ABSTRACT

Jamilah, Shafiatul. 2013, *THESIS*. *Title*: "*The Effect of Earning Management and Information Asymmetry on Cost of Equity Capital in Conventional Banks Having Syari'ah Business Unit in Indonesia Stock Exchange Period* 2009-2011"

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Financial report is a relation media and information supplier that is useful for the business listed in Indonesia Stock Exchange and stakeholder. The use of equity capital required a combination to produce the lower cost of equity capital from each financial source. The indication of manager selection related an accounting policy might incurred earning management to the rate of return desired by the investor. Similarly, the different information obtained between the manager and the stakeholder causes the effect in the returning rate of cost of equity capital.

This research intent to examine the existence of earning management effect and asymmetry information on cost of equity capital in conventional banks which are having a syari'ah business unit in Indonesia Stock Exchange period 2009-2011, by using secondary from annual report. This research uses a quantitative approach to test the hypothesis. The hypothesis is tested using multiple regression analysis, independent variables are earning management and asymmetry information, while the dependent variable is cost of equity capital. Earning management is measured using modified jones method, asymmetry information is counted by using bid ask spread. Furthermore, cost of equity capital calculated using olhson models. Purposive sampling is conducted in order to obtained final sample of 10 banks.

The result indicate, from F-Test, earning management and asymmetry information have a significant effect on cost of equity capital (α 2,1%). However T-Test result show only earning management has a significant on cost of equity capital, while asymmetry information has no influenced (α 32,6%). It is explained the independent variables only have the small effect to dependent variable evidence by the determination coefficient value (R^2) just 24,8%, it means the rest of 75,2% is influenced by other factors which are not used in this research.