

ABSTRACT

This study examines the effects of the corporate governance and corporate performance on the executive compensation and the interrelationship between corporate performance and executive compensation.

Population in this study is 483 companies listed on Indonesia Stock Exchange for period of 2011 to 2014. Types of data used in this research are quantitative data from financial statements and annual report. The hypotheses were tested using Structural Equation Modeling (SEM) software 18 Analysis of Moment Structure (AMOS 18).

The results showed that corporate governance, including number of board commissioners, board commissioners meeting, board commissioners education, independent commissioner, audit committee size, institutional ownership, Remuneration and nomination committee, and transparency, has a positive and significant influence on executive compensation. Corporate performance (ROA and Tobins' Q) has a positive and significant influence on executive compensation. It is also found that there is interrelationship between corporate performance and executive compensation. This findings make good contribution of study, the implication of this study can be contribute to improve the implementation of good corporate governance, can maximize or achieve the higher executive compensation and performance, also increase the welfare of stakeholder.

Keywords: corporate governance, corporate performance, executive compensation, interrelationship.