

## TABLE OF CONTENTS

APPROVAL PAGE .....	i
STATEMENT PAGE .....	ii
PREFACE .....	iii
TABLE OF CONTENTS .....	v
LIST OF TABLES .....	viii
LIST OF APPENDICES .....	ix
ABSTRACT .....	x
INTISARI .....	xi
CHAPTER I .....	1
INTRODUCTION .....	1
1.1 Background .....	1
1.2 Problem Formulation .....	5
1.3 Research Questions .....	5
1.4 Research Objectives .....	6
1.5 Research Benefits .....	6
1.6 Research Scope .....	6
1.7 Structure of the Research .....	7
CHAPTER II .....	8
LITERATURE REVIEW .....	8
2.1 Agency Theory .....	8
2.2 Trade-off Theory .....	11
2.3. Asymmetric Information Theory .....	14
2.4 Firm Performance .....	15
2.5 Firm Risk .....	17
2.6 Previous Research and Hypothesis Development .....	19
2.6.1 Corporate Governance and Firm Performance .....	19
2.6.2 Corporate Governance and Firm Risk .....	22
2.6.3 Cash Flow Leverage and Firm Performance .....	25
2.6.4 Cash Flow Leverage and Firm Risk .....	28
2.6.5 Firm Performance and Firm Risk .....	30
2.7 Research Model .....	33

CHAPTER III .....	34
RESEARCH METHODS .....	34
3.1 Research Design.....	34
3.2 Data Collection Method .....	34
3.3 Research Instrument.....	35
3.3.1 Operational Definition .....	35
3.3.1.1 Corporate Governance .....	35
3.3.1.2 Cash Flow Leverage.....	37
3.3.1.3 Firm Performance.....	38
3.3.1.4 Firm risk.....	39
3.3.2 Instrument Analysis .....	40
3.4. Analysis Method.....	43
3.4.1 Post Estimation Analysis .....	43
3.4.1.1 Endogeneity Test.....	43
3.4.1.2 First Stage Regression Test.....	44
3.4.1.3 Overidentification Restriction Test.....	44
3.4.2 Classical Assumption Test.....	45
3.4.2.1 Multicollinearity Test.....	45
3.4.2.2 Normality Tests of Residuals.....	45
3.4.2.3 Heteroscedasticity Test .....	46
3.4.2.4 Autocorrelation Test.....	47
3.4.3 Statistical Test.....	48
3.4.3.1 Z-test .....	48
3.4.3.2 Chi2 Test.....	49
CHAPTER IV .....	50
DATA ANALYSIS AND DISCUSSION.....	50
4.1 Data Description .....	50
4.2 Estimation Results.....	57
4.3 Accuracy Test of Instruments .....	64
4.3.1 Endogeneity Test.....	64
4.3.2 First Stage Regression Test.....	64
4.3.3 Overidentification Restriction Test.....	65
4.3.4 Normality Test of Residuals .....	65

4.3.5	Multicollinearity Test.....	66
4.3.6	Robust Standard Error.....	66
4.4	Hypothesis Testing.....	67
4.5	Discussion .....	76
4.5.1	Effect of Corporate Governance on Firm Performance .....	76
4.5.2	Effect of Corporate Governance on Firm Risk .....	78
4.5.3	Effect of Cash Flow Leverage on Firm Performance .....	79
4.5.4	Effect of Cash Flow Leverage on Firm Risk .....	80
4.5.5	Interrelationship of Firm Performance and Risk.....	82
4.5.6	Control Variables .....	83
CHAPTER V.....		85
CONCLUSION AND RECOMMENDATION .....		85
5.1	Conclusion .....	85
5.2	Implication .....	88
5.3	Limitations .....	89
5.4	Recommendations.....	89
BIBLIOGRAPHY .....		91
APPENDIX 1: Corporate Governance Question Lists .....		98
APPENDIX 2: Exact Normality Test .....		104
APPENDIX 3: Estimation Outputs.....		105