



SUSTAINABLE COMPANY VALUES THROUGH CORPORATE GOVERNANCE AND PROFITABILITY

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ARTICLE INFO	ABSTRACT
<p>Article History: Received: 15 November 2017 Accepted: 27 January 2018</p>	<p>This research explores the direct influence of corporate governance and profitability for capital structure in the company values. This research uses purposive sampling which involves 99 manufacture companies under the written stock exchange in Indonesia 2013-2015. The proxy of corporate government with CEO duality, broad size, audit committee, broad composition, institutional ownership. The data is gathered by using nonparticipant then analyzed by path analysis. Audit committee as the proxy of corporate governance shows negative result while broad composition shows positive result to capital structure. The CEO duality, broad size, and institutional ownership shows less significant. The further result shows that corporate government does not give significant influence to company values, while the direct influence of profitability is indeed does not give significant effect to capital structure but it gives significant effect to company values. This research contributes to economics especially in capital structure in order to have decision taking of stock stakeholders.</p>
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1. INTRODUCTION

The greatest gain of company values is the company's sustainability project. This is portrayed in stock market which the investor judgment toward the company is based on its stock market's value flow. The important measure of a company is seen from the wealth of stock holder, thus the corporate governance and financial leverage are vital for maximizing the wealth of stock holder (Gibbs, 1993). (McKinsey & Company, 2002; Obradovich & Gill, 2012) corporate governance is a set of mechanism controlling the flow of business in order to improve the quality and accountability for the sake of considering involved parties' interest which is not only prioritizing the stock holder, the good practice of corporate government will thus improve the company value (McKinsey & Company, 2002).

The good corporate governance plays important role in improving company's value (Bhagat & Bolton, 2008; Klapper, Laeven, & Love, 2006; Obradovich & Gill, 2012) therefore the healthy corporate governance and optimum modal is needed in order to improve company's quality. Corporate governance is defined as a system where business company is directed and controlled (Kajola, 2008). The structure of optimum modal including some debt which is not 100% debt is the best ratio debt/equity for company minimalizing payment and reduce the probability of bankruptcy (Obradovich & Gill, 2012; Tait & Loosemore, 2012).

According to (M. C. Jensen & Meckling, 1979) the managerial and institutional ownership are the most important corporate governance mechanism to control agent cases. The problem of corporate governance is caused by the separation of company ownership operation. This separation ignites conflict of interest between the owner and management, the management side demands the company to improve and the owner wants the wealth is improved. The growth of company value is important to improve the wealth of stock holder and reach the company purpose comprehensively. Thus, it is crucial to explore any possibilities and factors that influence the company's value. Therefore, the study of corporate governance impacts and financial leverage in company's value delivered by (Obradovich & Gill, 2012) is explored in Indonesia by making manufacture company as an object.

According to (Chen & Chen, 2011), in the latest decade, the influence of profitability and leverage in company value has been a prior challenge in the company's decision making. Under the competitive circumstance in order to survive and develop, the company has to find solution to invest in order to increase the company's value. The source of company's necessity could be from external and internal factors. Somehow, if the internal funding is used, the cash dividend which is returned is induced. The increased debt tend to influence agency cost in relation to limiting the excessive free cash flow, improving monitoring, improve the pressure of performance against bankruptcy and possibility to break down the dissemination of stock by management. Thus this research adds profitability as variable which gives either direct or indirect influence for the value of company through capital structure, this is portrayed in (Kowalewski, 2012).

Profitability as defined in this research is ratio of management effectiveness based on the result of returned sold investment. Profitability ratio consists of margin profit, basic earning power, return on asset, and return on equity. This study measures profitability by Return on Assets (ROA). Return on Assets is a ratio showing the ability of a company in gaining net profit by using its assets to return stock holder equity. ROA is a financial ratio that is used to measure asset's profitability. According to (Winarso, 2014) the greater result of ROA the greater is the company's performance. The improved ratio shows the improvement of management performance especially to manage the effective funding operational for having net profit (improved profitability), thus it can be said that instead of concerning management effectiveness in managing investment owned by the company, investors also can see the effective management performance to create net profit. This is the positive sight the investor can have, thus it creates investor's trust and the company's management will get easier to attract modal in the form of stock. If there is increased stock demand in a company, the stock value will be increased.

The above description makes this research clear that corporate governance has been widely studied, but little observed the further sustainable development of corporate governance and profitability through capital structure in at least two ways. One, focusing on Indonesian company and two this research validates the previous research by examining the relation of corporate governance and the value of a company through capital structure from government's sample. This research also gives additional information from previous researches especially in profitability and capital structure in the company values.

2. REVIEW OF RELATED STUDIES

Using modal for company's activity is should be done wisely. Modal received by the company is used as best as possible for company' operational and if the internal funding source from company is out of fund, the company has to find new modal source. Solutions of finding new modal source could be varied such as debt, preferred stock, common stock, stock retained to fund the company's operational. However those solutions should be followed by

the good team work lead by the company holders' interest which has to create good corporate governance. The capital structure is therefore influenced (Adebayo, Olusola, & Abiodun, 2013; Mokhtari & Makerani, 2013; Okiro & Aduda, 2015) shows that there is a positive influence that is significant from capital structure (leverage) in the relation between corporate governance and firm performance. However, (Klapper et al., 2006) (Kumah, 2013; Mokhtari & Makerani, 2013) finds that All Shared Index in Ghana's Stock Exchange has been growing in this decades with the number 30.6% currently in the returned rate per-decade 37%. Manufacture sector, beer and banking dominate the exchange.

The previous literature agrees under the matter of profitability, the company return high investment profitability using low relative debt (Brigham & Houston, 2009) (Y. A. Al-Matari, Kaid Al-Swidi, Hanim, Fadzil, & Al-Matari, 2012). This happens because the high ratio of return make it possible that their main funding is not form the debt, hence it can be concluded that profitability has negative effect to debt and modal structure and so (Chen & Chen, 2011) research finds that profitability gives negative impact in modal structure. But (Hermuningsih, 2013) finds that profitability has positive impact for modal structure. Here are the hypotheses;

- H1: There is a direct influence of corporate government with CEO duality proxy in capital structure.
- H2: There is a direct influence in corporate governance with broad size proxy in capital structure.
- H3: There is a direct influence in corporate governance with audit committee proxy in capital structure
- H4: There is a direct corporate governance with broad composition proxy with capital structure
- H5: There is a direct corporate governance with institutional ownership proxy in capital structure
- H6: There is an influence of profitability in capital structure.

2.1. The influence of Corporate Governance and Profitability in the Government Value

The practice of good corporate government principle concretely has many purposes which are easy access for domestic or foreign investor, getting a cheaper capital cost, giving better decision to improve company's economic performance, improving stakeholders believe and trust, protecting directors and commissaries law plea and protecting the stock holders minority. Company practicing good governance is more efficient and competitive, thus its sustainable will be received. The practice of good corporate governance is believed to be improving the value of company. Some research done by (Obradovich & Gill, 2012) finds that good corporate governance in CEO duality proxy, broad size and audit committee influence the value of company in America Mak and Kusnadi (2005), proves little the relation within corporate governance mechanism. (E. M. Al-Matari, Al-Swidi, & Fadzil, 2014; Obradovich & Gill, 2012), finds that CEP duality and broad size gives positive influence and significant in Tobin's Q. It is found that the positive relation between CEO duality and the company value. (Cabrera-Suárez & Martín-Santana, 2015) explain that broad competition has performance influence.

Most of arguments believe that profitability is company's ability to gain profits in particular periods and measure company's performance. The more profitable the company is, it could be indicated that the company has either good or worse performance. The finding of

(Chen & Chen, 2011) and (Adebayo et al., 2013; Hermuningsih, 2013) believes that profitability has direct influence to company's value. Hereby the hypotheses;

- H7: There is a direct influence corporate governance with CEO duality proxy in the company's value
- H8: There is a direct influence of corporate governance with broad size proxy in the company value
- H9: There is a direct influence of corporate governance with audit committee proxy in the company value
- H10: There is a direct influence of corporate governance with broad composition proxy in the capital structure
- H11: There is a direct influence of corporate governance with institutional ownership proxy in the company value
- H12: There is an influence of profitability in the company value.

2.2. The Influence of Capital Structure in The Company Value

Capital structure's policy is basically build from the relation between financing decision and investment decision which would be in line with the company's purpose. One of company's purpose is to maximize share of firm or maximize share holders wealth which are pictured in company's value or market value from company's stock price. The proportion of modal use and debt in fulfilling the need of company is called the company's modal structure. The optimum modal structure should be between the balance value between risks and return that maximizes the stock price (Y. A. Al-Matari et al., 2012).

Modal structure is aimed at combining the permanent financial source which is used to maximize the company's value. The modal structure is important to keep the financial stability because it is considered as the cause of company value's change. The following hypothesis is;

- H13: There is a direct influence between capital structure and the company's value.

2.3. The Influence of Corporate Governance and Profitability with Company's Value Through Capital Structure

The explanation above has explained that corporate governance and profitability influence capital structure. Capital structure which proxy is in ratio between debt and active total that influence company's value. Corporate government and profitability might have influence in company's value through capital structure which is in proxy with the debt of ratio and active total. The proposed hypotheses are;

- H14: There is indirect influence between corporate governance with company's value through capital structure
- H15: There is indirect influence between profitability in the company's value through capital structure.

3. PLACE OF STUDY

This study is aimed at examining the sustainable development of company's value by using corporate governance and profitability which is mediated by capital structure, this is an observational research by analyzing, noting and studying journals, books, related documents,

and financial data which is registered in Indonesia Capital Market Directory (ICMD) in website www.idx.go.id and visiting BEI corner and The Center of Stock Market Development in Surabaya. The design of this research is causal study that explains the relation between causal effect and variable that influence the examination of hypotheses.

4. RESEARCH METHOD

The sampling technique in this research uses purposive sampling, under these following criteria: (1) Manufacture industry that are registered in Indonesia's Stock Exchange from 2013 to 2015, (2) The manufacture company which is perennially serve and publish financial report annually between the year 2013 and 2015, (3) Manufacture company which is consistently is not involved in stock exchange black list Indonesia in 2013 to 2015, (4) Manufacture company which own comprehensive data related to this research's variables in the period December 31st, 2013 and December 31st, 2015. This research uses time series and cross section (pooling data) and based on the above sample technique. The total manufacture company is 99 thus it has 297 observations.

Analysis to answer hypotheses in this research uses goodness of fit model. The variables of this research are classified below;

- a) Endogen Variable
 - 1) Capital structure which is proxied by debt to asset ratio (DAR)
 - 2) The company value which is measured by using Tobin's Q
- b) Exogenous Variable
 - 1) Corporate government which is proxied by CEO duality (CDi,t), board size (BSi,t), audit committee (ACi,t) broad composition (BC,t) and institutional ownership (IO, t).
 - 2) Profitability proxied by return on assets (ROA).

The table below shows research variable, indicator, counting formula and measuring research in each variable.

Table 1. Research variable, Indicator, Counting formula Measuring Ratio

No	Research Variable	Indicator	Counting Ratio	Measuring Ratio
1	<i>Corporate Governance</i>	CEO Duality (CDi,t) Board Size (BSi,t) Audit Committee (ACi,t) Board Composition (BC,t) Institutional Ownership (IO, t)	1 if there is CEO <i>duality</i> 0 if none The total commissaries board member owned by the company The total member of audit committee Total independent commissaries / total commissaries broad The total stock owned by institution from the overall total of distributed stock.	Ratio
2	<i>Profitabilitas</i>	Return On Asset (ROA)	<i>ROA = Net Income /Total Asset</i>	Ratio
3	<i>Capital Structure</i>	Debt To asset (DAR)	DAR = Total Debt / Active Total	Ratio
4	<i>Nilai Perusahaan</i>	Tobin Q	Q=(EMV+D)/TA. Note : Q = Company Value (Tobin Q) EMV = The equity of market value (closing price x total distributed stock) D = Total Debt TA = Total Active	Ratio

Source: processed in 2017

5. RESEARCH RESULT AND DISCUSSION

5.1. Descriptive Analysis

The analysis used in this research is the general picture of research samples. The following descriptive statistic result is included in the research model:

Table 2. Descriptive Statistics

Variable	Average	Std. Deviation	Maximum	Minimum
CEO Duality (CDi,t)	.8822	.33327	2.00	.00
Board Size (BSi,t)	4.2054	1.81070	12.00	2.00
Audit Committee (ACi,t)	2.9461	.62908	5.00	.00
Board Composition (BC,t)	.3999	.12224	.75	.00
institutional ownership (IO, t)	.7163	.18828	.99	.00
Return On Asset (ROA)	.0355	.79339	5.33	-6.05
Debt to asset (DAR)	.5564	.32118	2.66	.05
Tobin Q	1.0511	.50921	2.95	.33

Source: processed in 2017

The explanation of corporate governance variable which is proxied with CEO duality variable from 297 sample in the year between 2013-2015 signs average 0.88 shows that in the involved manufacture company 90% of its CEO has double job, which is instead of being CEO, is also being the head. Broad size variable has 4.21 average which shows commissaries broad members sample average is 4. Audit committee variable has 2.8461 which means the company sample's average is 3, broad composition shows 0.3999 average which means the total external broad member commissaries is about 40% and institutional ownership has average of 0.7163, means most of the stock in the company's sample owned by institutional investor is within 72% while profitability variable which is measured by return on assets shows the total average of 0.0355, means the ability of a manufacture company in sample company results in the average about 4% by using its assets to return stock holders equity endogen capital structure which is measured by debt to assets which shows average between 0.5564 which sample company average which has debt to its assets in 56% and Tobin Q variable shows average between 1.0511, means the average of a company has market value equity and debt bigger than its active total thus the biggest active in company which is paid by debt and investment from investor in the company's stock.

5.2. Normality Test and Classic Assumption Test

Testing normality distribution of author's data using histogram graph shows the equal distribution of data balance in the right and left part of histogram, thus the middle part of histogram is placed in the balance as the central line following the normal curve, thus it could be concluded that the data is distributed normally. While, other classical assumption testing such as multicollinearity all exogenous variable in this research has tolerance value.

More than 0.10 and owns VIF value less than 10, heteroskedasticity is done by seeing the scatterplot graphic scheme.

Table 3. Goodness of Fit Model Result

Dependent Variable	R ²
Capital Structure (DAR)	0,077
Company's Value (Tobin Q)	0,181
$R^2_m = 1 - (1 - R^2_1) (1 - R^2_2)$	
$R^2_m = 1 - (1 - 0,077) (1 - 0,181) = 0.244$	

Source: processed in 2017

The result of table 3 shows the value of R square from capital structure variable in the amount of 0.077 or 7.7%, thus the contribution of corporate governance variable is proxied in CEO duality, broad size, audit committee, broad composition, and institutional ownership and profitability which is measured by return on assets in capital structure is in the amount of 7.7%, while the rest is in the amount of 92.3% which is explained by other variable included in the model of this research . if the excessive impacts in this research is defined based on the strongest relation then the rest of corporate governance variable and profitability would receive low influence.

R square in the company value's variable is in the amount of 0.181 or 18.1%, which means it is the contribution of corporate governance variable, which is proxied in CEO duality, broad size, audit committee, broad composition, institutional ownership and profitability which is measured with return on assets and capital structure for company's value in the amount of 18.1% and the rest is 81.9% explained by other variable not included in this research's model. If the excessive impacts is defined as the strongest relation thus the impacts of all variables in corporate governance, profitability and capital structure has less impacts.

Determination coefficient total (R²_m) in the amount of 0.244 or 24.4%, thus the contribution of corporate governance proxied by CEO duality, board size, audit committee, broad composition, institutional ownership and profitability which is measured by return on assets and capital structure measured by debt to assets ratio comprehensively in the company's value in the amount of 24.4% while the rest is 75.6% as a contribution of other variables which is not used in this research, all variables impacts in the company's value is low.

5.2.1. Hypotheses Testing

Hypotheses testing 1,2,3,4,5, and 6. The direct significant testing from exogenous variable to endogenous capital structure can be measured with debt to assets below:

Table 4. Regression Analysis with Dependent Variable *Debt to asset (DAR)*

DAR= .004 CDit + .059 BSit -.207 ACit + .197 BCt + .026Oit +.111ROA				
Variable	Std. Error	Beta	t-statistik	sig
CEO Duality (CDi,t)	.104	.004	.068	.946
Board Size (BSi,t)	.019	.059	.985	.326
Audit Committee (ACi,t)	.055	-.207	-3.369	.001
Board Composition (BC,t)	.272	.197	3.331	.001
institutional ownership (IO, t)	.172	.026	.447	.655
Return On Asset (ROA)	.041	.111	1.906	.058
R	= 0.278	F count	= 3.981	
R Square	= 0.077	Sign. F	= 0.001	
Adjusted R Square	= 0.058	Alpha	= 0.5	

Source: processed in 2017

Based on regression analysis result in the table 4 is beta standardized coefficient of corporate government variable which is proxied by positive CEO duality in the amount 0.004 and not quite significant ($0.946 > 0.05$), thus H0 is accepted while H1 is rejected, the result of hypothesis testing 1 is not supported, CEO duality is not accepted, positive broad size is in the amount 0.059 and not significant ($326 > 0.05$), thus H0 is accepted while H2 is rejected, the result of 2 hypotheses testing is not supported, broad size is not accepted in capital structure. Negative audit committee is in the amount 0.207 and significant ($.001 < 0.05$) which H0 is rejected and H4 is accepted, the fourth hypotheses result testing is supported, broad composition influence capital structure and positive institutional ownership in the amount of 0.026 and not significant ($.655 > 0.05$) which means H0 is rejected while H5 is accepted, the result of hypotheses is not supported by institutional ownership which does not influence capital structure. The beta standardized coefficient value for profitability variable is measured by negative return on asset in the amount of 0.111 and not significant ($.058 > 0.05$), thus H0 is accepted while H6 is rejected, the result of hypothesis testing 6 is not supported by profitability which is not influenced by capital structure.

The hypotheses testing result has direct influence in corporate government variable which is proxied by audit committee and broad composition which gives significant effect to capital structure, while corporate governance which is proxied by CEO duality, broad size and institutional ownership does not give significant effect for profitability variable measured by less of influence in return on asset.

Hypotheses Testing for 7,8,9,10,11,12, and 13. Based on regression analysis in table 5 which can be seen that beta standardized coefficient, positive CEO duality is in the amount of 0.101 and not significant ($0.080 > 0.05$) thus H0 is accepted while H7 is rejected, the hypotheses result testing 7 is not supported which means CEO duality does not influence company's value. Positive broad size is in the amount of 0.109 and less significant ($0.056 > 0.05$) thus H0 is accepted while H8 is rejected, the result of hypotheses testing 8 is not supported meaning broad size does not give influence company's value. Positive audit committee is in the amount of 0.019 and less significant ($0.744 > 0.05$) thus H0 is accepted while H9 is rejected, the hypotheses testing result 9 is not supported which means audit committee does not give influence to company's value. Positive board committee is in the

amount of 0.100 and not significant ($0.082 > 0.05$) thus H_0 is accepted while H_{11} is rejected, the result of hypotheses testing 11 is not supported, meaning the result of exogenous variable to endogenous variable in the company's value is measured by Tobin Q is below:

Table 5. Regression Analysis with *Tobin Q* Dependent Variable

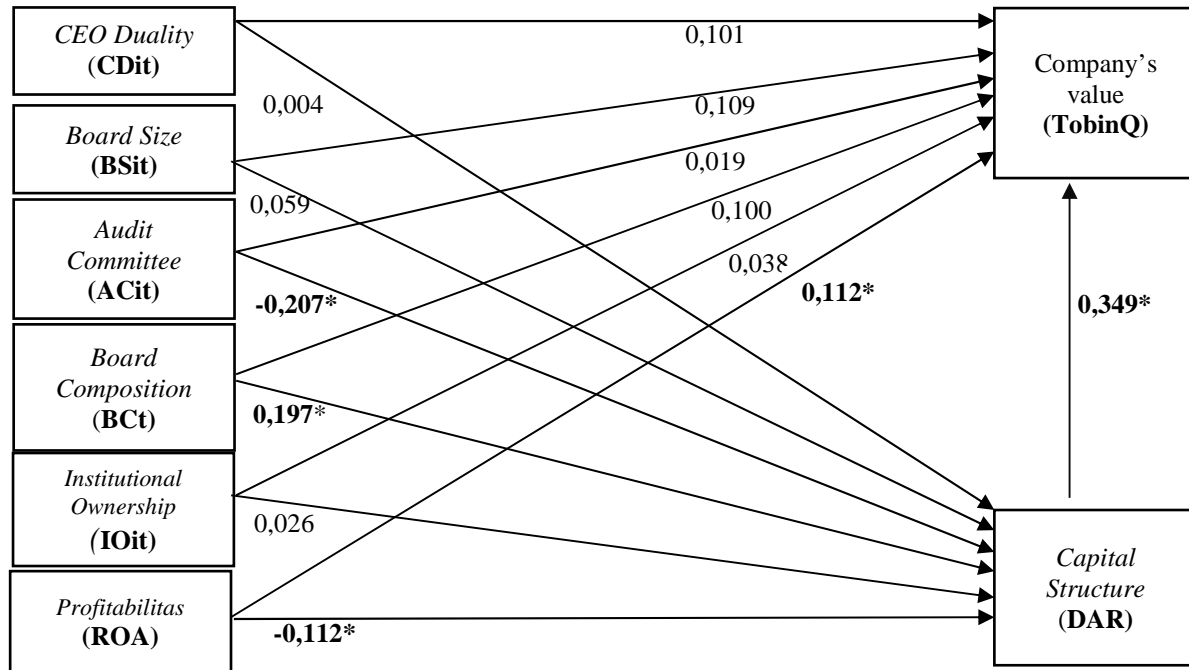
$Q = .101 CD_{it} + .109 BS_{it} + .019 AC_{it} + .100 BC_{it} + .038 IO_{it} + .112 ROA + .349 DAR$				
Variable	Std. Error	Beta	t-statistik	sig
CEO Duality ($CD_{i,t}$)	.076	.101	1.758	.080
Board Size ($BS_{i,t}$)	.014	.109	1.922	.056
Audit Committee ($AC_{i,t}$)	.040	.019	.327	.744
Board Composition ($BC_{i,t}$)	.202	.100	1.748	.082
institutional ownership ($IO_{i,t}$)	.125	.038	.700	.485
Return On Asset (ROA)	.030	.112	2.050	.041
Debt to asset (DAR)	.075	.349	6.333	.000
R = 0.425		F Count = 8.986		
R Square = 0.181		Sign. F = 0.000		
Adjusted R Square = 0.161		Alpha = 0.5		

Source : Processed data in 2017

Institutional ownership does not give significant influence in the company's value. The beta standardized coefficient profitability variable is measured by negative return on asset in the amount of 0.112 and significant ($0.041 < 0.05$) thus H_0 is rejected and H_{12} is accepted, the result of hypotheses 12 is supported, thus profitability has effect to company's value. Standardized coefficient value beta variable of capital structure can be measured by positive debt of asset in the amount of 0.349 with significant number ($0.000 < 0.05$) thus H_0 is rejected while H_{13} is accepted, the result of hypotheses result 13 is supported meaning capital structure has direct influence to company's value.

The above hypotheses shows hoe profitability variable is measured by return on asset and capital structure variable which is measured by debt of asset gives positive result to company's value, while corporate government variable proxied variable rd size and broad composition in the direct influence to company's value proxied by CEO duality, audit committee, broad composition, and institutional ownership does not give significant effect to company's value.

Hypotheses Testing 14 and 15. Hypoteses testing below is done by converting line diagram to a measuring model to signify the influence between construct explained by effect to model which is direct effect and undirect effect below:



Picture 1. Research Line's Coefficient Model

Note * = sig

The result of hypotheses result above shows that direct profitability variable is measured by return on asset and capital variable from analysis model above show the influence of corporate governance to the company's value through capital structure below:

Corporate governance variable is proxied by audit committee and broad composition influences capital structure significant. For capital structure variable to significant company's value, thus H0 is rejected and H14 is accepted. The result of hypotheses testing H14a is accepted, thus corporate governance influence to company's value through significant capital structure. While corporate governance variable is proxied by CEO duality, board size and institutional ownership has less significant impact to capital structure for proxied corporate governance CEO duality, board size, and institutional ownership, H0 is refused while H14b is rejected, the result of hypotheses result 14b is not supported, thus the influence of corporate governance to the company's value through capital structure is less significant.

The influence of profitability is measured by return on asset to capital structure is less significant, while the influence of capital structure to the company's value is significant, H0 is accepted while H15 is rejected, the hypotheses testing result 5 is not supported, thus the profitability influence which is measured by return on asset to the company's value through capital structure is not significant.

5.2.2. Influence between Research Variables

The structural similarity which involves a lot of variables and lines has direct, indirect, and total influence. Based on result calculation direct and indirect coefficient value which can be concluded in the good influence of direct contribution, indirect and total, below:

Table 6. Direct Influence ,Indirect and Total Influence

Ecsogen	Endogen	Mediation	Direct	Indirect	Total
CEO Duality (CDi,t)	Capital Structure		.004		.004
Board Size (BSi,t)	Capital Structure		.059		.059
Audit Committee (ACi,t)	Capital Structure		-.207		-.207
Board Composition BC,t)	Capital Structure		.197		.197
Institutional ownership (IO,t)	Capital Structure		.026		.026
Return On Asset (ROA)	Capital Structure		.111		.111
CEO Duality (CDi,t)	Company's value	Capital Structure	.101	.004 * .349= 0.001396	0,1024
Board Size (BSi,t)	Company's value	Capital Structure	.109	.059 * .349 = 0.020591	0,1296
Audit Committee (ACi,t)	Company's value	Capital Structure	.019	-.207* .349 = -0.07224	-0,0532
Board Composition (BC,t)	Company's value	Capital Structure	.100	.197 * .349 = 0.006875	0,1688
Institutional ownership (IO,t)	Company's value	Capital Structure	.038	.026 * .349 = 0.009074	0,0471
Profitability	Company's Value	Capital Structure	.112	.111 *.349 = -0.038739	0,1507
Capital Structure	Company's value		.349		.349

Source: Proceeded data in 2017

The Direct Influence between Research's Variable

The direct coefficient of corporate governance proxied by CEO duality, board size, board composition, and institutional ownership show positive influence to capital structure, which signifies the increase of CEO duality, board size, board composition and institutional ownership, and tend to improve capital structure. While audit committee which has negative influence to capital structure tends to improve audit committee which also tends to decrease capital structure. The direct coefficient influence of profitability measured by return on asset which tends to improve capital structure. The biggest influence in capital structure in the corporate governance variable proxied by audit committee and board composition, then profitability.

The direct coefficient of corporate governance proxied by CEO duality, board size, audit committee, board composition and institutional ownership show the positive influence to company's value, which will influence the improvement of CEO duality, board size, audit committee, board composition and institutional ownership will tend to improve the company's value. The direct coefficient of profitability measured by return on asset shows positive influence, means the improvement of profitability measured by return on asset will tend to improve direct influence to company's value. The direct coefficient in capital structure gives positive influence to company's value means improving capital structure which also gives direct influence to company's value. This direct biggest influence to company's value is capital structure, board composition, and profitability.

The Indirect Influence between Research's Variable

The indirect influence of corporate governance coefficient proxied by CEO duality, board size, board composition and institutional ownership, show positive influence to company's value through capital structure, thus it improves capital structure which ignites the improvement of CEO duality, board size, board composition and institutional ownership tends to improve company's value. While audit committee has negative influence to company's value through capital structure, which will decrease capital structure caused by improved audit committee which improves company's value.

The indirect coefficient of profitability measured by return on asset to company's value through positive capital structure means the improvement of capital structure cause by the improvement of profitability which tends to improve company's value.

6. DISCUSSION

The direct coefficient of corporate governance proxied by CEO duality shows positive influence but less significant to capital structure, this is in line with the research done by (Hamzah & Suparjan, 2009), in this research, company which has CEO duality which is high and cannot optimize the debt value in its modal structure, thus it has high debt ratio in compare to a company which does not have CEO duality. The influence of CEO duality to company's value is positive and less significant, this finding is in line with the research done by (Obradovich & Gill, 2012) and (Rouf, 2011) the company owning high CEO duality can optimize company's value.

The board size testing result positive influence which is less significant to capital structure (Beiner & Schmid, 2005), presses that board commissions is economic institution which help solving the problem of agency which sticks to public company. The total number of board commission relates to the implication from the policy and member director board. In the other hand if there is not policy concerning about limiting the number of director board hence the company should choose optimum number. It can be hoped to minimize the debt ratio which give significant impact to the better working performance in the sample company in addition the more number of director board will increase the debt ratio, this case happens in Indonesia as it differs from other countries which cause is derived from the excessive number of director board which is originated from government thus it might hard to take decision, thus the positive result is not significant. It is different if broad size has significant positive relation, meaning by the increase number of director board it will improve the investor's trust which contributes to the improvement of company's value, in line with research done by (Obradovich & Gill, 2012).

Board composition is the form of composition where the director focus on comissionaires board represented by the number of commission board as a party owning the relationship between affiliation with the majority of stock holder and independent commission as a party that has good connection to the majority of stock holder, company's management, and the center of company control to the company's sample. The result of hypotheses testing proves that board composition gives positive influence to capital structure measured by debt to asset ratio. This means that the highest number of board commission in the commission board composition impacts to the increased number to debt to asset ratio. This is inline with research done by Hamzah and Suprajan (2009) in this occasion the commission' board has worked as its best to look after the manager controlling debt to asset ratio. By increasing debt of ratio can be understood by the management side, because it has connection to corporate governance.

The result of hypotheses testing proves that board composition has positive relation to capital structure through company's value which is measured by Tobin Q. It means that the highest number of board composition in the composition of comission's board thus the company value is higher and not significant. Thus even the company's value is getting high shows the function of supervision from independent comission director is not yet optimum. This research is in line with (Y. A. Al-Matari et al., 2012; Obradovich & Gill, 2012). In the sample company of of institutional ownership shows the positive impact to capital structure which is not significant this finding is in line with (Hamzah & Suparjan, 2009), explains that the ownership of institution is one of the tool that can be used to limit agency conflict. In the other words the highest is the ownership of institution level, the stronger is the level of control for external parties in the company, thus the agency cost happening in the company is less and the company's value is getting high. This refers to the research that ownership shows positive influence to the value of company as in (Thanatawee, 2002). Audit committee variable has

negative influence to capital structure which improves audit committee which decrease capital structure as in (Y. A. Al-Matari et al., 2012; Kumah, 2013). While the influence to the value of company which is positive but less significant, this research is not the same as (Obradovich & Gill, 2012). Which means audit committee in the public company of Indonesia in this research shows as an active in fulfilling their job desc. This is mirrored in the capital structure which contains debt while audit committee is increasing, and tend to improve the investor trust mirrored in the improvement of company's value.

Positive value in profitability variable is not significant to capital structure meaning the high profitability means the high of the debt. In the other words, even the high profitability of the company still uses the external funding, thus it is not significant as it is not optimum, this finding is not in line with (Chen & Chen, 2011) and (Hermuningsih, 2013). The influence of profitability in the company value gives significant positive impact, which means giving profitability and will improve investor trust which also increase the company's value. Capital structure has positive impact in the company's value, which improve the policy of capital structure build from the decision making and financing decision with the kind of investment chosen by the company. The purpose is maximizing the wealth of stock holder or the market value from stock value which is seen in the company's value or the value of market from the company's stock price, this is inline with (Al Farooque, Van Zijl, Dunstan, & Karim, 2007; Cheng & Tzeng, 2011; Hermuningsih, 2013).

The indirect influence in corporate government proxied from CEO duality, board size, board composition, audit committee and institutional ownership shows the positive impact to company's value through capital structure, thus to improve capital structure is caused by the CEO duality, board size, board composition, audit committee and institutional ownership tends to improve the company's value. The indirect profitability measured by return on asset through company's value and capital structure is positive. It means the improvement of capital structure which is caused by the improvement of profitability which influence to the improvement of company's value. The impact of corporate governance, profitability and capital structure to company's value is 24.4%, this finding shows that the company's value can be explained in corporate government, profitability, and capital structure while the rest is 75.6% explained by other variables, if it is seen from the measuring relation and both impacts are weak.

7. CONCLUSION

Based on the analysis and the discussion of hypothesis testing result, it can be concluded that: the direct influence of corporate governance proxied by CEO duality, board size, board composition and institutional ownership shows that the positive relation to capital structure, means the high CEO duality, board size, board composition and institutional ownership while audit committee has negative influence to capital structure which signs the improvement of audit committee which decrease capital structure. The direct influence of profitability measured by return on assets has negative value, means improving profitability which is measured by return on assets will tend to improve capital structure. The direct influence of corporate governance that proxied by CEO duality, board size, and board composition shows the positive influence to the company value, while audit committee and institutional ownership has negative influence to the company's value means the improvement of audit committee and institutional ownership will tend to decrease the company's value. The direct influence of capital structure has positive value means the improvement of capital structure which tend improve the company's value.

The indirect influence of corporate government proxied by CEO duality, board size, board composition, and audit committee shows positive influence to company's value through

capital structure, which tends to improve capital structure causing the improvement of CEO duality, board size, board composition, and audit committee tend to improve the company's value. While institutional ownership has negative value to company's value through capital structure caused by the improvement of institutional ownership tend to improve the company's value. The indirect influence profitability which is measured by return on asset to the company's value through capital structure which caused by the improvement of profitability which tend to improve company's value.

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