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ANALYSIS THE IMPACT OF CORPORATE GOVERNANCE ON PROFITABILITY OF THE INDONESIA STOCK EXCHANGE

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Abstract

The research had been completed with the aim of determining the effect of corporate governance on profitability contained at the Indonesia Stock Exchange. In this study, ROA (Return On Assets) and ROE (Return on Equity) were used as a measure for profitability as the dependent variable. As for independent variables there were board size, audit committee, board meeting, director outside of the board, the composition of audit committee as well as their meetings, said committee's competency and their audit quality.

In this study, for testing ROA and ROE, 325 company names that were listed on the Indonesia Stock Exhange during the year 2013-2017 were extracted. The method applied was purposive sampling which was further tested by panel regression.

The results obtained had proven these variable; boarrd size, board meetings, and audit quality to be having a significantly positive effect on ROA and ROE. Another set of variables, however, that was not significant to both ROA and ROE were the audit committe, director outside the board, audit committee's composition as well as their meetings and competency.

Keywords*: profitability, corporate governance, audit committee*

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