

ABSTRACT

The aim of this research is to analyze the effect of corporate governance mechanism to firm valuation in Indonesia.

Corporate governance mechanism was defined by four variable which decided to board effectiveness, shareholder rights, managerial ownership, and corporate social responsibility disclosure, and firm value was defined by market capitalization. In this research are added with four control variable, there are firm size, shareholder satisfaction, efficiency of capital employed, and market activity. The statistical method in this research is multiple regression. The research sample is listed manufacture company in Indonesian Stock Exchange 2007 – 2009 period.

According to the result of hypothesis can conclude that overall corporate governance mechanism effect market value. However, separately board effectiveness, shareholder rights have a positif and significant effect to firm value. While shareholder rights and corporate social responsibility disclosure does not have a significant influence to firm value.

The implemeantation of corporate governance in public company made investor save and interest to inverst in that company. Many investor will increase stock price and effect the rise firm value.

Key Words : Corporate governance, board effectiveness, shareholder rights, managerial ownership, corporate social responsibility disclosure, firm value