

ABSTRACT

Financial crisis in many countries as a result of weak good corporate governance practices, have focused attention on the importance of good corporate governance. Application of corporate governance by companies with the objective of creating management good management and accountability for the company's credibility that is expected to enhance firm value. This study aimed to analyze the effect of the application of mechanism corporate governance on firm value.

The population of this study is banking companies listed in Indonesian Stock Exchange (IDX) in 2010-2012. The total study observations was 78. Sampling technique using purposive sampling method. Techniques of data analysis done by hypothesis testing using multiple linear regression method. This study used the dependent variable (firm value) and the independent variables (managerial ownership, institutional ownership, audit committee, the proportion of independent board and external auditor) and control variable (firm size).

Results of this study showed that institutional ownership no significant effect to firm value. Second, audit committee no significant effect to firm value. Third, external auditor no significant effect to firm value. Meanwhile, there are significant effect on managerial ownership and the proportion of independent board to firm value.

Keywords: Firm value, corporate governance, managerial ownership, institutional ownership, audit committee, the proportion of independent board, and external auditor.