

ABSTRACT

This study aims at analyzing the effect of corporate governance mechanisms on profitability in manufacturing companies listed on the Indonesia Stock Exchange in 2010-2014. The sample in this study was seized using a purposive sampling method. The population in this study referred to the manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2010-2014. The analytical method in this study was multiple linear regression. Multiple linear regression was used to identify the effect of independent variables on the dependent variables, i.e. Managerial Ownership (MO), Institutional Ownership (IST), Independent Commissioners (IC), and Board of Directors (B of D), on Return on Equity (ROE).

Based on the results of linear regression using the OLS (Ordinary Least Square) method, the value of R^2 is 0, 121. It can be determined that the independent variable, Return on Equity (ROE) can be justified by 12, 1% by dependent variables, i.e. Managerial Ownership (MO), Institutional Ownership (IST), Independent Commissioner (IC), and Board of Directors (B of D). The remaining 87, 9% is justified by other factors outside the model.

Keywords: Corporate Governance Meckanism, Profitability, Manufacturing Company