

ABSTRACT

In this research, the researcher seeks whether corporate governance is the antecedents or determinants of financial leverage, and how consequently financial leverage affects firm performance.

The total sample taken in this research came from 83 financial companies listed on IDX during 2017-2018 period. Several corporate governance determinants used in this research are board size, board independence ratio, board women ratio, audit committee size, and audit partner. Leverage is measured similar to Basel III Agreement by using total equity divided by total assets, and the firm performance is taken from its Return on Assets (ROA).

The result of this research shows that several corporate governance indicators are having significant impact on leverage. Board size and board independence have a positive and significant impact on leverage, whether female director has a negative and significant impact on leverage. Furthermore, the researcher finds that leverage has a positive and significant impact on firm performance.

Keywords: corporate governance, leverage, firm performance.