ABSTRACT

This study examines the impact of corporate governance mechanisms, represented by executive compensation, on corporate performance using two distinct performance measures: return on assets (ROA) as an accounting-based measure and Tobin's Q as a market-based measure. In the framework of agency theory, executive compensation is expected to reduce the conflict between principals and agents by aligning their interests, thereby improving the company's performance. Firm size, firm age, leverage, growth, and liquidity are used as control variables in this study.

The research focuses on non-financial companies listed on the Indonesia Stock Exchange during the period of 2020-2022. A purposive sampling method was employed, selecting 40 companies with a total of 116 observations. The analysis was conducted using panel data regression with Eviews 12 software.

The findings indicate that executive compensation has a positive effect on corporate performance as measured by ROA, but does not have a significant impact on performance as measured by Tobin's Q at a 5% significance level.

*Keywords**:** executive compensation, return on assets, Tobin's Q, agency theory*