

ABSTRACT

Effect of Corporate Governance on Earnings Management in Banking Industry Indonesia

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This study aims to provide empirical evidence of the influence of corporate governance mechanisms such as, institutional ownership, the proportion of independent directors, the size of the board of directors, audit committee size and leverage and audit quality on earnings management. The population in this study are all banking companies listed in Indonesia Stock Exchange 2011-2013, companies were sampled 29 companies and the number of observations made during 2011-2013 was 87 items observation. The analytical method used is multiple linear regression.

The study concluded that, of all the independent variables, only variables institutional ownership, and the audit committee has no effect on earnings management, while the other variable is the proportion of independent directors, board size, leverage and influence audit quality on earnings management. For investors in the banking company should consider the size of the board, because the results of this study indicate that the size of the board of directors has the largest negative effect on earnings management.

Kata Kunci : *Corporate Governance, Leverage, audit quality, Earnings Management*