ABSTRACT

This study aims to develop a theoretical approach or a new concept in complete contradiction of research results on the effects of opportunistic behavior of managers of financial decisions on the firm value. Operationally, this study aims to synthesize and test empirically: the influence of corporate governance mechanisms against opportunistic behavior of managers of financial decisions and the firm value, as well as the influence of managers of financial decisions on profitability and the firm value.

This study population is a manufacturing company listed on the Indonesia Stock Exchange with the observation period 2003 to 2010. Methods of data collection is purposive sampling, and acquired as many as 167 sample firms. Furthermore, examination of the ten hypothesis in this study is the use of path analysis through Amos 16.0 package program.

The findings of this study indicate that corporate governance mechanisms to reduce the tendency of managers to opportunistic behavior in financial decision making. Financial decisions are influenced by the mechanism of corporate governance is an investment decision with a significance level (α) are less than 5% is on hypothesis 1. Financial decisions affect the profitability of the company with a significance level (α) are less than 5% that is the hypothesis 6 and hypothesis 7. The results of this study received 6 hypothesis and reject 4 hypothesis.

The findings of this study can not demonstrate causality mediate the investment decisions of corporate governance mechanisms and firm value. And can not demonstrate causality mediate the relationship between the profitability of investment decisions and firm value. But the results of this study show that profitability can moderate the relationship of causality between investment decisions and firm value.

Key words: Firm value, financial decisions, profitability, and corporate governance mechanisms.