ABSTRACT

Review of corporate governance begins with agency theory, where the principals who act as company owners give an authority to the agent. With the separation between ownership and management of the company will make a difference of interests between agents and principals, which may pose a potential conflict of interest. This study aims to examine the influence of variable number of board of commissioners, the proportion of independent commissioners, leverage, and institutional ownership on firm performance of banking in Indonesia, a proxy by Tobin's Q to measure firm value as well as ROA and ROE to measure its financial performance.

The population used in this study are all banking companies listed in Indonesia Stock Exchange period from 2005 to 2009. Based on purposive sampling method, samples are selected there are 18 companies. The data analysis technique used is multiple linear regression with classical assumption test, t test statistic, F test and the test R^2 *to test the hypothesis under study.*

During the period of observation, the variables used in this study had escaped classical assumption test. From F test results showed that the independent variables namely, the number of board of commissioners, the proportion of independent commissioners, leverage, and institutional ownership are together / simultaneous influence on company performance. From the test results hipotesis, indicate that partial variabel board of commissioners has positive and significant influence on corporate performance (ROA and ROE). The proportion of independent commissioners has no influence on corporate performance (Tobin's Q, ROA and ROE). Leverage has a negative and significant influence on corporate performance (Tobin's Q, ROA and ROE). While institutional ownership variable has a negative and significant influence on ROA and ROE. Adjusted R^2 *values or predictive ability of the four independent variables is 11.4% of the dependent variable Tobin's, 48.6% of the variable Return On Assets (ROA) and 35.7% of Return On Equity (ROE) while the rest influenced by other factors.*

Keywords : Good Corporate Governance, Board of commissioners, independent commissioners, leverage (DER), institutional ownership, Tobin's Q, ROA and ROE