Corporate Governance and Financial Performance on Firm Value: The Case of Indonesia

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Abstract: - The purpose of this study was to examine the effect of corporate governance on firm value; next, examine the effect of corporate governance on firm value with financial performance as an intermediary variable. The subjects of this research are manufacturing companies in the field of consumer goods listed on the Indonesia Stock Exchange in 2018-2020, with 105 total samples. Warp PLS 6.0 Software was used as an analytical tool. The results showed that the test results in this study indicate that corporate governance affects firm value, corporate governance affects financial performance. Financial performance affects firm value. Furthermore, Corporate Governance also affects Company Value with Financial Performance as an Intervening Variable.

Key-Words: Corporate governance, Institutional ownership, Firm value, and Financial performance.

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1 Introduction

Firm value reflects the wealth of its shareholders. The higher the Firm value, the higher the profits obtained by the shareholders [1]. This is what attracts investors to invest in a company. The Firm value is not created automatically by itself but through management's efforts. To ensure that management fulfils its responsibilities, a mechanism is needed to regulate the relationship between its boards. The implementation of corporate governance is established in the corporate bodies, including management ownership, institutional ownership, independent commissioners, and the existence of the company secretary. Corporate governance aims to increase the Firm value. Implementing corporate governance will encourage organizations to manage resources so that they are reflected in the performance and weight of the business. The improvement in company performance indicates that the company has achieved a company objective. The role of corporate governance is necessary for them to monitor or even increase the firm value. In recent years it has been observed that industrial growth in Indonesia has slowed down. It reflected the slowdown in the performance of several issuers, such as PT Unilever Indonesia Tbk (UNVR), which fell 19.7% in yield. Shares of PT CBP Sukses Makmur Tbk. (ICBP) fell 3.57% and shares of PT Kalbe Farma Tbk. (KLBF) also fell 20.23% [2]. The participation of institutional ownership is expected to have a dissuasive effect on waste by direction [3]. Measuring the company's financial performance is essential in determining whether the results align with the objective. Financial performance measures whether or not a company is performing well based on its annual financial statements [4].

The research gap in this study is the inconsistency of the previous research. Various studies show that corporate governance's influence can increase the firm value, including research by [5]–[7]. [8] survey affirms that corporate governance, represented by institutional ownership, does not significantly impact the firm value. At the same time, institutional ownership affects the firm value. The studies by [9] have shown that corporate governance also impacts Firm value. A survey by [9] found that corporate governance through organizational ownership has a significant indirect effect on firm value, with financial performance as an intermediary variable. Meanwhile, the study of [8] show that economic performance cannot convey the relationship between corporate governance and company value. According to [10], corporate governance has no impact on the firm value. Institutional ownership does not affect the Firm value [11]. Previous researchers still have differences, so this research needs to be repeated and developed.

On that basis, the novelty of this study is to identify the firm's performance variable as an intervention variable in the relationship between corporate governance and firm value. This study aims to examine the mediating effect of financial performance on the relationship between corporate governance and firm value. Corporate governance has a significant influence on firm value. Can convince investors about implementing business management to increase business owner profits [9], [12].

2 Literature Review

2.1 Signaling Theory

The signal theory emphasizes the importance of the information provided by the company for investment decisions of parties outside the company. Data in the form of annual financial statements is essential because it generally affects the formation of stock prices [13]. Financial statements must contain reliable information and collect information necessary to be known by users of financial statements both inside and outside the company [14]. Signal theory provides investors with signals they can influence to make decisions. Investors also use this theory to show companies with high scores and low scores, when profitable, show the company's potential to improve performance, which affects the company's value, leading to an increase in stock prices [9].

This theory assumes that management has more information about the firm value. However, this information asymmetry causes managers not to disclose general information about the company that can affect the company's overall value. An information gap may exist between managers and business owners. It depends on the managers who are directly involved in the company's activities to have the correct information about the company. On the other hand, the owner is not directly involved in the company's activities and only uses the reports provided by the manager. Therefore, business owners have less information than managers. Managers are directly involved in the company and have more information [15].

2.2 Hypothesis Development

2.2.1 Corporate Governance on Firm Value

The more corporate governance is implemented, the greater the business value. Therefore, Company Value is an indicator that investors consider investing their shares in the company [6]. According to [16], the greater the public ownership of shares as an aspect of corporate governance, the greater the need to control management behaviour. By implementing good governance, the company can run its business more effectively and efficiently. If the company successfully runs its business effectively and efficiently, its value will be positive. [14] found that corporate governance plays a vital role in determining the market valuation of companies in Pakistan. [17] found that corporate governance has a positive and significant influence on firm value.

In this study, corporate governance is a proxy for institutional responsibility. Institutional ownership in the study is expected to influence firm value positively. The implementation of good corporate governance will enable investors to invest their capital. Signal theory explains whether investors receive information in the form of financial statements from managers. This information will attract investors to invest in the company. Companies with high business value indicate that the company can perform well. This statement agrees with [18] that the long-term goal of corporate governance is to increase the firm value with the hope of prosperous shareholders. Companies whose shares are mainly in the hands of institutional investors will encourage increased control ideal. Through institutional ownership, company management must have a sense of ownership of companies that carry out their services because they feel controlled by institutional ownership the greater the institutional rights, the more efficient the use of company assets by management.

The research by [5] concludes that corporate governance, represented by institutional ownership, impacts the firm value. [9] have carried out studies that show that corporate governance significantly influences firm value. Meanwhile, [19] also state that corporate governance significantly impacts firm value. [20] research conclude that corporate governance, represented by institutional ownership, substantially affects the firm value. According to [21] studies, corporate governance significantly impacts firm value.

H1: Corporate Governance affects the Firm value.

2.2.2 Corporate Governance on Financial Performance

The impact of the corporate governance mechanism on financial performance. The studies by [22] found empirical evidence that independent agents with high levels of expertise make more objective decisions and perceive the effectiveness of managerial oversight. research by [23]–[27] found empirical evidence that corporate governance mechanisms do not have a significant impact on financial performance.

Implementing Good Corporate Governance in the company aims to improve the shareholders' welfare. The company's financial performance is one of the factors that investors consider in making decisions in investing in shares. The implementation of Good Corporate Governance provides trust and protection to investors for their funds. Can use financial performance to measure managerial success in managing company resources. The implementation of Good Corporate Governance in Indonesia is considered to have the most negligible impact on financial performance. Meanwhile, corporate governance will improve its financial performance because economic performance shows that it can manage its finances well. The implementation and further development of corporate governance are expected to result in healthy and sustainable financial performance and protection for investors [28].

[29] show that institutional ownership is one of the factors that can influence financial performance. It is expected that investors' high level of investment can optimize the monitoring of management performance, which will impact financial performance. Monitoring is carried out so that, ideally, management works to meet financial performance. The study by [30] shows that corporate governance impacts financial performance. [31] research shows that corporate governance also impacts financial performance. According to [32], corporate governance significantly affects economic performance.

H2: Corporate Governance affects Financial Performance

2.2.3 Financial Performance Influences Firm Value

Financial performance is a benchmark for evaluating whether a company is doing well over one year based on annual financial statements [33]. According to [34], the financial performance also significantly influences the firm value. Economic performance calculated using ROA impacts the firm value calculated by Tobin's Q. According to [35] studies, financial performance significantly influences firm value. Investors not only want lower risks, but they also want higher returns. [36] mentions that investment returns have two main components, including returns (dividends) and earnings (capital gain or loss). The ability of the business to pay dividends to the owners. It also depends on the financial condition and performance over some time. Capital gains (losses) are also influenced by the power supply and proof of ownership requirements in existing capital markets. [36] also mentions that the analysis of the company is one of the fundamental steps of the study to determine investment decisions. According to signalling theory, financial performance is part of the company's financial information as the basis for making investment decisions. Financial performance is a signal that is needed in determining investment decisions.

H3: Financial performance influences company value

2.2.4 Corporate Governance on Firm Value through Financial Performance

According to [37], sound financial performance results in high business value. To achieve the ideal profit, the company must optimize its firm value. A high corporate value measures the welfare of the company's stakeholders. High company value is the desire of company owners because high company values describe the wealth of company owners [38]. Opportunistic actions by old shareholders will offend other shareholders, which will (negatively) affect investor confidence in the company. In other words, the demand for the company's shares will decrease, and the share price will automatically decrease. [39] show a positive effect of management ownership on the firm value. [40] show that management accountability, cost-effectiveness, and audit quality had a significant positive impact on CI disclosure. The role of stock ownership by management is used to balance interests between management and shareholders. The existence of a management property can add value to a company.

Financial performance will have an impact on high business value. One way to generate high corporate profits is to optimize firm value. This study uses financial performance as an intervening variable which is expected to show the percentage increase in business performance. Economic performance in this study is expected to represent a link between corporate governance and firm value.

H4: Corporate Governance influences the firm value through financial performance

3 Method

3.1 Population and Sample

The subjects of this study are manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange from 2018 to 2020. The data used in this study are annual reports for the 2018-2020 period because this data is up-to-date and has been audited. Sampling was carried out by the census method. The sample of this research is consumer goods industry companies listed on the Indonesia Stock Exchange. The secondary data of this study is the annual report of manufacturing companies in the consumer goods industry for 2018-2020. The data collection method in this research is documentary; the method of data collection is by browsing the IDX website, namely www.IDX.co.id. The data is presented in published and audited financial statements listed on the Indonesia Stock Exchange (IDX), including institutional ownership and complete financial information.

3.2 Operational Definition Variable

The dependent firm value variable was measured using Tobin's Q relationship in this study. Furthermore, the independent variable was corporate governance which was represented by institutional ownership, and the intervening variable in this study was measured by return on assets (ROA). The following is the formula for each of the previous variables in Table 1. :

Table 1. Operational definition

Variable	Proxy	Source
Corporate Governance	% Institutional ownership = Number of Institutional shares/ number of shares outstanding x 100%	[11]
Firm Value	Tobin's Q ratio = (EMV+D)/EMV+D)	[11]
Financial Performance	ROA= Net Profit After Tax/Total Assets	[11]

Information:
Q = Firm Value
EMV = Market value of equity (EMV = closing price x number of shares outstanding)
D = Book value of total debt
EBV = Book value of total assets

3.3 Analysis Method

Tested this research with PLS-SEM using the Warp-PLS 6.0 program; can be it by evaluating the external and internal models. Can assessing the measurement model or external model informative constructs (mode B) be done considering the importance of the weights obtained from the resampling process? Tests are carried out so that AVE and composite reliability are irrelevant and cannot be carried out [41]. The following is a summary of the rule of thumb evaluation measurement model (model B) in Table 2:

Table 2. Rule of Thumb (outer model)

Criteria	Parameter	Rule of Thumb
Indicator Reliability	Significant weight	• P-values < 0.10 (level = 10%) • P-values < 0.05 (level = 5%) • P-values < 0.01 (level = 1%)
Collinearity	VIF and Tolerance	• VIF < 5 or < 3.3 • Tolerance > 0.20 or > 0.30

Source: Ghozali dan Latan, (2016)

The structural or internal model begins by observing the percentage of variance by looking at the R-Squares value for each endogenous latent variable. Looking at the R-squares of each variable is the predictive power of the structural model to test the relevance of its predictions and the goodness of fit (GoF) to measure the general model [41]. The R-square value causes estimation errors because the higher the R-square value, the more predictor variables are present in the model [41]. This study uses the Adjusted R2 size using the WarpPLS 6.0 program with the aggregate output calculated automatically from the internal model.

Furthermore, the research data and this section describe the research sample companies. The subject of this research is a consumer goods industrial manufacturing company listed on the Indonesia Stock Exchange from 2016-2018. A survey with five companies and 105 data was used as the sample.

Table 3. Total Sampel

No	Criteria	Sample			
		2018	2019	2020	
1	Manufacturing Companies in Consumer Goods Industry Sector	54	54	54	162
2	Companies that do not publish financial statements	(15)	(2)	(8)	(25)
3	Companies with incomplete data	(7)	(13)	(12)	(32)
	Total Sample				105

Table 3. shows that five companies are included in the study sample each year. However, 15 companies

in 2018, 2 in 2019, and 8 did not publish financial reports in 2020. Meanwhile, in 2018 there were 7 in 2018 and 13 companies whose data was incomplete in 2019, and 12 in 2020. The sample in the study was, therefore, 105.

4 Result

The result of this research is secondary data which is processed by using Warp PLS 6.0 program. At least partial quadratic structural equation model (PLS-SEM) or better known as Least Partial Squared Path Model (PLSPM). Table 4. show the model fit index from which we can conclude that the model has a good fit. The p-value for the mean path coefficient (APC) is 0.002, the mean R-squared p-value (ARS) is 0.035; the adjusted mean of R square (AARS) is 0.09, which means the model fits well. For Simpsons Paradox Ratio (SPR), Squared Contribution Ratio (RSCR) and Statistical Compression Ratio (SSR), the result is a value of 1 which means there is no causal problem in the model. . While the causal relationship between two nonlinear variables (NLBCDR) still gives a value of 0.667; 0.7, which means weak causality. Perform the test results on 105 samples with the following results:

Table 4. Model Fit

Criteria	Cut of Value	Result	Conclusion
Average path coefficient (APC)	P-value 0.002	0.332	Fit Model
Average R-squared (ARS)	P-value 0.035	0.183	Fit Model
Average adjusted R-squared (AARS)	P-value 0.049	0.162	Fit Model
Average block VIF (AVIF)	acceptable if <= 5, ideally <= 3.3	1.008	Fit Model
Average full collinearity VIF (AFVIF)	acceptable if <= 5, ideally <= 3.3	1.149	Fit Model
Tenenhaus GoF (GoF)	small >= 0.1, medium >= 0.25, large >= 0.36	0.428	Fit Model (Large)
Sympson's paradox ratio (SPR)	acceptable if >= 0.7, ideally = 1	1	Fit Model
R-squared contribution ratio (RSCR)	acceptable if >= 0.9, ideally = 1	1	Fit Model
Statistical suppression ratio (SSR)	acceptable if >= 0.7	1	Fit Model
Nonlinear bivariate causality direction ratio (NLBCDR)	acceptable if >= 0.7	0.667	Medium

Source: WarPLS 6.0 output processed

Table 5. Descriptive Statistics

Variable	N	Min	Max	Mean
Corporate Governance	105	-2.646	1.131	0.977
Firm Value	105	-0.473	6.567	4.354
Financial Performance	105	-2.591	3.732	1.980

Source: Warplss 6.0 output processed

Based on Table 5. for the independent institutional ownership variable, the minimum value is -2.646, and the maximum value is 1.131. for the dependent variable, namely firm value, the minimum value is -0.473; the maximum value is 6.567. For financial performance as an intervening variable, the minimum value is -0.949, the ultimate value is -2.591, and the maximum value is 3.732.

Table 6. Combined Loading and Cross Loading

	Corporate Governance	Firm Value	Financial Performance	P-value
Corporate Governance (X)	1.000	0.000	-0.000	<0.001
Firm Value (Y)	0.000	1.000	-0.000	<0.001
Financial Performance (Z)	-0.000	-0.000	1.000	<0.001

Source: Warplss 6.0 output processed

Can describe the external model evaluation as reflective; there are three options: A load between 0. 00.70 still needs to be taken into account. A load greater than 0.70 is considered excellent, with a significant P-value yet; 0.05.

The research test results are in Table 6. it can be seen in the load and the p-value of the institutional property indicator (Corporate Governance) with a load value of 1,000, a p-value, and lt; 0.001. Therefore, we can say that the measurement of the institutional property construct meets the convergent validity requirements. The next indicator is the fixed value indicator (Firm Value) with a load value of 1,000 and a P and lt value; of 0.001; the conclusion is that the selected value construct has met the convergent validity requirements. The last indicator, namely financial capacity (Financial Performance), has a load value of 1000 with a value of P and 1; 0.001, which means that the construct of economic power meets the convergent validity requirements.

In Table 7. We can see that this study is business value. The R-square is 0.259 or 25.9%, while the direct relationship between institutional ownership and financial performance is 0.108 or 10.8%, which means this study has an influence.

Table 7. Inner Model

	Corporate Governance	**Firm Value**	**Financial Performance**
R-Square	0.259		0.108
Cronbach's Alpha	1.000	1.000	1.000
Full colin VIF	1.156	1.106	1.185
Q-square	0.320		0.111

Source: Warplss 6.0 output processed

The Q-squared value indicates the predictive validity value> 0, indicating that the model in the study is well constructed with a predictive relevance of firm value of 0.320 and financial performance of 0.111. Evaluation with total collinearity The VIF for the research variables can be declared collinear-free since it is less than 3.3 per variable.

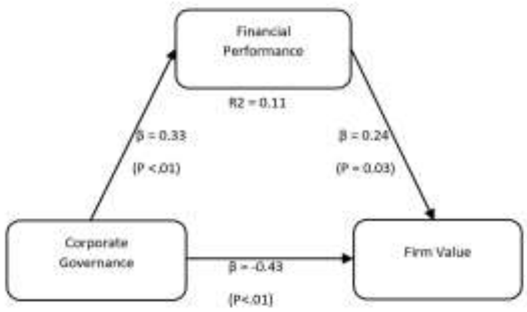

Fig. 1: Research Model
Source: Warp PLS 6.0 output processed

Table 8. Path Koefisien

Variable	**CG**	**FP**	**P values**	**Conclusion**
Firm Value (Y)	-0.427		<0.001	Accepted
Corporate Governance (X)		0.241	0.003	Accepted
Financial Performance (I)	0.329		<0.001	Accepted

Source: Warp PLS 6.0 output processed

Based on Table 8. with 105 data, hypothesis testing can be concluded that: Institutional ownership has a negative effect on the value of the 2016-2018 Indonesia Stock Exchange. Institutional ownership affects the financial performance of manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange in 2016-2018. Financial performance affects the value of consumer goods companies listed on the Indonesia Stock Exchange in 2016.

The results of the test of the hypothesis of the influence of the institutional property in the firm value received the coefficient of trajectory 0.27 and significant with p-value and lt; 0.001, so hypothesis 1, namely, the influence of good company management on the firm value, is: accepted with a negative value path. Testing the hypothesis of the effect of institutional ownership on financial performance yielded a trajectory coefficient of 0.329 with a significant p-value of 0.003, so we can conclude that Hypothesis 2 is the influence of corporate Governance on Financial performance is accepted.

Table 9. Hypothesis Testing Results

H	Hypothesis Description	Path Coefficient Value	P-Value (One-tailed)	Result
H1	Corporate governance affects firm value	-0.427	<0.001	Accepted
H2	Corporate governance affects financial performance.	0.329	<0.001	Accepted
H3	Corporate Governance and Financial performance affect firm value	0.241	0.003	Accepted

Source: Warp PLS 6.0 output processed

The hypothesis test results of the effect of financial performance on firm value resulted in a trajectory coefficient of 0.2 1 with a significant p-value of 0.025. Thus hypothesis 3 is accepted, namely, the influence of performance financial on firm value. The investigations carried out by [42] maintain that if there is an indirect influence between the dependent variable, however, it occurs through a transformation process represented by the mediating variable. Table 9. shows that financial capacity can convey institutional ownership of the firm value. The total VAF obtained is 0.2 79 or 2 .79%, which has a partial mediating effect since the VAF is between 20 and 80% [43].

5 Discussion

5.1 Corporate Governance on the Firm Value

Based on the results of hypothesis testing, corporate governance as a proxy for institutional ownership has a negative effect on firm value. The hypothesis test results show that the coefficient value is negative, so we can say that an increase in corporate governance as a proxy for institutional ownership reduces the firm value. A negative coefficient value indicates that high institutional ownership means low business value. On the other hand, a low level of institutional responsibility increases the firm value. Research by [44] shows that institutional ownership has a negative impact on the Firm value.

The size of the institutional ownership could not control the company in implementing corporate governance in the interest of investors. The research by [9], [21], [45], [46]. They state that corporate governance as a substitute for institutional ownership has a negative impact on the firm value. Corporate governance influences the firm value through financial performance. The result agrees with [47], [48], who have found that economic performance affects the impact of corporate governance on firm value. Corporate governance provides effective control and monitoring functions to ensure that management can improve its finances. Since this is good news for investors, investors will react positively and the value will increase.

5.2 Corporate Governance on Financial Performance

The influence of corporate governance on financial performance shows a positive and significant effect. This study shows that having many officers in the company can ensure that management is closely monitored to improve company performance. The results of this study are in line with the research of [30]–[32], who found that the Corporate Governance mechanism has a positive and significant impact on financial performance.

Corporate governance has a positive relationship with the company's financial performance, and the results of this study are complemented by the findings of [49], [50]. The success of a company in improving its financial performance cannot be separated from the implementation of Good Corporate Governance. Financial Performance is proxy by ROA, corporate governance shows a positive direction with increasing economic efficiency. Based on the results of hypothesis testing, which was tested with the Warp PLS 6.0 program, the second hypothesis is the influence of corporate governance on financial performance; can conclude that the second hypothesis is accepted. More excellent corporate governance will lead to more intensive management performance monitoring, prevent managers' fraudulent behavior and increase investor confidence. Better Corporate Governance will further improve financial performance the better the financial performance, the greater the influence of investors on stock investment. A high level of corporate governance is instilled through institutional ownership to develop the company further to attract many investors.

The results of this study illustrate that institutional ownership has a positive effect on company performance by encouraging management to pursue a successful shareholder strategy. Corporate institutional investors have to oversee the administration's implementation. A higher financial return will attract investors [51]. Institutions will invest their funds in companies that have a healthy financial performance. Institutional ownership is one of the factors that can affect a company's financial performance [21]. High financial performance will positively impact the continuity of the company. Institutional ownership is designed to improve management performance to improve financial performance. Institutional parties have the most significant stake in the company. The institutional section can control management to strengthen its financial performance further. The higher the institutional ownership of shares, the higher the company's economic performance.

5.3 Financial Performance on Company Value

Based on the results of hypothesis testing, Can conclude that the influence of financial performance on firm value is accepted. [52], [53]. The higher the profitability, the more efficient the asset turnover and the higher the profit margin achieved by the company. This study shows that financial performance is a factor that can affect firm value. Companies can use high financial performance as a building block to increase firm value [54]. The increased demand for supplies will increase the Firm value. This is in line with research by [55], which suggests that financial performance impacts the firm value. He said that high financial performance would also make stock prices high in his study. Economic performance is also used as a benchmark for investor investment decisions. Fatimah et al. (2018) argue that investors seek the best financial return by investing their capital.

According to the signal theory that high financial performance indicates good prospects for the company, investors will respond positively to these signals, and the company's value will increase. In addition, the theory is strengthened by the indications provided by the company, which are very useful for stakeholders because they can be used as a reference in making investment decisions. This can be understood by companies that earn large profits, which can show good company performance to provide positive sentiment from investors, increasing the company's stock price. If the cost of the stock goes up in the market, the firm value goes up. This theory is consistent with a study by [10] that companies that generate high profits from operations will increase the price of their company shares. The research is consistent with the study by [34], [36] that high financial performance impacts the Firm value. The higher the profitability, the higher the Firm value. These results support the study [56] that found a positive influence between profitability and business value. [57] explain several mechanisms that can adapt to minimize agency problems in a business, reduce agency costs, and improve the financial performance and value of the business. [58] emphasize how the optimal use of leverage will enhance the company's financial performance to become a positive signal for external investors. Improving financial performance is a positive signal for investors to invest their funds in the company and influence share prices. Financial performance becomes a fundamental evaluation before the investment decision.

5.4 Corporate Governance on the Firm Value through Financial Performance

Based on the results of the test of the fourth hypothesis, namely, the influence of corporate governance on the firm value through financial performance, it can be concluded that the fourth hypothesis is accepted. Based on the Warp PLS test, economic performance can convey the relationship between institutional ownership and company value. High institutional participation can balance the administration's interests and the shareholders [26]. This hypothesis can prove that the information that the company emits through financial performance can add value to the company, which is then passed on to investors.

Corporate governance of companies that are doing well, the better their financial performance, the better the company, the higher the firm value. Over time, financial performance will improve along with improved corporate governance. The higher the company's worth, investors will be attracted to buying and selling shares [59]. The higher the company's financial performance position, the greater the firm value. In line with the research by [6], [19], [60] Corporate governance represented by representatives of the owners of the organization has a significant indirect impact on firm value when financial performance is used as an intermediary variable.

Signal theory can support the company's claims. Information obtained in the form of good job prospects will attract investors whose demand for shares increases and the value of the company increases. Corporate governance and financial performance are signals that motivate investors to make decisions. The better the corporate governance, the better the financial performance, which affects the company's high value. With the existence of one of these corporate governance mechanisms, it is hoped that the supervision of business leaders can be more productive in increasing business performance and value. So that when the company adopts the corporate governance system, it is expected that the company's performance will improve. As the company's performance increases, the company's stock price should be an indicator of firm value.

6 Conclusion

This study aims to determine how much influence corporate governance has on the firm value through financial performance as an intervening variable, which is listed on the Indonesian stock exchange from 2016 to 2018. Can draw the following conclusions from the analysis results: Based on the study results, it found that corporate governance as a substitute for institutional ownership has a negative effect on the firm value. A high degree of institutional responsibility can reduce the Firm value. The study results found that corporate governance as a substitute for institutional ownership impacts financial performance. The greater the participation of the institutional part, the greater the financial performance since the institutional component supervises the implementation of the management. The study results determine that financial performance influences firm value. High financial performance can increase the firm value. The study results found that corporate governance as a proxy for institutional ownership can mediate the relationship between Firm value and financial performance.

6.1 Limitations

The limitations in this study are relatively few dependent variables that only use one alternative in corporate governance. Therefore, this study does not describe the influence of other powers on corporate governance, which may explain the financial performance and Firm value. The sample in this study only uses the consumer goods industry sector, so it cannot be generalized to all manufacturing companies since each industrial sector has different characteristics.

6.2 Suggestion

For further researchers, this research becomes the basis for further research development because company performance is a good variable to be an intervening variable in the relationship between corporate governance and firm value. Furthermore, it can add more proxy corporate governance variables such as Independent Commissioners, Audit Committees, Owner Administrators, and Board of Commissioners. Other researchers can also use a different formula and use formula to determine firm value.

The population and sample for further research can be wider, not only for manufacturing companies in the consumer goods industry. This can be done for all companies listed on the Indonesian Stock Exchange so that the results of the research can be more comprehensive.

For investors who want to buy stocks while searching and gathering accurate information. Before investing, investors tend to look at the value of the company. In this case, both investors and potential investors should also consider the financial performance of a company.

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