

The Impact of Corporate Governance, Ownership Structure, and Cash Holdings on Firm Value with Profitability as Intervening Variable

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Abstract : The purpose of this study is to determine the effect of corporate governance, ownership structure, and cash holdings on firm value, either direct or indirect through profitability as an intervening variable for non-financial companies listed on the Indonesia Stock Exchange during 2006 to 2014. Samples of 176 firms are chosen based on purposive sampling method. The results of this study conclude that profitability, the size of Audit Committee, audit quality, and cash flow have positive effects on firm value. This study also shows that the meeting frequency of the Board of Directors and free cash flow have negative effects on firm value. In addition, this study finds that the size of the Board of Directors, Independent Commissioner, and ownership structure do not have significant effects on firm value. In this study, the function of profitability as an intervening variable can only be done on the impact of the meeting frequency of the Board of Directors and cash flow on firm value. This study provides a reference for management in decision making concerning the application of corporate governance, cash holdings, and financial performance. Moreover, it can be used as additional information for investors in assessing the feasibility of an investment. Finally, it provides a suggestion for the government regarding the regulation of corporate governance.

Keywords : cash holdings, corporate governance, firm value, ownership structure, profitability

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