	Average block VIF (AVIF)	Acceptable if $<= 5$, ideally $<= 3.3$
5	Average full collinearity VIF (AFVIF)	Acceptable if $<= 5$, ideally $<= 3.3$
6	Tenenhaus Go F (Go F)	Small $>= 0.1$, medium $>= 0.25$, large $>= 0.36$
7	Sympson's paradox ratio (SPR)	Acceptable if $>= 0.7$, ideally $= 1$
8	R-squared contribution ratio (RSCR)	Acceptable if $>= 0.9$, ideally $= 1$
9	Statistical suppression ratio (SSR)	Acceptable if $>= 0.7$
10	Nonlinear bivariate causality direction ratio (NLBCDR)	Acceptable if $>= 0.7$

Hypothesis Testing

• **Statistical hypothesis for outer model:**

H0 : $\lambda i = 0$ versus

H1 : $\lambda i \neq 0$

• **Statistical hypothesis for inner model: variable of exogent latent to endogent latent:**

H0 : $\gamma i = 0$ versus

H1 : $\gamma i \neq 0$

• **Statistical hypothesis for inner model: variable of exogent latent to endogent latent:**

H0 : $\beta i = 0$ versus

H1 : $\beta i \neq 0$

•Test statistic: t-test; p-value $\leq 0,05$ (alpha 5 %); significant

•Significant outter model: valid indicator

•Significant inner model: there was a significant influence

IV. RESEARCH RESULT

A. Research Variable Description

Description of Corporate Governance (X1) Variable

TABLE IIIII THE AVERAGE OF DEVELOPMENTS IN COMMISSIONER SIZE, INSTITUTIONAL OWNERSHIP, MANAGERIAL OWNERSHIP,

INDEPENDENT COMMISSIONERS IN 2011 – 2015

GCG Variable	2011	2012	2013	2014	2015
Board size	75	74	73	74	73
Institutional Ownership	72,16	71,35	69,72	72,05	71,75
Managerial Ownership	2,06	2,18	2,26	2,74	2,58
Independent Commissioner	44,14	44,14	44,12	44,20	44,21

Source: Processed Data

Based on Table 3, it can be seen that the average size of the board of commissioners wa relatively the same, while the ownership of institutions was more likely to fluctuate. Managerial ownership on average inclined, but in 2015 managerial ownership declined to 2.58. In contrast, the percentage of independent commissioners inclined. This means that if the element of governance (GCG) was the size of the board of commissioners, the ownership of the institution and the independent commissioner increased, the conflict of interest between stakeholders could be reduced because there was supervision from stakeholders on decisions taken by managerial parties. However, managerial ownership also played an important role because the ownership of the company by management would encourage management to improve firm performance and surely would have an impact on increasing the value of the company.

Description of Funding Decision (X2) Variable

TABLE IVV THE AVERAGE OF DEVELOPMENTS IN FUNDING DECISION IN 2011 -2015

Indicators of Funding Decision	2011	2012	2013	2014	2015
Debt to total Asset Ratio (DAR)	0,799	0,452	0,481	0,461	0,498
Debt to Equity Ratio (DER)	2,112	1,300	1,638	1,392	1,920
Long term debt to Total Asset Ratio (LTA)	0,154	0,153	0,165	0,177	0,506

Source: Processed Data

Based on the results of the study, it can be seen that the average development of funding decisions in Table 4 showed an increase in the value of debt held by the company in 2015. This can be interpreted that companies were more likely to increase the amount of debt, which this certainly would be on the performance and value of the company. Because the use of debt that was too large would cause the burden of fixed costs (interest) to increase so that it would result in profitability (firm performance) to decrease so that the value of the company decreased as well.

Description of Firm size (X3) Variable

TABLE V THE AVERAGE OF DEVELOPMENTS IN FIRM SIZE IN 2011 -2015

Indicators of Firm size	2011	2012	2013	2014	2015
Asset	12,173	12,218	12,278	12,346	12,345
Sales	12,159	12,203	12,217	12,298	12,232

Source: Processed Data

Table 5 shows that the size of a company using both Asset and Sales indicators tended to increase. The greater the size of a company, the easier it would be for companies to get access to cheaper funding so that it was expected to increase the performance and value of the company. However, access to funding that was easily accompanied by an increase in large debt would affect to reduce firm performance and firm value.

Description of Firm performance (Y1) Variable

TABLE VI THE AVERAGE OF DEVELOPMENTS IN FIRM PERFORMANCE IN 2011 -2015

Indicators of Firm performance	2011	2012	2013	2014	2015
Return on Asset (ROA)	0,068	0,078	0,031	0,035	0,0004
Return on Equity (ROE)	0,118	0,138	0,012	0,056	-0,113
Net Profit Margin (NPM)	0,053	0,095	-0,031	0,029	-0,032

Source: Processed Data

Based on the results of the study which can be seen in table 4.4, it was found that the firm performance in 2015 fell where the average ROA became 0.0004 because the company experienced a loss experienced an increase, this was influenced by the company's revenue decline. Likewise, ROE and NPM also declined. This decrease in performance was likely due to an increase in the amount of debt, so that the fixed expenses became bigger due to lower income.

Description of Firm value (Y2) Variable

TABLE VII THE AVERAGE OF DEVELOPMENTS IN FIRM VALUE (PER, PBV AND TOBINS Q)

Indicators of Firm value	2011	2012	2013	2014	2015
Price Earning Ratio	18,95	10,74	7,51	12,02	0,66
Price Book Value	1,46	1,68	1,40	1,33	3,14
Tobin Q	1,30	1,36	1,24	1,22	1,36

Source: Processed Data

Based on Table 4.5, it can be seen that the average PER of the company tended to decrease while the average PBV and TobinQ in 2015 rose, it was due to the increase in the amount of the company's debt. This decrease was caused by a decline in the share price of the Basic and Chemical industry companies.

V. ANALYSIS RESULT

Goodness of Fit in Warp PLS

Based on the test result, the value of predictive- relevance was 0.611 or 61.1%, so that the model could be considered as proper because it had relevant value.

Hypothesis Testing in Inner Model: Direct Effect

TABLE VIII RESULT ON HYPOTHESIS TESTING IN INNER MODEL: DIRECT EFFECT

Relationship	Path Coefficient	p-value	Note
GCG → Firm value	-0.12	0.03	Significant
GCG → Firm performance	0.01	0.46	Non-Significant
Firm performance → Firm value	0.04	0.24	Non-Significant
Funding Decision → Firm performance	-0.37	< 0.01	Significant
Funding Decision → Firm value	-0.08	0.10	Non-Significant

F.D * F.Z → Firm value	-0.36	<0.01	Significant
GCG* F.Z → Firm value	0.01	0.42	Non-Significant
F.P* F.Z → Firm value	0.30	<0.01	Significant

Source: Processed Data

Note:

* nonsignificant

* FD   = Funding Decision
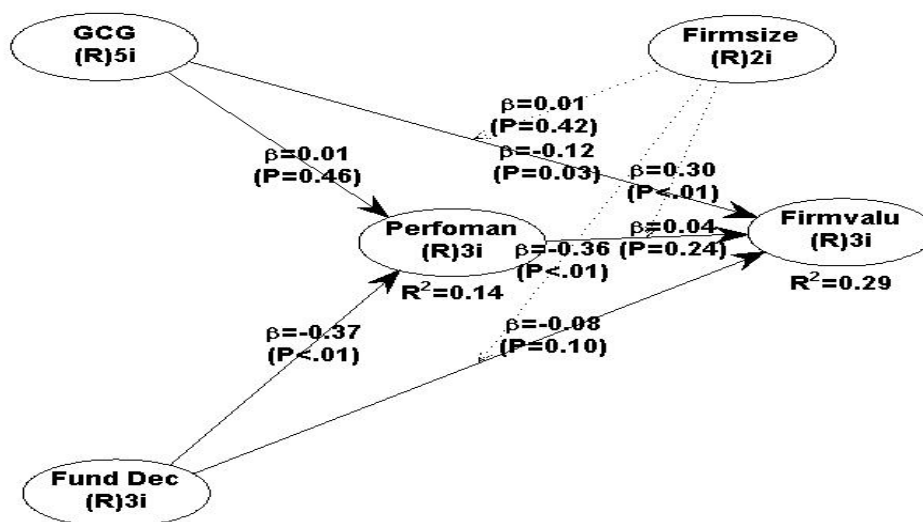
* FZ   = Firm size

* FP   = Firm performance

Fig. 1 Diagram of Hypothesis Testing Results in the Inner Model: Direct Effects * GCG (Governance), Funding Decision, Firm performance, Firm Size and Firm value

Source: Processed Data

Hypothesis Testing in Inner Model: Indirect Effect

TABLE IX RESULT ON HYPOTHESIS TESTING IN INNER MODEL: INDIRECT EFFECT

Indirect Effect	Direct Effect Coefficient		Indirect Effect Coefficient
Governance (GCG) → Firm performance →Firm value	Governance → Firm performance (0.01)	Firm performance →Firm value (0.04)	0.0004

Funding Decision → Firm performance →Firm value	Funding Decision → Firm performance (-0.37)	Firm performance →Firm value (0.04)	-01480.

Source: Processed Data

Based on Table.9, there were 2 indirect effects. The full results are described as follows:

1. Indirect influence between corporate governance on firm values through firm performance, obtained indirect effect coefficient of 0.0004. Because of the direct influence of governance on firm performance 0.01 and firm performance on firm value 0.04, both were not significant, it could be stated that there was an insignificant indirect influence between governance (GCG) on firm values through firm performance, with coefficients marked positive. It showed that the better the corporate governance would have an impact on the higher the value of the company, but the performance of the company was not able to increase the value of the company. It could be interpreted that the firm performance was unable to mediate governance relations with firm value.

2. Indirect influence between funding decisions on firm values through firm performance, obtained by the indirect effect coefficient of -01480. Because the direct influence of the funding decision on firm performance was significant p value <0.01 and firm performance on firm value 0.04 was not significant, one of the variants was not significant, it could be stated that there was no significant indirect influence between decision of funding on firm values through firm performance. It showed that good funding decisions would not have an impact on the high or low value of the company, even though the firm performance changed.

VI. CONCLUSION AND SUGGESTION

A. Conclusion

Based in the research result, it can be concluded that:

1. There was a significant direct influence between corporate governance on firm values. Given the inner weight coefficient was negative, it indicated that the relationship was negative. It means that the better corporate governance would result in lower firm value.

2. There was no significant indirect effect between governance on firm value through performance. It means that performance could not mediate the impact of governance on increasing firm value.

3. There was a significant direct influence between funding decisions on firm value. Given the inner weight coefficient was negative, it indicated that the relationship was negative. It means that the greater the debt, the lower the value of the company.

4. There was no significant indirect influence between funding decisions on firm values through performance. It means that firm performance could not mediate the effect of funding decisions on firm value where funding decisions had a significant negative effect on firm performance, but firm performance did not significantly influence firm value. Increased debt would result in the firm performance falling so that it also gave impact on the value of the company.

5. There was no significant direct effect between firm performance on firm value. It means that good or bad performance of the company would not affect the high or low of the value of the company.

6. Firm size could not moderate the relationship between governance and firm value. Given the inner weight coefficient was negative, it indicated that the relationship was negative. It means that firm size would weaken the relationship between governance and firm value, but was not significant

7. Firm size could significantly moderate the relationship between performance and firm value. Given the inner weight coefficient was positive, it indicated that the relationship between firm size strengthened the relationship between performance and firm value.

B. **Suggestion**

Based on the research result, it is suggested that:

1. A weak corporate governance was caused by low number of independent commissioners, so that independent commissioners have not been optimally involved. Likewise, the role of ownership of managerial parties was still small.

2. The next researcher should add the role of women in governance, group the debt by time period, and develop performance by adding performance measurement.

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