THE EFFECT OF CORPORATE GOVERNANCE TO MARKET PERFORMANCE: EVIDENCE FROM INDONESIA

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Abstract

Objectives This research investigates the level of corporate governance implementation in order to provide information to decision makers and other interested parties. Furthermore, this research tries to find evidence regarding the correlation between corporate governance and market performance in Indonesia.

Method The sample will be selected from Kompas-100 index on August 2008 to February 2009 period excluding financial sector. The analysis of annual report from respective company will be conducted to complete scoring questionnaire prepared by FCGI and BPKP. The result will represent how well the company has implemented corporate governance, based on disclosed information in the annual report. Then, multiple regression analysis will be performed to determine whether there is any association between corporate governance and market performance.

Results The result shows that the level of corporate governance in Indonesia still low as presented with low GCG implementation. Moreover, this study finds no evidence of statically significant correlation between corporate governance and market performance.

Conclusion Corporate governance in Indonesia show low implementation level due to company tends to avoid informing their corporate governance implementation. Corporate governance has no significant relationship with market performance within Indonesia companies due to the early development stage of corporate governance, low investors’ perception regarding corporate governance, and the impact of corporate governance show over the long period.

Key words
Corporate Governance, Market Performance, Indonesia
This thesis entitled “The Effect of Corporate Governance to Market Performance: Evidence from Indonesia”, is intended as the final work of the author’s study in BiNus International University.

The author would like to express her gratitude and gratefulness to God, ALLAH SWT for his blessing to finally completing this thesis. The author also would like to express appreciation, and gratitude to all of people that has been supportive to provide guidance and assistance in the writing of the thesis, especially:

1. Author’s family: Mother – Nurdiyanti, Father – Sugiyanto, Sisters – Yanestika Pratiwi and Yanestria Purnamasari, Brothers – Javier Berliando for all their everlasting love, pray, and support in every way and all author’s big family especially Syahrizal Sofyan and Mellysa Susanti for their support in completing this thesis.

2. Mr. Dezie L. Warganegara Ph.D., Director of Research and Development, as the author’s supervisor for sharing his knowledge, experiences, moral support and time during the thesis writing process. This thesis would not have existed without his continual and assistance support.

3. Mr. Dian Triasurya, MBA for all his insight, knowledge, time and helps in the early preparation of this thesis.
4. Mr. Stephanus Remond Waworuntu, MBA, Head of Accounting School and Finance of BiNus International University for being one of the author’s examiners during thesis defense and giving a lot of inputs to improve final thesis.

5. Mr. Ari Barkah Djamil, SE, MSc., as the author’s examiners and chairman during thesis defense and all his advices as an input for author’s final thesis.

6. Mr. Marko Hermawan, MIB, Head of Program School of Business of BiNus International University for his encouragement and support throughout her study at BiNus International University.

7. All BiNus International Lecturer for all knowledge and experience shared to the author.

8. Aldhy Darmayo, for his endless support, care, and encouragement.


10. All Accounting student batch 2011 – Mellysa Halim, David Liga, Sarinda Oktovianus, Natasia Chandra, Kokthunarina, Aurellia Setiabudi, Hesti Femi Nugraheni, Hansi Joachim, Tiffany, Jessica Tjitra, Monika Setiobudi, Nissa Hamzah for their support and encouragement.

11. All other people have supported author, whose names could not be mentioned one by one.
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