ABSTRACT

Ownership and control separation in Banks listed in Indonesian Stock Exchange makes the agency problem arise. The agency problem can be reduced by employing good corporate governance mechanism. Good corporate governance includes ownership structure and board composition. The stock ownership gives the stockholders a control about the decisions made by the management that will affects banks' performance. The size of the board is also believed affecting banks' performance. This study aims to test the effect of ownership structure and board composition on banks' performance in Indonesia.

Data used in this study is secondary data taken from annual reports. The population of the study consists of all banking firms listed in Indonesian Stock Exchange for the year 2011, 2012, and 2013. Sampling method employed is purposive sampling. Total early sample in this study is 98 data, but 2 outlier should be excluded for the analysis. Thus, the final sample used is 96 data. OLS (Ordinary Least-Square) regression is used as analysis technique.

Results show that the foreign ownership significantly positively affects the banks' performance, while institutional ownership and government ownership significantly negatively affect the banks' performance. Board size is found to have a negative and moderately significant effect on banks' performance.

Keywords: ownership structure, board composition, bank performance.