PROCEEDING

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THE IMPACT CORPORATE GOVERNANCE QUALITY, INSTITUTIONAL OWNERSHIP ON FIRM VALUE AND RISK TAKING BEHAVIOR

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Abstract

The study aims to analyze the effect of corporate governance quality and institutional ownership on value of firm and risk taking behavior. Corporate governance quality is the ranking of good corporate governance by Indonesian Institute for Corporate Governance (IICG). The firm value is measured by price to book value (PBV) and risk taking behavior (RISK) is measured by stadard deviation of monthly stock price.

The sample of firm is obtained from the annual report of good corporate governance rating by IICG for the year 2008-2012. The data is collected use pooled data from Indonesian Capital Market Directory and Yahoo Finance. The multiple regressions models are applied to test the effect of corporate governance quality, institutional ownership and various financial ratio on firm value and risk taking behavior.

The result showed the quality of good corporate governance has a positive effect on firm firm value and negative effect on risk taking behavior. Implication of this study indicates that quality of good corporate governance is important determinants to firm value and risk taking-behavior, and good signal for potensial investor.The institutional ownership has not effect on firm value and risk taking behavior. Implications of these findings support the hypothesis of strategic alignment and conflict interest hyphothesis.

***Keywords**: Corporate governance quality, firm performance, firm value, financial risk.*

1. INTRODUCTION

Corporate Governance has become an interesting issue to do research. Corporate governance can be defined as an arrangement of rules that define the relationship between shareholders, managers, creditors, government, employees, and internal and external stakeholders to another in accordance with the rights and responsibilities (FCGI, 2003). Keasey and Wright (1993) argued that corporate governance has two major dimensions. First, monitoring of management performance and assure accountability of management to shareholders that emphasized accountability. Second, the corporate governance as a structure, governance mechanisms and processes motivated the behavior of managers to improve business prosperity and corporate. The effectiveness of corporate governance should involve institutional investors, insider and outsider board of directors, executives with incentive-based salaries, board committees, auditing, market for corporate control and others. The effectiveness of corporate governance can encourage managers to invest in projects that have a positive net present value. Brown and

Caylor, (2006) provided evidence that the better-governed companies have better operational performance.

McKinsey and Co. (2002) conducted a survey and showed that investors tend to avoid companies with poor predicate in corporate governance. Investor give attention to good corporate governance (GCG) as great as the interest of the company's financial performance. Investors believe that companies that implement good corporate governance practices attempted to minimize the risk, thus improving the performance of companies and ultimately maximize the value of the company. Therefore, the purpose of corporate governance is not only the implementation of good corporate governance practices but also increase the value of the company. (BPK Team, 2003).

Many studies have documented that there are a positive relationship between corporate governance and company performance (Brown and Caylor 2009; Chen et al., 2008; Chalhoub 2009; Humera et al. 2011). Research on the effectiveness of corporate governance has also been carried out in Indonesia, examples: Midiastuty and Machfoedz (2003), Veronica and Bachtiar (2004), Wedari (2004), and Wilopo (2004), Boediono (2005), Veronica and Utama (2005) .

Pound (1988) examined the effect of institutional ownership on corporate performance and proposed three hypotheses about the relationship between institutional shareholders and firm performance, namely: The Efficient Monitoring Hypothesi, The Strategic Alignment and The Conflict of Interest Hypothesis. The efficient monitoring hypothesis reveal that individual investor or an insider with a minority of share ownership have a tendency to use or borrow the voting power held by the majority of institutional shareholders to oversee management performance. In this case the majority of institutional ownership will be in favor of the interests of minority shareholders because of a common interest, especially in terms of economic incentives either long-term (dividends), and short-term (abnormal stock returns). This action resulted in an increase firm value, demonstrated by the rise in share prices in the capital market.

The second hypothesis is the Strategic Alignment Hypothesis. In contrast to the first hypothesis, the hypothesis states that the majority of institutional ownership has a tendency to compromise with the management and ignored the interest of minority shareholders. Assumption that management often take actions or policies are non-optimal and leads to personal interests, resulting in a strategic alliance between the majority of institutional investors with management,

responded negatively by the market. This result has impact on decrease of stock price in the capital market.

The third hypothesis is a Conflict of Interest Hypothesis. This hypothesis basically has the same concept with the second hypothesis, the majority of institutional investors' tendency to reduce conflict through compromise and alliance with management. In line with the second hypothesis, the hypothesis predicts a negative relationship between institutional ownership on firm value. The third hypothesis gives instructions separately the positive and negative effect between institutional ownership and corporate performance.

Some studies focus on the effect of institutional ownership on firm performance. McConnell and Servaes (1990) find that the proportion of institutional ownership is positively associated with the firm Tobin Q. Several other studies found similar results (eg, Cornett et al 2007;. Elyasiani and Jia 2008). Institutional investors are often considered to have the ability to actively monitor for maximizing the value of equity investments in companies (Chen et al., 2007)

The purpose of this study was to analyze the effect of the quality of corporate governance, institutional ownership with the value of firms, and the risk of stock investing. This article is organized as follows: The first section is the introduction that later literature review in section two. Research design is described in the third section. Results and discussion sections are shown in the fourth and final section is the conclusion, limitations and rekomendation of the study.

2. LITERATURE REVIEW AND HYPHOTHESIS DEVELOPMENT

Corporate Governance at Indonesia.

The corporate governance is a tool, mechanisms and structures that are used to check the behavior of managerial self-serving, limiting opportunistic behavior of managers, improve the quality of information companies and managing the relations between all parties so that their interests can be accommodated in a balanced way (BPK Team, 2005). IICG defines corporate governance as the processes and structures are applied in running an enterprise with the main aims of increasing shareholder value over the long term by taking into account the interests of other stakeholders. Nine dimensions of corporate governance were the reference to assessments by IICG includes a commitment to corporate governance, board governance, functional

committees, boards of directors, transparency, treatment of shareholders, role of other interested parties, the integrity and independence (Swa sembada, 2005).

There are several regulations relating to the implementation of Good Corporate Governance issued by Bank Indonesia (BI), the Capital Market Supervisory Agency (Bapepam), as well as Minister of State Owned Enterprises. Bank Indonesia Regulation No. 8/14/PBI/2006 concerning Amendment to Bank Indonesia Regulation Number 8/4/PBI/2006 on Implementation of Good Corporate Governance for Banks and Letter No. 9/12/DPNP dated May 30, 2007 on the Implementation of Good Corporate Governance for Banks. Bank is obliged to implement the principles of good corporate governance in all its business activities at all levels of the organization. Capital Market Supervisory Agency (Bapepam) and the Jakarta Stock Exchange (JSX) also require the existence of independent commissioners and audit committees for all listed companies. The Minister of State Owned Enterprises No. 117/2002 already requires the same thing for the state enteprises. References about the best practices already widely available. For example, through FCGI to reference best practices of risk management and the audit committee as well as through the Indonesian Society of Independent Commissioners (ISICOM) to best practices for function and the role of independent directors.

In Indonesia, there is also a non-governmental organization that every year made the corporate governance practices ranking for public companies, namely The Indonesian Institute for Corporate Governance (IICG). Ranking is done based on a survey of practices on GCG and produce scores Corporate Governance Perception Index (CGPI). But the participating companies are low and suggest the existence of a public company's reluctance to openly assessed its corporate governance practices.

The Impact of GCG Quality on Firm Value and Risk Taking Behavior

The relationship between corporate governance and firm performance is not something that is universally acceptable, although at this time there is widespread recognition that the establishment of corporate governance can substantially affect shareholders. Short et al (1999) stated that the absence of strong evidence of the relationship between corporate governance and the success and it is important to be recognized, although there is confidence in good governance can improve the company's prospects.

With corporate governance practices can measurability at the enterprise level, many studies had found a positive relationship between corporate governance and company performance (examples, Klapper and Love, 2002; Brown and Caylor 2004; Balck et al, 2005, and Darmawati, 2005) . These studies demonstrated indirectly the usefulness of the rating practices of corporate governance at the company level has been carried out in several countries, including Indonesia.

Klapper and Love (2002) examined the relationship between corporate governance and performance of the company's in emerging capital markets. They use two performance measures, namely Tobin's-Q as a measure of the market valuation of the company and return on assets (ROA) as a measure of operating performance. The results showed a significant positive relationship between Tobin's-Q and governance indicators. The companies with better corporate governance have higher market valuation. Other results showed a significant positive relationship between corporate governance behavior with ROA.

Brown and Caylor (2006) examined the Gov-Score on operational performance, firm value and payment to shareholders. Gov-Score is a measure of corporate governance that is based on 51 factors provided by Institutional Investor Services (IIS) which includes 8 categories: audit, board of directors, charter / bylaws, director education, executive and director compensation, ownership, progressive practices and state of incorporation. The results show that firms with better governance are relatively more profitable, more valuable and make a payment of cash to shareholders.

Black et al, (2005) reported evidence that corporate governance is an important factor in explaining the market value of Korean public companies. Corporate Governance index of companies listed on Korea stock exchanges in economic has a significant correlation with the market value of the company. Market value of firms proxied by Tobin's Q.

Darmawati., (2005) found that corporate governance affects on the performance of the company's operations that proxied by ROE. But corporate governance have not been able to influence the market performance of companies that proxied by Tobin's q. This may be due to market response to the implementation of corporate governance can not direct (immediate), but it takes time. The sample used 53 companies listed on the Jakarta Stock Exchange in 2001 and 2002, which is included in the ranking of the application of corporate governance by IICG.

Sayidah (2007) conducted a study that aimed to examine the effect of the quality of corporate governance with the performance of public enterprises. Quality of corporate governance is measured by a score CGPI (Corporate Governance Perception Index) issued by IICG (Indonesian Institute of Corporate Governance). Performance of the company proxied by profit margin, ROA, ROE and ROI. The results showed that the quality of corporate governance does not affect the performance of both companies proxied by profit margin, ROA, ROE and ROI.

Adjaoud et al., (2007) examined the relationship between scores governance and company performance. They found that in general there is no significant relationship between scores governance with financial performance measures such as ROI, ROA, EPS. While the relationship between governance scores with the market value have significant relationship. Humera et al., (2011) examined the relationship between corporate governance and company performance. Analyzed the performance of corporate governance through Tobin's Q, while the company's performance is measured by return on assets (ROA) and return on equity (ROE). The results showed that the growth and leverage have a relationship with Tobin's Q. This means that companies with good corporate governance have better performance than companies with poor corporate governance practices. Based on arguments above, the research hyphothesis is as follows:

Ha.1: Quality corporate governance has a positive effect on firm value.

Interconnectedness of financial problems and the real condition of the company is a crucial issue of financial decision analysis. Financial decisions cause problems of financial agency sometimes (Bajeux et al, 2003). Agency problems can be mitigated through good governance by giving control to the lender through a financial decision and give control to the shareholders through operational decisions. In this context, changes in stock prices are signaling information for managers to alter or adjust its strategy (Neffati et al, 2011).

Financial decisions used of debt when associated with the the conservative operational decisions will lead to a decrease in dividend payments, because the company's costs are rising. Chen and Jian (2007) found that the principles transparency of good corporate governance give

information to lowers the risk of default. Piot and Piera (2007) also found that there was a significant negative effect between the quality of corporate governance with the cost of debt. Neffati et al (2011) found that good governance practices tend to reduce risk. But his research also concluded that good practice is to have different effects on different types of risk. Researches in Indonesia, for example Riananingsih (2009) also provide evidence that corporate governance has an influence on bond rating. Based on arguments above, the research hyphothesis is as follows:

Ha.2: Quality corporate governance has a negative effect on risk-taking behavior.

The Effect of Institutional Ownership on Firm Value and Risk Taking Behavior

The research related to institutional ownership emphasis on monitoring hypothesis. The reason is that because of the high cost of monitoring, only large shareholders such as institutional investors have an incentive to monitor (Shleifer and Vishny, 1986). In addition, institutional investors have the opportunity, resources, and ability to monitor and influence managers. Del Guercio and Hawkins (1999) has found evidence consistent with the hypothesis that institutional investors can force managers to focus more on the company's performance and reduce opportunistic behavior of managers.

McConnell and Servaes (1990) find that the proportion of institutional ownership positively associated with the Tobin Q. Several other studies found similar results (eg, Cornett et al 2007;. Elyasiani and Jia 2008). Institutional investors is often regarded as an active monitor that seek to maximize the value of equity investments in companies (Chen, Harford, and Li 2007).

Relationship institutional ownership and corporate performance can be explained by the hypothesis efficiency argumentation (Sundaramurthy et al., 2005). This hypothesis is sparated into two arguments: the hypothesis superior investors and active investors hypothesis. Hypothesis superior said institutional investors with large holdings and are majority or blockholder, generally have superior information and very active in monitoring activities. Even this type of investor usually has a representative who sits in the board of directors for the direct oversight of management performance (Sundaramurthy, et al., 2005). Investment orientation leads to long-term incentives in the form of dividends, so that institutional investors in this

category are very concerned with the long-term policies of the company. Agreeing with superior hypothesis, the magnitude of ownership provides active monitoring more widespread, so as to force the management to act in the best interests of shareholders (Sundaramurthy et al., 2005). Superior hypothesis directly gives a positive impact of institutional ownership on firm value.

However, active monitoring actions will turn into passive and opportunistic at a greater level of ownership. Greater voting power is often used to force management policies that take the interests of investors majority and ignore the minority shareholders and ultimately ignore the value of firm. The phenomenon shows similarities with the entrenchment hypothesis on managerial ownership, and support the hypothesis of strategic alignment. Based on the above description and argumentation, the research hypothesis is as follows:

H3. Institutional ownership has a effect on firm value.

Shleifer and Vishny (1997) argue that institutional investors, who acts as a fiduciary, has a greater incentive to monitor management and corporate policies. Effective monitoring of institutional investors can reduce opportunistic behavior management which leads to reduced agency costs and lower cost of equity. This statement is supported by Collins and Huang (2010) who find that institutional ownership have a negative impact on the cost of equity companies. Roberts and Yuan (2009) find that institutional ownership can reduce the cost of corporate debt. This is due to effective monitoring by institutional parties may encourage management to improve company performance.

Fidyati (2004) explains that institutional investors to spend more time to conduct investment analysis and they have access to information that is too costly acquisition for other investors. Institutional investors play an active role in corporate governance by reducing the level of risk of the portfolio companies in which they invest through effective management oversight. Roberts and Yuan (2009) indicate that institutional ownership can reduce the cost of borrowing due to the large institutional ownership provides incentives to conduct surveillance or stricter monitoring of the management that encourages management to improve the company's performance, thus making the risk of company becomes smaller. Based on these argumentation, the research hyphothesis is as follow:

H4. Institutional ownership has a effect on risk-taking behavior.

3. RESEARCH DESIGN

Sample and Data Collection

The sample in this study used all companies that enter CGPI score ratings by IICG. The samples in this study were 96 who entered rating on CGPI 2008-2012. While financial data is taken from ICMD and yahoo finance. Data collection was done by using documentation.

Variables of research and ooerational definitions.

1. The dependent variable in this study is the value of the company and the risks taking behavior. Firm value is measured by price-to-book value (PBV). Risk taking behavior variables used market risk as measured by standard deviation of monthly stock returns.
2. Independent variable in this study is the quality of corporate governance and institutional ownership. Quality of corporate governance is proxied by scores CGPI (Corporate Governance Perception Index) developed by IICG. CGPI scale score used is 0-100. institutional ownership is measured by proposrsi of shares outstanding owned by institutions.
3. Control variables are used the growth of the company, amount of assets, and profitability. The company's growth is measured by sales growth, the amount of assets is measured by natural log of total assets, (LnTA), and variable profitability is measured by the ratio of profits to total assets (ROA).

The Analysis Method

The analysis techniques in this study used multiple regression models. Regression equation is used as follows:

Model 1 : $PBV_{it} = \alpha + \beta 1IGCG_{it} + \beta 2INST_{it} + \beta 3GSALE_{it} + \beta 4\ SIZE_{it} + \beta 5ROA_{it} + \mu_{it}$

Model 2 : $RISK_{it} = \alpha + \beta 1IGCG_{it} + \beta 2INST_{it} + \beta 3GSALE_{it} + \beta 4\ SIZE_{it} + \beta 5ROA_{it} + \mu_{it}$

where :

PBV_{it} = price to book value to firm i at time t.

$RISK_{it}$ = Standar deviation of monthly stock return to to firm i at time t.

$CGPI_{it}$ = good corporate governance index to firm i at time t.

$INST_{it}$ = proportion of institutional ownership to firm i at time t.

$GSALE_{it}$ = sales groth to firm i at time t.

$SIZE_{it}$ = Log natural total asset to firm i at time t.

ROA_{it} = Return on asset ratio to firm i at time t.

μ_{it} = error term to firm i at time t.

Before use interpretation, the model will be tested on the classical regression assumptions which include, normality test to K-S test, autocorrelation test to Durb autocorrelation in Watson test, multicollinearity test to tolerance value and variance inflation (VIF) test, and heteroscedasticity test with Glejser test (Ghozali, 2005)

4. RESULT AND DISCUSSION

Table 1 shows the descriptive statistics of the data. The results showed that the average score of CGPI is of 80.27, which means corporate governance in good category. The average PBV is of 2.67 which indicates that the market price the is above of the stock book value, but a high standard deviation. This shows that the PBV companies as sample are varied. The average variable risk taking behavior (RISK) is of 13.96 which indicate that the average company's stock price increase of 13.96%, but the variation in stock returns fluctuate with a standard deviation of 9.09%. Average institutional ownership (INST) is of 63.72 which means that on average 63.72% of outstanding shares owned by institutions. Average of growth companies (GSALE) is of 21.30, which means that the company's sales growth into the sample average of 21:30%, but the standard deviation is uneven due to sales growth of 22.65 exceeds the average. Asset size is almost the same, ie the average of 17.02 with a standard deviation of 1.82. Profitability as measured by ROA shows an average 7.59 with a standard deviation of 8.19. This means, the company's profitability as samples are very varitif and uneven.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PBV	96	.32	11.02	2.6770	1.85929
RISK	96	.57	67.07	13.9637	9.09294
CGPI	96	57.73	91.91	80.2684	7.36142
INST	96	5.26	100.00	63.7195	19.21083
GSALES	96	-26.44	97.96	21.2974	22.65403
SIZE	96	11.79	20.13	17.0159	1.81873
ROA	96	.08	36.87	7.5909	8.18578
Valid N (listwise)	96				

Assumption Regression Test

Normality test

One way , the normality test of the distribution of the data used the K-S test technique on unstandardized residuals. Results of the analysis as shown in table 2 below. Based on the value of the Kolmogorov-Smirnov that the two models were normal distribution. It is evident that the value of both models asymp sig above 5%.

Table 2. One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual Model 1	Unstandardized Residual Model 2
N	96	96
Kolmogorov-Smirnov Z	.783	1.180
Asymp. Sig. (2-tailed)	.572	.123

a. Test distribution is Normal

Autocorrelation test

Autocorrelation occurs when potentially confounding variables correlated over time. The occurrence of an event correlation for a period of time may affect the incidence in the next time period. One of the famous the autocorrelation test and widely use was the Durbin-Watson test (d). Durbin-Watson test results with a 95% confidence level are presented in Table 3.

Tabel 3. Result of Autocorrelation Test

Model	D-W test	d	4-du	Conclussion
Model 1	1.798	1.721	2.279	No autocorrelation
Model 2	1.825	1.771	2.229	No autocorrelation

Multicollinearity test

Multicollinearity occurs when explanatory variables strongly correlated with each other. Multicollinearity can be tested by calculating the tolerance and variance inflation factor (VIF). If the tolerance value is more than 0.1 and VIF less than 10, then there are no multicollinearity. The calculations show that the both models are used free from multicollinearity problems.

Table 4. Result of Multicollinearity Test

Variable	Model 1		Model 2	
	Tolerance	VIF	Tolerance	VIF
CGPI	.664	1.505	.664	1.505
INST	.852	1.174	.852	1.174
GSALES	.904	1.106	.904	1.106
SIZE	.704	1.420	.704	1.420
ROA	.924	1.082	.924	1.082

Heterocedastisity Test

Assumptions of linear regression states that the error term variable in the regression equation is a constant variance. One technique to test heteroscedasticity is a Glejser test. If the independent variable significantly affects the absolute residual is indication of heteroscedasticity. Based on the results in table 5 that there were no heteroskedasticity for both models at the 5% significance.

Table 5. Result of Heterocedastisity Test

Variable	Model 1		Model 2	
	B	Sig	B	Sig
(Constant)	2.279	.521	22.446	.054
CGPI	-.047	.564	-.225	.207
INST	-.001	.260	.067	.502
GSALES	.005	.070	.008	.779
SIZE	.119	.170	-.262	.511
ROA	.069	.835	.067	.169
F-test	.727		1.220	
Sig. F-test		.607		.122

Research Finding and Discussion

The results analysis based on both models are presented in table 6 below. The results of F test of 9,980 for model 1 and sig F test of 0. This mean that and the independent variables CGPI, INST, GSALE, SIZE and ROA explain the dependent variable PBV are statistically fit. This result is supported by the value of Adjusted R square at 0.321 although low. The variation of change variable dependent (PBV) can be explained by variation of changes five independent variables as 32.1% and the remaining is explained by other variables not included in the model. This suggests that the statistical model 1 can be used for interpretation.

The t-test results of model 1 as shown in Table 6 that the partial variable CGPI has positive effect on PBV at 10% significance level. This means that the first hypothesis of the study supported, so the quality of corporate governance has a positive effect on firm value. Variable institutional ownership (INST) has no statistically significant effect on firm value. This means that the second hypothesis could not be supported.

Table 6. Result Regression

Variable	Model 1			Model 2		
	B	t	Sig	B	t	Sig
Constant	2.320	1.162	.248	41.459	3.716	.000
CGPI	.049	1.880	.063	-.465	-3.177	.002
INST	.002	.270	.787	.024	.485	.629
GSALES	.005	.718	.475	.018	.440	.661
SIZE	.209	2.026	.046	.370	.643	.522
ROA	.135	6.752	.000	.214	1.919	.058
Adjusted R Square	.321			.114		
F test	9.980			3.434		
Sig. F test	.000			.007		

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All the control variables have effect the value of the firm, unless the company's growth variable but has the right direction. The SIZE variable with a positive and significant sign,

means the greater SIZE will enhance firm value. The ROA variable is also significant positive effect on firm value, mean the higher ratio of corporate profits will increase firm value.

The results of F test model 2 as 3.434 and significance at 0.007, mean the model 2 with the dependent variable RISK and the independent variables CGPI, INST, GSALE, SIZE and ROA are statistically fit. However, the Adjusted R square relatively small value of 0.114, meaning that the change variations variable RISK can be explained by the five independent variables and the remaining 11.4% is explained by other variables not included in the model.

The t-test results for model 2 as shown in table 6. The variable CGPI has a negative effect on the RISK at 5% significance level with a coefficient of -0.465. This means that successfully supported the third hypothesis, that the quality of corporate governance negative effect on risk-taking behavior. The variable INST has no statistically significant effect on RISK, so the fourth hypothesis that istitusional ownership has effect on risk-taking behavior could not be supported. All the control variables are statistically no effect on risk-taking behavior, except ROA variable positively influences risk-taking behavior at 10% significance level.

Based on the test results found that the quality of corporate governance affects the value of the firm and the results of this study consisten with previous research, eg. Klapper and Love, (2002); Balck et al, (2005), Brown and Caylor (2006), but also inconsistent, for example by studies Darnawati (2005). The results support that firms with better corporate governance have better corporate performance (Brown and Caylor, 2006). Besides, the results of this study also indirectly demonstrates the usefulness of the rating of corporate governance practices at the company level has been done in some countries.

When the quality of corporate governance associated with risk-taking behavior was found also had a negative effect. The results are consistent with Chen and Jian (2007), Riananingsih (2009) and Neffati et al (2011). The results of this study provide evidence that the quality of corporate governance can reduce the risk. The implication of these findings that investors perceive the firms with good governance has relatively low on the stock price volatility.

The institutional ownership has no effect on the risk-taking behavior. These findings support the possibility of strategic alignment hypothesis proposed by Pound (1998). This hypothesis states that the majority of institutional investors have a tendency to compromise with the management and ignored the interest of minority shareholders. Management often take

actions or policies that are non-optimal and leads to personal interests, resulting in a strategic alliance between the majority of institutional investors with management responded negatively by the market. The third and four hypothesis are not supported and may be because the majority of the public companies in Indonesia are still a family owned company so that the monitoring by institutional parties have not an influence on investor decisions.

5. CONCLUSIONS, IMPLICATIONS AND LIMITATIONS.

This study aimed to examine the effect of the quality of corporate governance and institutional ownership with the company and the value of risk-taking behavior. The test results showed that the quality of corporate governance affects firm value and risk-taking behavior. Results of this study contribute to the company's stakeholders that the quality of corporate governance provides a signal to the performance and risks of the company.

Implications from the findings that the quality of good corporate governance will provide a signal to stakeholders and potential investors. Stakeholders and potential investors to reduce the investment risk can immediately adjust their portfolios with the signal from quality of governance. Implications for managers is to always improve the quality of governance to influence market perceptions associated with the company's performance and risks

Institutional ownership has not been able to influence the value of the company as well as risk-taking behavior. It can be caused due to the majority of types of public companies in Indonesia is still a family owned company that the monitoring by the institutional investors are less likely to affect the decision. Implications these findings is support the hypothesis of strategic alignment and conflict hyphothesis interest. Because, institutional ownership belongs to the family then has a tendency to compromise and reduce conflict with management, resulting in less impact on the market.

This study has several limitations : 1) the sample used in this study are less representative because it only includes companies that have a good average score of GCG, 2) the results of this study can not be generalized due to the samle limited sample and not random, 3) this study did not include influence of type of industry that may affect the implementation of GCG.

For further research is recommended to add the sample so as to distinguish the effect of quality corporate governance on firm value as well as the risk taking behavior for companies

with good corporate governance score of high, medium and low. The effect of control variables on the firm value and risk taking behavior were not consistent, then for future research may consider other variables, such as type of industry, and the level of liquidity of the company. In addition to further studies need to consider the use of variable of value firms with Tobin's q and variable risk use of the various types of risk, namely, financial risk, operational risk, or systematic risk.

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