

ABSTRACT

Problems can be identified within agency by understanding the distribution of power among parties in the organization. Distribution of power within organization determines the corporate governance structure owned by public trade companies. This study is conducted to predict market reaction based on corporate governance structure (institutional ownership, independent commissioners, and audit committees) of strong public trade companies in Indonesia, and to give an idea how the application of corporate governance in the current economy. The population of this study is the go public-companies in Indonesia of 2007-2011. The samples are obtained with purposive sampling method due to the following criteria: Firstly, the go public-companies excluding banks and other financial institutions; Secondly the companies having only one policy of Seasoned Equity Offerings (SEO) without applying other policies (stock split, option conversion, bonus shares, dividend shares, stock dividends, etc.) during the observational period from 2007 until 2011. Data analysis is conducted with multiple linear regression analysis using SPSS version 19. The results of this study indicate that the application of corporate governance structure (especially the independent commissioner and audit committee) will result in positive market reaction, leading to good financial accounting and corporate governance further researches to analyze other variables that influence market reaction overcoming problems of agency and realized good corporate governance. For company regulator, this study has the implications on views related to the effectiveness of regulatory enforcement. For company, this research has implications to encourage companies comply the regulations imposed by regulator that good corporate governance will be well established.

Keywords: Corporate Governance Structure, Market Reaction, Go Public-Company.