

ABSTRACT

This research was conducted with the aim of analyzing whether the capital structure variable acts as a mediation between the relationship between *corporate governance* and company profitability. *Corporate governance* in this study is proxied by *board size*, *independent board*, *audit committee*, *reputation audit*, and *ownership concentration*. The purpose of the research is to see whether the structure, mechanism, or principle that plays a role in *corporate governance* to increase company profits.

This study uses quantitative methods with descriptive data analysis. The population in this study are all non-financial companies listed on the Indonesia Stock Exchange (IDX) for the period 2011-2017. The research sample was determined based on the *purposive sampling method* by non-random sampling. The total population of the study was 469 companies, and samples that were in accordance with the study were 18 companies each year. The research data used is secondary data accessed through Bloomberg in the form of data on ROA, company capital structure, *board size*, *board independent*, and *audit committee*, and company financial reports (*annual reports*) in the form of *audit reputation* and *ownership concentration*. The data analysis technique used in this study is using Eviews 10.

This study has 16 hypotheses using two equations, the first equation is the relationship between capital structure and company profitability, it is concluded that there is no relationship between *board size* and *ownership concentration* on the company's capital structure, but the reverse results are indicated by an *independent board*, *audit committee*, and *reputation audit*. The second equation is the relationship between *corporate governance* and capital structure to profitability, concluded that there is a relationship between *board independent*, *audit reputation*, *ownership concentration*, and capital structure to the profitability of the company, but the opposite results are indicated by the *board size* and *audit committee* that have no relation to profitability company. The mediation test results (using sobel test) conclude that the capital structure acts as an intermediary variable between relations *board independent* and *audit committee* on profitability, but the capital structure has no role between *board size*, *audit committee*, and *ownership concentration* on profitability.

Keywords: board size, independent board, audit committee, reputation audit, ownership concentration, profitability, and capital structure