

**THE INFLUENCE OF GOOD CORPORATE GOVERNANCE
TO EARNINGS MANAGEMENT PRACTICES
ON ISLAMIC BANKS IN INDONESIA**

THESIS



By:

DINI AINIL MURNI

NIM: 09520069

**ACCOUNTING DEPARTMENT
FACULTY OF ECONOMIC
THE STATE ISLAMIC UNIVERSITY OF
MAULANA MALIK IBRAHIM
MALANG
2013**

**THE INFLUENCE OF GOOD CORPORATE GOVERNANCE
TO EARNINGS MANAGEMENT PRACTICES
ON ISLAMIC BANKS IN INDONESIA**

THESIS

Presented to:

The State Islamic University Maulana Malik Ibrahim of Malang
to fulfill one of the requirement in acquiring the Bachelor Degree of Economy



By:

DINI AINIL MURNI

NIM: 09520069

**ACCOUNTING DEPARTMENT
FACULTY OF ECONOMIC
THE STATE ISLAMIC UNIVERSITY OF
MAULANA MALIK IBRAHIM
MALANG
2013**

APPROVAL SHEET

**THE INFLUENCE OF GOOD CORPORATE GOVERNANCE
TO EARNINGS MANAGEMENT PRACTICES
ON ISLAMIC BANKS IN INDONESIA**

THESIS

By:

DINI AINIL MURNI

NIM: 09520069

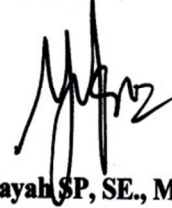
Approved on August 28th, 2013

Advisor 1,



**Ulf Kartika Oktaviana SE., M. Ec., Ak.
NIP 19761019 200801 2 011**

Advisor 2,




**Yuniarti Hidayah SP, SE., M.Bus., Ak
NIP 19760617 200801 2 020**

Acknowledged by:

The Head of Department,




**Danik Wahyuni, SE., M.Si., Ak.
NIP. 19720322 200801 2 005**

LEGITIMATION SHEET

**THE INFLUENCE OF GOOD CORPORATE GOVERNANCE TO
EARNINGS MANAGEMENT PRACTICES
ON ISLAMIC BANKS IN INDONESIA**

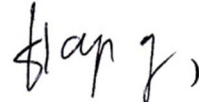


THESIS

By

DINI AINIL MURNI

NIM : 09520069

Has been presented in front of the Board of Examiners
and accepted as the requirement in acquiring Bachelor Degree of Economy (SE)
on September 06th, 2013

| The Board of Examiners | Signatures |
|------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| 1 Chairwoman Niken Nindya Hapsari, SE., M.SA., Ak., CA : | () |
| 2 Advisor/Secretary <u>Ulfi Kartika Oktaviana, SE., M.Ec., Ak</u> NIP 19761019 200801 2 011 : | () |
| 3 Main Examiner <u>Yuniarti Hidayah SP, SE., M.Bus., Ak</u> NIP 19760617 200801 2 020 : | () |

Legitimated By:

The Head of Department,




Nanik Wahyuni, SE., M.Si., Ak.
NIP. 19720322 200801 2 005

AUTHORSHIP SHEET

The undersigned below:

Name : Dini Ainil Murni
NIM : 09520069
Faculty/Department : Economic/Accounting

Stated that the "thesis" I made to fulfill the graduation requirements in the Accounting Department of Economics Faculty of the State Islamic University (UIN) Maulana Malik Ibrahim Malang, entitle:

THE INFLUENCE OF GOOD CORPORATE GOVERNANCE TO EARNINGS MANAGEMENT PRACTICES ON ISLAMIC BANKS IN INDONESIA

Except where reference is made in the text of the thesis, this thesis contains no material published elsewhere or extracted in whole or in part from thesis or report presented by me for another degree or diploma.

Furthermore, if in the future there is a "claim" from other parties, is not the responsibility of the Advisor or the Faculty of Economics, but it is my responsibility.

This thesis has not been submitted for the award or any other degree or diploma in any other tertiary institutions.

Malang, August 28th 2013



Dini Ainil Murni
NIM : 09520069

DEDICATION SHEET

With gratitude, this work is dedicated to

My Beloved Father and Mother

H. Sumardi dan Dra. Hj. Karsini

My Beloved Sister

Yuniz Majidah

My Beloved Advisor

Ulfi Kartika Oktaviana, SE., M.Ec., Ak

Yuniarti Hidayah SP, SE., M.Bus., Ak

My Beloved Boy

Annur Affan Cholan

My Beloved Friends

Yuli, Sandra, Tom Tom, Bella, Dinkha, Zelvi, I da

MOTTO SHEET

If you want something you've never had, you must be willing
to do something you've never done.

Success is a journey, not a destination

-Anonymous-

Successful people have learned to make them do things
that should be done when it had to be done,

whether they like it or not

-Aldus Huxley-

Here is no prayer that is more beautiful than prayers for
the completion of this thesis

PREFACE

Praise to Allah SWT, because of the grace and guidance of His this research can be finished with the title "The Influence of Good Corporate Governance to Earnings Management Practices on Islamic Banks in Indonesia".

Prayers and peace may fix to the Prophet Muhammad SAW who has guided us from the darkness to the path of good, namely Din al-Islam.

The author realizes that in arranging this final assignment of thesis will not work properly without the guidance and conceptual contribution of the various parties. In this moment I express infinite gratitude to:

1. Prof. Dr. H. Mudjia Rahardjo, M.Si as the Rector of State Islamic University (UIN) Maulana Malik Ibrahim Malang.
2. Mr. Dr. H. Salim Al Idrus, MM., M. Ag as the Dean of Economics Faculty of the State Islamic University (UIN) Maulana Malik Ibrahim Malang.
3. Mrs. Nanik Wahyuni, SE., M.Si., Ak as The Head of Accounting Department of Economics Faculty of the State Islamic University (UIN) Maulana Malik Ibrahim Malang.
4. Mrs. Ulfi Kartika Oktaviana, SE., M.Ec., Ak and Yuniarti Hidayah SP, SE., M.Bus., Ak as the Advisor.
5. Mrs. Yuniarti Hidayah SP, SE., M.Bus., Ak., Mrs. Niken Nindya Hapsari, SE., M.SA., Ak., CA and Mrs. Ulfi Kartika Oktaviana, SE., M.Ec., Ak as the board of examiners.
6. Mr. and Mrs. lecturer at the Faculty of Economics of the State Islamic University (UIN) Maulana Malik Ibrahim Malang.
7. Father, mother, sister and the whole family who continues to provide prayer and support morally and spiritually.
8. My beloved who has been patiently accompany and provide encouragement, prayer and support in the completion of this thesis final project.

9. All my friends in Accounting 2009, especially Ida, Yuli, Sandra, Tomtom, Bella, Dinkha and Zelvi who had been providing encouragement and support in completing this thesis final assignment.
10. And all of people that involved directly or indirectly which cannot be mentioned one by one.

Finally, with all modesty writer realizes that this thesis is still far from perfect. Therefore, the authors expect constructive criticism and suggestions for the perfection of this writing. Authors hope that this simple work can be beneficial to both parties. Amin yaa Robbal 'Alamin

Malang, August 28th, 2013

Author

TABLE OF CONTENTS

| | Page |
|--------------------------------------------------------------------------|-------------|
| COVER SHEET | |
| TITLE SHEET | |
| APPROVAL SHEET | iii |
| LEGITIMATION SHEET | iv |
| AUTHORSHIP SHEET | v |
| DEDICATION SHEET | vi |
| MOTTO SHEET | vii |
| PREFACE | |
| viii | |
| TABLE OF CONTENTS | x |
| LIST OF TABLES | xiii |
| LIST OF IMAGES | xiv |
| LIST OF APPENDIX | xv |
| ABSTRACT (Indonesian Language, English Language, Arabic Language) | xvi |
| CHAPTER I INTRODUCTION | 1 |
| 1.1. Background of The Study | 1 |
| 1.2. Problem of The Study | 6 |
| 1.3. Objective of The Study | 6 |
| 1.4. Significance of The Study | 7 |
| 1.5. Limitation of The Study | 7 |
| CHAPTER II LITERATURE REVIEW | 8 |
| 2.1. Prior Research | 8 |
| 2.2. Theoretical Studies | 13 |
| 2.2.1. Good Corporate Governance | 13 |
| 2.2.1.1. Definition of Good Corporate Governance | 13 |
| 2.2.1.2. Principles of Good Corporate Governance | 15 |
| 2.2.1.3. Board of Commissioners | 18 |
| 2.2.1.4. Board of Director | 19 |
| 2.2.1.5. Audit Committe | 21 |
| 2.2.1.6. Institutional Ownership | 21 |
| 2.2.1.7. Managerial Ownership | 22 |

| | |
|----------------------------------------------------------------------|-----------|
| 2.2.1.8. Good Corporate Governance Islamic Perspective | 24 |
| 2.2.2. The Agency Theory | 25 |
| 2.2.3. Earnings Management | 29 |
| 2.2.3.1. Definition of Earnings Management | 29 |
| 2.2.3.2. Patterns of Earnings Management | 30 |
| 2.2.3.3. Earnings Management Motivation | 32 |
| 2.2.4. Accounting Practice for Islamic Banking | 35 |
| 2.3. Mindset | 40 |
| 2.4. Study Hypotheses | 41 |
| CHAPTER III METHODS OF STUDY | 45 |
| 3.1. Sites of The Study | 45 |
| 3.2. Type and Approach of The Study | 45 |
| 3.3. Population and Sample | 45 |
| 3.4. Sample Techniques | 45 |
| 3.5. Data and Data Types | 47 |
| 3.6. Data Collection Techniques | 47 |
| 3.7. Definition of Variable Operational | 47 |
| 3.7.1. Dependent Variable | 47 |
| 3.7.2. Independent Variable | 49 |
| 3.8. Data Analysis | 50 |
| 3.8.1. Descriptive Statistics | 50 |
| 3.8.2. Classical Test Assumption | 51 |
| 3.8.2.1. Normality Test | 51 |
| 3.8.2.2. Multicollinearity Test | 51 |
| 3.8.2.3. Autocorrelation Test..... | 51 |
| 3.8.2.4. Heteroscedasticity Test | 52 |
| 3.8.3. Regression Analysis | 52 |
| 3.8.3.1. Individual Parameter Significance Test (Statistic t Test).. | 53 |
| 3.8.3.2. Simultaneous Significance Test (Statistic F Test) | 53 |
| 3.8.3.3. Test Coefficient of Determination (R^2 Test)..... | 54 |
| 3.8.4. Hypothesis Test | 55 |
| CHAPTER IV RESULTS AND ANALYSIS | 56 |
| 4.1. Overview Objects | 56 |
| 4.2. Data Analysis. | 57 |
| 4.2.1. Descriptive Analysis Results | 57 |
| 4.2.1. Classic Assumptions Test | 61 |
| 4.2.2.1. Normality Test | 61 |
| 4.2.2.2. Multicollinearity Test | 62 |
| 4.2.2.3. Autocorrelation Test..... | 64 |
| 4.2.2.4. Heteroscedasticity Test | 66 |
| 4.2.2. Hypothesis Test | 67 |
| 4.2.2.1. Multiple Linier Regression Analysis | 67 |
| 4.2.2.2. Individual Parameter Significance Test (Statistic t Test) . | 70 |

| | |
|------------------------------------------------------------------|-----------|
| 4.3.2.3. Simultaneous Significance Test (Statistic F Test) | 74 |
| 4.3.2.4. Coefficient of Determination (R^2) | 76 |
| 4.3 Discussion..... | 78 |
| 4.3.1 Partial Testing | 78 |
| 4.3.2 Simultaneous Testing | 84 |
| CHAPTER V CLOSING | 86 |
| 5.1. Conclusion | 86 |
| 5.2. Suggestions | 86 |

REFERENCES

APPENDIX

LIST OF TABLES

| | |
|--------------------------------------------------------------------------------------|----|
| Table 2.1 Prior Research | 8 |
| Table 2.2 Overview about The Agency Theory | 27 |
| Table 2.3 Differences Postulate between Conventional and Islamic Accounting | 37 |
| Table 2.4 Content of PSAK 101-108 | 40 |
| Table 3.1 Determination of Sample | 46 |
| Table 3.2 Samples Islamic Bank | 46 |
| Table 4.1 Descriptive Statistics | 57 |
| Table 4.2 One-Sample Kolmogorov Test | 62 |
| Table 4.3 Multicollinearity Test Results | 63 |
| Table 4.4 Autocorrelation Test Results | 64 |
| Table 4.5 Heteroscedasticity Test Results | 66 |
| Table 4.6 Regression Analysis Results | 68 |
| Table 4.7 T Test Analysis Results | 71 |
| Table 4.8 F Test Analysis Results | 75 |
| Table 4.9 Analysis of The Results of The Coefficient of Determination (R^2).... | 77 |
| Table 4.9 The Result of Linier Regression Partial Testing | 78 |

LIST OF IMAGES

| | |
|-------------------------------------|----|
| Image 2.1 Hypothesis Model..... | 41 |
| Image 3.1 Normal Curve t Test | 53 |
| Image 3.2 Normal Curve F Test..... | 54 |

LIST OF APPENDIX

- Appendix 1 SPSS Output of Descriptive Statistic
- Appendix 2 SPSS Output of Normality Test
- Appendix 3 SPSS Output of Multicollinierity Test
- Appendix 4 SPSS Output of Autocorrelation Test
- Appendix 5 SPSS Output of Heteroscedasticity Test
- Appendix 6 SPSS Output of t Statistic Test
- Appendix 7 SPSS Output of F Statistic Test
- Appendix 8 SPSS Output of Determination Coefficient Test
- Appendix 9 Consultation Evidence
- Appendix 10 Change History Form of Thesis Title
- Appendix 11 Curriculum Vitae

ABSTRACT

Dini Ainil Murni. 2013, THESIS. Title: “The Influence of Good Corporate Governance to Earnings Management Practices on Islamic Banks in Indonesia ”

Advisor : Ulfi Kartika Oktaviana, SE., M.Ec., Ak

Key Words : Good Corporate Governance, Earnings Management, Islamic Bank

This study aimed to determine the influence of good corporate governance mechanisms proxied by the board of commissioner size, the number of the board of commissioners meeting, the independent commissioner composition, the independent audit committee composition, the number of the audit committee meeting, institutional ownership and managerial ownership to earnings management practices. Earnings management is measured using discretionary accruals.

The sample are 24 Islamic banks in Indonesia, which it has published the annual report and partial report in 2010 and 2011. This study use multiple linear regression analysis.

The results show that the board of commissioner size, the number of the board of commissioners meeting, the independent commissioner composition, the independent audit committee composition, the number of the audit committee meeting, institutional ownership and managerial ownership have no significance effect on earnings management. It indicates that good corporate governance mechanism failed to minimize earnings management on Islamic Banks in Indonesia.

ABSTRAK

Dini Ainil Murni. 2013, SKRIPSI. Judul: “Pengaruh *Good Corporate Governance* terhadap Manajemen Laba Bank Syariah di Indonesia”

Pembimbing : Ulfi Kartika Oktaviana, SE., M.Ec., Ak

Kata Kunci : *Good Corporate Governance*, Manajemen Laba, Bank Syariah.

Penelitian ini bertujuan untuk mengetahui pengaruh mekanisme *good corporate governance* yang terdiri dari ukuran dewan komisaris, jumlah rapat dewan komisaris, komposisi komisaris independen, komposisi komite audit independen, jumlah rapat komite audit, kepemilikan institusional dan kepemilikan manajerial terhadap praktik manajemen laba. Manajemen laba diukur dengan akrual diskresioner.

Sampel penelitian ini adalah 24 bank syariah di Indonesia yang telah mempublikasikan *annual report* dan *partial report* pada tahun 2010 dan 2011. Metode analisis pada penelitian ini menggunakan analisis regresi linier berganda.

Hasil penelitian menyatakan bahwa ukuran dewan komisaris, jumlah rapat dewan komisaris, komposisi komisaris independen, komposisi komite audit independen, jumlah rapat komite audit, kepemilikan institusional dan kepemilikan manajerial berpengaruh tidak signifikan terhadap manajemen laba. Hal ini menunjukkan bahwa mekanisme *good corporate governance* gagal membatasi praktik manajemen laba bank syariah di Indonesia.

الملخص

دبني عين المريني. 2013، الرسالة. العنوان: "أثر الحوكمة الجيدة للشركات في إدارة الأرباح المصرفية الإسلامية في اندونيسيا"

المشرفة : أولفي كارتیکا أوكتافيانا، بكالوريوس اقتصاد، الماجستير فيالاقتصادية.، العدالة والتنمية. كلمات البحث: الحوكمة الجيدة للشركات، إدارة الأرباح، والخدمات المصرفية الإسلامية.

هدفت هذه الدراسة إلى تحديد تأثير آليات حوكمة الشركات الجيدة حجم المجلس، وعدد اجتماعات مجلس الإدارة، وتكوين المديرين المستقلين، المستقلة للمراجعة تركيبة اللجنة، وعدد من اجتماعات لجنة التدقيق، والملكية المؤسسية والملكية الإدارية من ممارسات إدارة الأرباح. يتم قياس إدارة الأرباح من قبل مستحقات تقديرية. وكانت العينة اربعة وعشرين البنوك الإسلامية في إندونيسيا، التي نشرت التقرير السنوي وتقرير جزئي عام 2010 و 2011. طريقة التحليل في هذه الدراسة متعددة باستخدام تحليل الانحدار الخطي.

ذكرت الدراسة أن حجم المجلس، وعدد اجتماعات مجلس الإدارة، وتكوين المديرين المستقلين، تشكيل لجنة مستقلة لمراجعة الحسابات، وعدد من اجتماعات لجنة التدقيق، والملكية المؤسسية والإدارية ملكية ليس لها تأثير كبير على إدارة الأرباح. وهذا يشير إلى أن فشل آلية جيدة لحوكمة الشركات للحد من ممارسات إدارة الأرباح من البنوك الإسلامية في إندونيسيا.