The Effect of Risk Management and Good Corporate Governance on Financial Performance and Its Impact on the Firm Value

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Abstract: This research aims to test and prove empirically about the effect of Risk Management and Good Corporate Governance on Financial Performance and Its Impact on The firm Value [Study on Regional Venture Capital Company (PMVD) in Indonesia]. Population of this research are 27 companies of Venture Capital located in 26 Provinces, and that meet the criteria of sample are 27 companies of Venture Capital in 26 Provinces, so that total of observation analyzed to 162. Data used are statement of balance financial and income of PMVD from 2010 until 2015. Data source is from PT. Bahana Artha Ventura as mother company. Testing is done with Path Analysis. The analysis result shows that Risk Management has a significant negative effect on Financial Performance. GCG does not have a simultaneous effect on Financial Performance. Then Risk management has a significant negative effect on the Firm Value while Risk Management has a significant negative effect on the Firm Value through Financial Performance and GCG doesn’t have significant effect on the Firm Value through Financial Performance.

Keywords: Risk Management, Good Corporate Governance, Financial Performance and Firm Value

I. Introduction

In fact, venture capital has an important role to connect financial market, provide capital for companies that have trouble finding and drawing capital. These companies are generally small-scale and newly operating, filled with high uncertainty and large differences between entrepreneur and capital investor knowledge. Furthermore, these companies usually have very few real assets and operate in a rapidly changing market.

The growth of venture capital company in Indonesia is begun with Government Regulation No. 18/1973 on State Equity Participation. Then the first venture capital company formed in Indonesia is PT Bahana Pembinaan Usaha Indonedia (BPUI), a state owned enterprises (SOEs) whose share is owned by Department of Finance (82.2%) and Bank Indonesia (17.8%). The first venture capital company is ever in the spotlight in financial world of Indonesia after one of its subsidiaries, PT Bahana Artha Ventura (BAV), aggressively spread business all over the province, forming a Regional Venture Capital Company (PMVD) aimed at financing small and medium enterprises (UKM).

Venture capital investment is done because there is financing opportunity in company that does not have access to obtain loans from banks, for example it does not have enough collateral, not have a name and wide relationships among the business world or not have adequate financial statements. Venture capital financing has many opportunities in developing a business world that facilitates entrepreneurs or new entrepreneurs. Indeed venture capital investment has a very high risk but the risk is balanced with the return that will be obtained by investors.

Apart from the importance of personal equity in financing and encouraging the formation of new innovative companies and in relocating capital to more productive sectors of economy is relatively little knowledge about characteristics of personal equity as an asset class in terms of liquidity, risk and return. Private equity investment is compared to other asset classes, is actually illiquid, as well as in the absence of a secondary market that supports such investments.

Risk is uncertainty about future events. Uncertainty is a condition that causes risk growth. And if it is further examined, “uncertain condition” arises for various reasons, among others: The time spacing begins planning, the limited information required, the limitation of decision maker knowledge and so on. Risk Management is a structured approach to managing threat-related uncertainty, comprising risk assessment activities, developing strategies for making risk out which appears and reducing risk using managerial resources which exists.

In 1992, Good Corporate Governance (GCG) in the first is introduced by Cadbury Committee with definition that GCG is a set of rules governing relationships among shareholders, managers, creditors, governments, employees and other parties which have an interest relating to their rights and obligations. GCG is a sound corporate principle that needs to be applied to company that is implemented solely to safeguard the interests of company to achieve the goals and objectives of company.

Venture Capital has different funding format with other financing institution such as banking. The absence of guarantees in venture capital financing causes venture capital company unable to let entrepreneur...
financed go hang without interference. Venture capital company must be confident that the invested capital is not used for things that are not related to the company's objectives in order to ensure the return (return) of their investment. In relationship between venture capital company and individual/company financed encourages the need for good governance in managing the business cooperation.

Performance measurement can be used as a measure of the success of an organization in a certain period of time and performance measurement result can be used as input for correction and improvement of organization in the future. According to IAI (2007) financial performance is company's ability to manage and control its resources. Financial ratio analysis is a financial analysis technique to know the relationship between certain positions in the balance sheet and income statements both individually and simultaneously.

One of the important indicator to see company’s prospect in the future is to see how far the growth of company profitability. Weston and Copeland, (1996:2) state that profitability is the effectiveness of management shown by profits generated from sales or investment company. In this research the performance of company discussed is profitability of Return on Assets (ROA). The choice of ROA as an indicator of company performance, because this variable in some previous researches shows better performance measurement (Dodd and Chen, 1996), and ROA more represents the interests of stakeholders (Sudiyatno and Puspitasari, 2010:1-22).

This research aims to explain and analyze the effect of risk management and corporate social responsibility on Regional Venture Capital Company (PMVD).

II. Literature Review

Investment Theory

According to Tandelilin (2010:2), investment is a commitment to a number of funds or other resources being undertaken at the moment, with the aim of gaining some profit in the future. While Halim (2005:5) states that investment is essentially a placement of funds at the moment in hope of making a profit in the future. Generally the investment is categorized into two types namely, real assets and financial assets. Real asset is tangible like buildings, vehicles and land. While the financial asset is the indirect claims document of the holder to real assets of the party publishing the securities. Financial investment is generally done through the capital market.

Agency Theory

In business development the owner faces problems related to company management. In this condition the owner can not manage alone, consequently the responsibility of company management is delegated to the second party. This decision led to the separation of ownership and control of company between the owner as principal and manager as agent (Jensen and Meckling, 1976).

Manager gets wages and other incentives from company because they represent the owners of company in making decisions. In this case, a manager is an agent who acts on behalf of shareholder (principal). The relationship between principal and agent is called the agency relationship (Rao, 1992:27).

Agency theory focuses attention on agency problem that occurs when there is an agency relationship between the principal and the agent. In this case the principal delegates authority to agent to make a decision (Anthony and Govindarajan, 2003). Premise of agency theory is that agent behave self-interested, risk averse, rational actors who always try less effort (moral hazard) and adverse selection. This agency theory tries to solve two problems related to the agency problem, namely (1) problem of monitoring that arises because principal can not prove whether the agent has behaved appropriately; (2) problem of risk sharing, particularly in cases of outcome control that arises when principal and agent behave differently about risks (Eisenhardt 1989: 57-74).

The basic idea of agency theory management provides a new perspective on corporate governance. Company is shown as a cooperative relationship between the principal (shareholder or owner of company) and agent (management). The existence of vested interest management results in the need for check and balance to reduce the possibility of power abuse by management. Mechanism that can be done to overcome this problem is to apply Good Corporate Governance. Good Corporate Governance (GCG) is a form of good corporate management, which includes a form of protection to the interests of shareholders (public) as owner of company and creditors as external funders. A good corporate governance system will provide effective protection to shareholders and creditors to recover the investment fairly, appropriately and efficiently, and to ensure that management acts as well that can be acted for the benefit of company (The Indonesian Institute for Corporate Governance, 2006).

Value of the firm

The main purpose of company according to theory of the firm is to maximize the wealth or value of the firm (Salvatore, 2005). Maximizing value of the firm is very important for a company, because by maximizing value of the firm means also maximizing shareholder wealth that is the main purpose of company.

According to experts definition of firm value is different, the opinion of Husnan (2012:6) for
companies that have not been “go public” firm value is a price that is willing to be paid by prospective buyer if the company is sold, while for companies that have been “go public” firm value can be seen from the existing shares value in capital market. The value of share itself is defined by the number of shares multiplied by the market value per share plus the debt value, assuming if the debt value is constant then directly increase of share value will increase the value of company.

According to Suharli (2006), there are some common approaches to assess the company, among them: (1) Profit Approach, namely, method of earning ratio ratio or Price Earning Ratio. (2) Cash flow approach includes the discounted cash flow method. (3) Dividend approach includes the method of dividend growth. (4) Asset approach includes asset valuation method. (5) Stock price approach. (6) Economic Value Added (EVA) Approach.

III. Research Method

Types of Research

The type of this research is descriptive research and verification research. Descriptive research relates to data collection to give description about Risk Management and Good Corporate Governance and Financial Performance of Regional Venture Capital Company (PMVD) in Indonesia, while Verification research is a research testing hypothesis to know the effect of Risk management and Good Corporate Governance on Financial Performance and its impact on the Value of PMVD Companies in Indonesia.

Population, Sample and Sampling Technique

Sample population is a generalization area consisting of objects/subjects that have certain qualities and characteristics set by researcher to be studied and then drawn conclusions. So population is not just people, but also objects and other natural objects. Population is also not just the number of objects/subjects studied, but includes all characteristics/properties possessed by the subject or object (Sugiono, 2014:61). In this research the population of research is PMVD in Indonesia which amounts to 27 companies. Sample is everything that is made into unit which will be the object of research (Somatri and Muhidin, 2006:45). The number of PMVD samples researched amounted to 27 companies. The following table:

<table>
<thead>
<tr>
<th>No.</th>
<th>PMVD</th>
<th>Built in</th>
<th>Province</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Venture West Java Facility</td>
<td>October 28, 1993</td>
<td>West Java</td>
</tr>
<tr>
<td>2.</td>
<td>Venture North Sumatra Facility</td>
<td>September, 23 1994</td>
<td>North Sumatra</td>
</tr>
<tr>
<td>3.</td>
<td>Venture East Java Facility</td>
<td>October 05, 1994</td>
<td>East Java</td>
</tr>
<tr>
<td>4.</td>
<td>Venture Central Java Facility</td>
<td>November 26, 1994</td>
<td>Central Java</td>
</tr>
<tr>
<td>6.</td>
<td>Venture South Sulawesi Facility</td>
<td>December 01, 1994</td>
<td>South Sulawesi</td>
</tr>
<tr>
<td>7.</td>
<td>Venture Bali Facility</td>
<td>December 10, 1994</td>
<td>Bali</td>
</tr>
<tr>
<td>8.</td>
<td>Venture Surakarta Facility</td>
<td>April 26, 1995</td>
<td>Central Java/Solo</td>
</tr>
<tr>
<td>9.</td>
<td>Venture Lampung entura</td>
<td>May 08, 1995</td>
<td>Lampung</td>
</tr>
<tr>
<td>10.</td>
<td>Venture South Sumatra Facility*</td>
<td>May 18, 1995</td>
<td>South Sumatra</td>
</tr>
<tr>
<td>11.</td>
<td>Venture West Sumatra Facility</td>
<td>May 28, 1995</td>
<td>West Sumatra</td>
</tr>
<tr>
<td>12.</td>
<td>Venture West Kalimantanan Facility</td>
<td>June 21, 1995</td>
<td>West Kalimantanan</td>
</tr>
<tr>
<td>13.</td>
<td>Venture East Kalimantanan Facility</td>
<td>July 01, 1995</td>
<td>East Kalimantanan</td>
</tr>
<tr>
<td>16.</td>
<td>Venture North Sulawesi Facility</td>
<td>October 27, 1995</td>
<td>North Sulawesi</td>
</tr>
<tr>
<td>17.</td>
<td>Venture NTB Facility</td>
<td>December 05, 1995</td>
<td>West Nusa Tenggara</td>
</tr>
<tr>
<td>18.</td>
<td>Venture Papua Facility</td>
<td>April 11, 1996</td>
<td>Papua</td>
</tr>
<tr>
<td>19.</td>
<td>Venture Maluku Facility**</td>
<td>12 April 1996</td>
<td>Maluku</td>
</tr>
<tr>
<td>20.</td>
<td>Venture Riau Facility</td>
<td>July 23, 1996</td>
<td>Riau</td>
</tr>
<tr>
<td>21.</td>
<td>Venture Southeast Facility</td>
<td>October 30, 1997</td>
<td>Southeast Sulawesi</td>
</tr>
<tr>
<td>22.</td>
<td>Venture Central Sulawesi Facility</td>
<td>March 25, 1997</td>
<td>Central Sulawesi</td>
</tr>
<tr>
<td>23.</td>
<td>Venture Central Kalimantanan Facility</td>
<td>May 08, 1997</td>
<td>Central Kalimantanan</td>
</tr>
<tr>
<td>24.</td>
<td>Venture South Kalimantanan Facility</td>
<td>September 06, 1997</td>
<td>South Kalimantanan</td>
</tr>
<tr>
<td>25.</td>
<td>Venture Bengkulu Facility</td>
<td>December 20, 1997</td>
<td>Bengkulu</td>
</tr>
<tr>
<td>26.</td>
<td>Venture NTT Facility</td>
<td>January 22, 1998</td>
<td>East Nusa Tenggara</td>
</tr>
<tr>
<td>27.</td>
<td>MVI/ Jakarta Facility</td>
<td>February 05, 1998</td>
<td>DKI Jakarta</td>
</tr>
</tbody>
</table>

- Information : * Liquidation process ; **NPI above 50%

Operationalization of Variables

In path analysis model known two types of variables are exogenous variable and endogenous variable. Exogenous variable gives direct or indirect effect on endogenous variable. While endogenous variable is a variable that can give effect other endogenous variable.

In accordance with the framework of thinking that has been developed, the exogenous variables in this research are Risk Management (X1) and Corporate Governance (X2), while endogenous variables are Financial...
Operational definition is a definition given to a variable or a constraint by means of giving meaning, or specifying an activity, or providing an operational given to measure the constituent or variable (Moh Nazir, 2009:126). Description of variables operationalization in this research are as follows:

1. **Firm Value (Y)**
   a. Conceptual definition
   Firm value is the amount of cost that a prospective buyer is willing to pay if the company is sold.
   b. Operational definition
   Firm value is the value of Altman Z-score which is a variable to measure the potential of bankruptcies obtained from the sum of multiplication results of a certain constant value each with 5 elements of ratio those are: Working Capital divided by Total Asset, Profit held divided by Total Asset, Profit before tax interest divided by Total Asset, Share book value divided by book value, Total Debt and Total Long Term Investment and Short Term divided by Total Asset.

2. **Financial Performance (X3)**
   a. Conceptual definition
   Financial Performance is determination of certain measures that can measure the success of an organization or company in generating profit (Sucipto, 2003).
   b. Operational definition
   Financial performance is a measure of organizational achievement in financial field. In this research measure of financial performance is represented by performance of profitability. Profitability includes: Return on Asset (ROA), Return on Equity (ROE), Residual Income, and Economic Value Added (EVA). In this research the profitability measure selected is ROA.
   \[
   \text{ROA} = \frac{\text{Net Income after Tax}}{\text{Average Total Assets}}
   \]

3. **Risk Management (X1)**
   a. Conceptual Definition
   Risk management is a set of policies, comprehensive procedures that an organization owned for managing, monitoring and controlling risk that may arise.
   b. Operational definition
   The research object in this research is a venture capital company which risk is potential loss due to the occurrence of certain events which include market risk, liquidity risk, operational risk, and credit risk (financing), especially Non proforming Investment (NPI) become the measure of this research.

4. **Corporate Governance (X2).**
   a. Conceptual Definition
   Good Corporate Governance (GCG) is a system that regulates and controls companies expected to provide and increase Firm value to shareholders.
   b. Operational definition
   GCG mechanism is characterized by institutional ownership, management ownership, presence of audit committee and independent commissioner. So operationalization variable of corporate governance is: Value of institutional share ownership.

3.5 **Types and Data Sources**
   The type of data in this research is secondary data. Secondary data can be financial report data, report of advocacy and coaching resources for Business partner company (PPU), and other reports related to the discussion in this research owned by PMVD period 2010-2015. Sources of data in this research are:
   1. PT.Bahana Artha Facility as Mother Company is as the source of PMVD financial report data.
   2. Regional Venture Capital Company related to the ownership of financial report data, Collectibility report of Financing/Investment (NPI) from Business partner company (PPU), GCG mechanism and other reports related to the discussion in this research.

**Inferential data analysis.**
Path analysis is a technique of statistical analysis developed from multiple regression analysis. In regression model, model formed is used to predict endogenous variables if the exogenous variables are known. While in path analysis, model formed is used to explain the magnitude of effect (not predicting) of exogenous variable on endogenous variable.
In path analysis there are two analysis methods, namely decomposition method and trimming method. If the objective of the research is to form a causal model that inserts all observed variables then decomposition method is used. While trimming method is used to improve a model of path analysis structure by removing exogenous variables whose path coefficients are not significant.

The application of path analysis using Firm Value (NP) data results in a causal model of NP formed due to causal influences affecting the structure within the model. This analysis is based on the effect model among variables to know the effect of Risk Management (RM), Good Corporate Governance (GCG) and Financial Performance (KK) on NP.

IV. Result And Discussion

1. Path Analysis
   A. Direct Effects

      ![Direct Effects Diagram]

      |   | x2  | x1  | Y     |
      |---|-----|-----|-------|
      | y | .015| -.303| .000 |
      | z | -.324| -.3166| 20,725|

      Based on the result of AMOS output in Table 4.9 it is obtained the coefficient value of path of 0.30 with P value of 0.000 or P < 0.05 Thus Risk management (RM) has a significant negative effect on Financial Performance the better of RM the better of PMVD Financial Performance, Thus the first hypothesis stating that Risk Management has a significant effect on PMVD Financial Performance based on the result proved. The direct effect of RM on KK., According to existing standardized data of (-) 0.669.

      b. The direct effect of Good Corporate Governance on Financial Performance.

      ![Direct Effects Diagram]

      |   | x2  | x1  | Y     |
      |---|-----|-----|-------|
      | y | .026| -.669| .000 |
      | z | -.015| -.185| .548 |

      From the result above it shows the coefficient value of this path is 0.015 with a P value of 0.666 or
The Effect Of Risk Management And Good Corporate Governance On Financial Performance And Its

P>0.05, or not significant thus the Good Corporate Governance (GCG) doesn’t have effect on financial performance of PMVD, so the second hypothesis There is a significant direct effect on Financial performance is not proven. The magnitude of GCG direct effect on financial performance to 0.026 (standardized).

![Diagram](image)

d. Direct Effect of Risk Management on the Value of PMVD Companies.

Direct Effects (Group number 1 - Default model)

<table>
<thead>
<tr>
<th></th>
<th>x2</th>
<th>x1</th>
<th>y</th>
</tr>
</thead>
<tbody>
<tr>
<td>y</td>
<td>.015</td>
<td>-.303</td>
<td>.000</td>
</tr>
<tr>
<td>z</td>
<td>-.324</td>
<td>-3.166</td>
<td>20.725</td>
</tr>
</tbody>
</table>

Standardized Direct Effects (Group number 1 - Default model)

<table>
<thead>
<tr>
<th></th>
<th>x2</th>
<th>x1</th>
<th>y</th>
</tr>
</thead>
<tbody>
<tr>
<td>y</td>
<td>.026</td>
<td>-.669</td>
<td>.000</td>
</tr>
<tr>
<td>z</td>
<td>-.015</td>
<td>-.185</td>
<td>.548</td>
</tr>
</tbody>
</table>

From the result it shows that coefficient value in this path is 3.166 with P value 0.017 or P < 0.05, hence Risk management (RM) has negative and significant effect on Firm Value. This means that the smaller of RM the better of Firm Value. So the third hypothesis There is a significant direct effect of RM on NP proven. Standardized direct effect RM on NP by (-) 0.18.

e. Direct Effect of Risk Management on the Value of PMVD Companies.

![Diagram](image)

Direct Effects (Group number 1 - Default model)

<table>
<thead>
<tr>
<th></th>
<th>x2</th>
<th>x1</th>
<th>y</th>
</tr>
</thead>
<tbody>
<tr>
<td>y</td>
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<td>.000</td>
</tr>
<tr>
<td>z</td>
<td>-.324</td>
<td>-3.166</td>
<td>20.725</td>
</tr>
</tbody>
</table>

Standardized Direct Effects (Group number 1 - Default model)

<table>
<thead>
<tr>
<th></th>
<th>x2</th>
<th>x1</th>
<th>y</th>
</tr>
</thead>
<tbody>
<tr>
<td>y</td>
<td>.026</td>
<td>-.669</td>
<td>.000</td>
</tr>
<tr>
<td>z</td>
<td>-.015</td>
<td>-.185</td>
<td>.548</td>
</tr>
</tbody>
</table>

The result shows that coefficient value in this path is 0.324, with P value 0.796 or P > 0.05, it means that not significant so the fourth hypothesis there is a significant direct effect of GCG on Firm Value (NP) is not proven, and the standardized direct effect of GCG on NP by (-) 0.015.


![Diagram](image)

Direct Effects (Group number 1 - Default model)

<table>
<thead>
<tr>
<th></th>
<th>x2</th>
<th>x1</th>
<th>y</th>
</tr>
</thead>
<tbody>
<tr>
<td>y</td>
<td>.015</td>
<td>-.303</td>
<td>.000</td>
</tr>
<tr>
<td>z</td>
<td>-.015</td>
<td>-.185</td>
<td>.548</td>
</tr>
</tbody>
</table>

The result shows that coefficient value in this path is 0.55, with P value 0.796 or P > 0.05, it means that not significant so the fourth hypothesis there is a significant direct effect of GCG on Firm Value (NP) is not proven, and the standardized direct effect of GCG on NP by (-) 0.015.
The Effect Of Risk Management And Good Corporate Governance On Financial Performance And Its

Based on the result shows the coefficient value of this path is 20.725 with P value 0.000 or P < 0.05, Thus, Financial Performance has a significant positive effect on Firm Value. It means the better of Financial Performance the better of Firm Value. Thus the fifth hypothesis which states that Financial Performance has a significant positive effect on Company Value is proven. With the magnitude of Standardized direct effect of Financial Performance on Firm Value by 0.548.

B. Indirect Effects.

To know indirect effects, hence based on path analysis result, can be seen in following table:

Table 4.10 Indirect effects

<table>
<thead>
<tr>
<th>Variabel</th>
<th>x2 (GCG)</th>
<th>x1 (RM)</th>
<th>Y (KK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y (KK)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Z (NP)</td>
<td>.304</td>
<td>-6.273</td>
<td>.000</td>
</tr>
</tbody>
</table>

Based on the table it can be explained as follows:

a. A. Risk Mananagement (RM) through Financial Performance (KK) to Firm Value (NP).

From the result shows the coefficient value in this path is -6.723 with a value of P 0.000 or P < 0.05 thus the RM has a significant negative effect on Firm Value. It means the better of RM then the Firm Value will also be better, and the magnitude of indirect effect (Standardized) is (-) 0.366.

b. The effect of Good Corporate Governance (GCG) on Firm Value (NP) through Financial Performance (KK)

From the result shows the coefficient value in this path is 0.304 with a value of P 0.796 or P > 0.05,
The Effect of Risk Management and Good Corporate Governance on Financial Performance and Its Indirect Effects

Thus, GCG through Financial Performance doesn’t have a significant effect on Firm Value. The magnitude of indirect effect of GCG on Firm Value through financial performance (standardized) is 0.14.

The Effect of Risk Management on Financial Performance

Based on the results of this research it shows the effect is significant, negative that is not unidirectional between risk management (NPI) and financial performance (ROA) which means that the smaller the NPI, the greater ROA obtained by PMVD. This is in line with the finding of Adeusi et al (2014) that better management of risk management results in better financial performance of banks while according to Olamide et al (2015), that Risk Management does not always lead to positive financial performance of bank, although effective risk management in financial institutions reduces systemic and economic damage but it does not guarantee an increase in equity yield. And finding of Atar et al (2014); Implementation of credit risk management affects the financial performance of banks. It is known that the income source of PMVD is from investment to Business partner company either in the form of financing with profit sharing pattern or in the form of equity participation, if the condition of financing is healthy in which PPU can timely pay the obligation to return principal loan and timely profit sharing every periodic that is appropriate with the agreement of financing agreed between PMVD and PPU.

The Effect of Good Corporate Governance on Financial Performance

Based on this research, the effect of GCG on financial performance is not significant. This is in line with Hastuti’s research (2005), which found that there is no significant relationship between ownership structure and company’s financial performance. Permatasari and Novitasury (2014), found that the GCG composite value variable does not give directly effect on the financial performance (ROE). Vary with Todorovic (2013); Maher and Anderson (1999) that GCG gives effect on company’s financial performance. GCG in this research is institutional shareholding (shareholder) that tends to be non-operational or represented in the structure of Commissioners body (Board of Commissioners) of PMVD, referring to the policy of Financial Services Authority (OJK) in Indonesia, limiting the movement of Board of Commissioner limited to provide directions, Help to make operational strategic policy of PMVD while the implementation is fully submitted to the Board of Directors of PMVD to run it, however in act of Limited Liability Company (PT), it is mentioned that Board of Commissioners may be given the authority regulated in statutes of company without the approval or assistance of the Board of Commissioners, the right doing Conducted by the Board of Directors shall remain binding on the Company. In this position the premise of agency theory applies that an agent can lead to agency problem, because once authority has been delegated to the agent to make a decision at this point the issue will arise. For that intense supervision, which is inserted in procedure and adequate system and then supported by the commitment and integrity of the Board of Directors as PMVD managers can improve the financial performance of PMVD.

The Effect of Risk Management on Firm Value

The result of this research indicates that the effect of risk management on company value is not significant. This is in line with research of Rumondor et al (2015) Company Risk has a negative and not significant effect on Corporate Value, vary with McShane et al (2011) found that there is a positive relationship between ability increase of Traditional risk with Firm Value, while Tahir and Razali (2011) found that the Company’s Risk Management has a positive and significant effect on Firm Value. It can be explained that if risk management (NPI) increases then the Firm value will decrease, otherwise if the NPI decreases then Firm value will rise. Risk management (NPI) is a healthy quality of a financing to PPU in PMVD, which is included in category of NPI is (sum of non-current financing + doubtful financing + truble financing), Investment is a commitment to a number of funds or other resources being undertaken at this time with the aim of obtaining some future benefits (Tandelilin, 2010). If investment invested for the purpose of obtaining profit is not obtained then this will turn into risk. Because the risks as a possibility to get a lower profit than expected profit or will not receive anything from the Investment (Poon et al, 1992). Thus, a low NPI can also influence the Firm Value to be high.

The Effect of Good Corporate Governance on Firm Value

The result of this research indicates that the effect of good corporate governance (GCG) is not significant on Firm Value, this indicates that the institutional shareholders (GCG) does not result in up or down
the Firm Value. This is in line of OJK policy at bank and non bank financial institutions to do the duties division of Supervision and operations of companies in which the position of shareholder which is usually represented on the board of commissioners can not perform direct operational duties on the running of company. Vary with the findings of Randy and Juniarti (2013), which means that if the value of GCG rises then the Firm Value will also rise. The results of this research in line with the finding of Retno M and Priatintah (2012), and Wardoyo and Veronica (2015) found that GCG has a significant positive effect with Firm Value. It can be explained that the shareholder role as a variable of GCG researched can oversee the agent, with simple questions such as: 1) Can the company pay interest and loan installments?, 2). Does the company get a return on invested capital ?, 3) Is the company effective in using debt financing and is the cost in supervision control?, 4). Does the company market experience the growth or decrease and are the changes that occur opportunities and threats?. These examples of such questions are part of duties and control functions of shareholder to assess whether the company's performance is working as expected or in accordance with the Annual Work Plan and Budget (RKAT), annually. The result achieved is the answer to the company’s performance, which is also certainly a financial performance that gives impact on Firm Value. Firm Value is the price that is willing to be paid by prospective buyers if the company is sold while for companies that have been “go public” the Firm value can be seen from the value of shares in stock market. And PMVD is a company that have not been “go public”.

The Effect of Financial performance on Firm Value.

Based on the result of this research showed that financial performance has significant effect on Firm Value. Result of this research is in line with Wardoyo and Veronica (2013), Mahendra Dj et al (2012), Pertawi and Ika Pratama (2012), found that financial performance has significant effect on Firm Value. This can be explained that if financial performance of ROA increased then it gives impact on Firm Value which also increased.

An analysis of PMVD financial performance condition to explore information relation to objectives, profitability, efficiency and risk level. This can be obtained from financial ratios sourced from PMVD financial report, namely: Balance Report, Income Statement and Cash Flow Statement. In financial performance variable is used Return On Asset abbreviated ROA that is ratio that divides between net profit after tax with average assets at the beginning and the end of period. This ratio is used to see the ability of PMVD in managing each asset value owned to generate net profit after tax. The higher of ROA value of a PMVD the better of PMVD's ability to manage its assets. And a final impact on the increase of PMVD Firm Value intended.

The indirect effect of Risk Management (RM) on Firm Value (NP) through Financial Performance (KK).

The result of this research shows that the effect of RM on NP through KK in total has positive effect. KK which increases will affect NP which is getting better or increased, but the problem is in RM if RM is negative or increase then KK will decrease so that if RM is well managed, starting with the initial selection of Business Partner Company (PPU) which really have future prospect and manager must have a high integrity and adhere to business plan that has been agreed early and managed with good management which will result in all the financing which will be healthy and able to pay the obligation for profit sharing and the principal on time, which is a source of PMVD income thus it will have an impact on increasing of ROA so KK will be better on the contrary if RM is increased or not managed well it will decrease KK and eventually NP will decrease.

The indirect effect of Good Corporate Governance (GCG) on Firm Value (NP) through Financial Performance (KK).

The result of this research shows that the indirect effect of GCG on NP through KK. In total its effect is positive and the problem on path of GCG to KK is negative so that the Institutional Shareholder needs to do is to affirm to the Board of Commissioners as shareholder representatives to conduct intense supervision and coaching to PMVD manager and will have an impact to good financial performance also and result in Firm Value will also be high. Although PMVD Firm Value assessed uses the Altman Zscore Model approach varies and it is seen from grouping of category 1 to 4 grouped based on the total value of existing assets entering the gray and bankrupt areas this shows that it is true that venture capital company finance projects or Businesses with high risk level and the company usually lack adequate assets, lack of market access and also a one man show, most of PPU financed is Small Enterprises and Micro Enterprises in the category intended. Naturally, The Altman Zscore model detects the condition of Firm Values of PMVD which is in the position of the Gray and the bankrupt areas, this is because the PMVD does financing to PPU or a business that has a high Risk. PMVD mostly still survive because it still maintains the level of efficiency in management of its business. Efficiency level can be seen from BOPO ratio that is ratio of Operational Cost to Operational Income, if BOPO is smaller then it means efficiency is achieved. If efficiency can be achieved then financial performance of ROA also will grow and increase so that the PMVD Firm Value will grow and increase also. However, in this research, PMVD has not set the standard of BOPO Ratio which is used as a reference in business management to realize the
The Effect Of Risk Management And Good Corporate Governance On Financial Performance And Its Impact on Firm Value

Work Plan and Annual Budget by PMVD manager, if this is applied it will have an impact on the better financial performance and also impact on the Firm Value getting better.

Novelty
Novelty is a requirement in dissertation writing, based on previous research results which have been discussed and described in chapter 2 on Risk Management, Good Corporate Governance, Financial Performance and Firm Value, then the novelty in this research is as follows:
1. Novelty of this research found that PMVD has not set a reference to the efficiency ratio of Operating Cost compared to Operating Income. If this ratio is set, each PMVD will adjust the percentage of total operating costs based on operating income in the arranging of Work Plan and Corporate Budget (RKAP) per year.
2. Novelty Variable of research that discusses jointly Risk Management, Good Corporate Governance, Financial Performance to Firm Value has not existed in previous research.
3. Novelty of research on industry of Venture Capital Company especially is in Regional Venture Capital Company in Indonesia.

V. Conclusion And Suggestion
Based on the results of research and analysis conducted by researcher on the effect of risk management, good corporate governance on financial performance and its impact on corporate value [study on Regional Venture Capital Company (PMVD) in Indonesia] period of 2010 – 2015, concluded that Risk management has a direct negative significant effect on Financial Performance, Good Corporate Governance has no significant effect on Financial Performance, Risk management has a significant negative effect on Firm Value, Good Corporate Governance doesn’t have a significant effect on Firm Value, Financial Performance has a significant and positive effect on Firm Value, and risk management has a significant effect on Firm Value through Financial Performance and Good Corporate Governance doesn’t have significant effect on Firm Value through Financial Performance.

In addition, from the results of research, the suggestion that can be given is the first Risk Management control (NPI) should be started on initial selection of Business Partner Company Candidates (CPPU) to be funded, not limited to business prospects but character, integrity and commitment of PPU. It is necessary to be concerned by the Board of Directors in selecting (CPPU), in order to obtain certainty of moral obligation on business management and business risk to be faced in the future; The second Duties and Function of Supervision/control from shareholder must be intense and sustainable not only at RUPS but it is conducted by Board of Commissioner as an extension of shareholder quarterly by studying the results achieved and discussed transparently with Director/agent; The third Financial Ratio is an effective monitoring tool to assess the results achieved, but needs sterning a range/ limit of efficiency ratio which is the ratio of comparison between operational costs and operating income, so that Director/agent knows and maintains operational cost efficiency, to achieve an adequate profit; The fourth in addition to the effect of Risk Management, Good Corporate Governance and Financial Performance on Firm Value, it is necessary to consider other non-financial factors that there is a possibility of improving the quality of human resources both staff and employees, especially Business Partner Company need to be given the appropriate training and needed in the effort of increase in Firm Value and Paying attention to PMVD which has reached 2.5 decades, then forming of cadres becomes important and keep the spirit of Venture Capital to work professionally, loyal and integrity as well as sincere for the progress of business partner/Business Partner Company (PPU).

Limitation of Research.
The research undertaken is still limited to know the direct and indirect effect of Risk Management, Good Corporate Governance on Financial Performance and Its Impact on Firm Value. To complete this study it is suggested to the next researcher to equip with other Non Financial Variables.

References
The Effect Of Risk Management And Good Corporate Governance On Financial Performance And Its Impact on the Performance of Public Sector Institutions

The research is conducted using a quantitative approach with a survey method. The population consists of employees of the Ministry of Education, and the sample consists of 367 respondents from 26 public universities in Indonesia. The data analysis technique used is multiple regression analysis using SPSS software.

The results show that risk management and good corporate governance have a positive and significant effect on financial performance, which means that risk management and good corporate governance contribute to improving financial performance. Therefore, it is necessary for public sector institutions to implement risk management and good corporate governance in order to improve their financial performance.
The Effect Of Risk Management And Good Corporate Governance On Financial Performance And Its Impact


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