ABSTRACT

Implementation of good corporate governance is expected to improve the financial performance of banking firms through CAMELS ratios are used as a gauge of banking soundness. This study aims to prove how big the influence of good corporate governance to financial performance using CAMELS ratios.

Independent variables used in this study is the CG index as a measurement of the application of the principles of good corporate governance. Samples of this research is common banking company listed on the Indonesia Stock Exchange (BEI) in the period 2008-2010 obtained from the Indonesian Capital Market Directory (ICMD) and CAMELS ratios derived from the bank's annual report (annual report) that has been published in the 2008-2010 period by Bank Indonesia. The analytical method used was to test the assumptions of classical simple and multiple linear regression.

The analysis found that the effect of the implementation of good corporate governance as measured by the CG index has a significant relationship to the performance of banks in the CAR, KAP and LDR. While the other variables are not affected by the application of good corporate governance.

Keywords: *corporate governance, financial performance, the ratio of CAMELS*