ABSTRACT

This research aims to examine the influence of corporate governance mechanisms on firm financial performance. This research is a modification of prior study by Saidat et al. (2019) which focused on the relationship between corporate governance and financial performance of Jordanian family and nonfamily firms. Corporate governance mechanisms used in this study are proxied by the board of directors' size, percentage of independent commissioners, institutional ownership, foreign ownership, concentrated ownership, and audit committee's size. Firm financial performance is measured by Return on Asset (ROA) as an accounting-based measure and Tobin's Q as a market-based measure.

The sample used is manufacturing firms listed on the Indonesian Stock Exchange (IDX) during 2018 - 2021. The sample selection method used is purposive sampling to obtain samples which meet the predetermined criteria. 89 out of 166 firms fulfilled the criteria with a total of 356 data. The data used is secondary data obtained from annual reports and financial statements released on the company's official website. The data technique analysis used is multiple linear regression test.

The results showed that partially board of directors' size has a positive significant effect on return on asset, institutional ownership has a positive insignificant effect on return on asset, concentrated ownership has a negative significant effect on Tobin's Q, while percentage of independent commissioners, foreign ownership, and audit committee's size have no effect on financial performance. Simultaneously, corporate governance mechanisms have a positive significant effect on financial performance. Meanwhile, firm size is found to have a moderating role to the effect of concentrated ownership on return on asset and the effect of percentage of independent commissioners on Tobin's Q.

Keywords: board of directors, ownership structure, audit committee, Return on Asset, Tobin's Q