Abstract

Prolonged crisis in Indonesia is caused by weak implementation of corporate governance in companies in Indonesia. Overcome it, the government make the various regulation which may lead the company to implementing good corporate governance, fair, and transparant. The achievement of good corporate governance requires a mechanism that managed to oversee all activities and policies. Various regulations were established and mechanism in monitoring of good corporate governance is expected to improve the perfomance of the company. This is enables to increase of investor confidence to invest in companies with expectation that the comnpany will provide maximum return on investment.

The purpose of this research is to examine the effect of the good corporate governance mechanism that consist of board of directors, board of commissioners, board of independent commissioners, manajerial ownership, institutional ownership, and audit committee to financial performance and stock return in the LQ45 companies listed on Indonesia Stock Exchange in the period of 2009-2013 either partially and simultaneously. The data used are secondary data obtained from the overall company financial statements issued by the Indonesia Stock Exchange from 2009 to 2013. The analytical method used is panel data regression method and Random Effect model and Common Effect.

The result show that, simultaneously, all independent variables have significant effect on financial performance but not significant on stock return. Furthermore, partially just board of directors and board of independent commissioners which significant effects on financial performance. And each of independent variables have no significant effects on stock return.

Keywoards: Good corporate governance mechanism, financialperformance, stock return