

ABSTRACT

The purpose of this study is to examine the corporate governance structure affect the reporting of Loan Loss Provisions in the Islamic banking sector. Loan Loss Provisions was originally used for the purpose of reducing credit risk. However, the management can use the provisioning technique with discretionary behaviour for earnings management purposes.

The sample in this research is Islamic Banks listed in the Indonesia Stock Exchange (BEI) from 2010-2015. The sample was selected using purposive sampling method and acquired 11 Islamic Banks which become the sample. This study uses quantitative method by using multiple linear regression analysis.

The result showed that the size of the board of commissioners are positively affected on earnings management. This indicates that small boards size are more effective than the larger ones on decision making. The result also indicate that the size of the audit committee and the size of the sharia supervisory board (henceforth DPS) significant negatively affected on earnings management on Islamic banking.

Keywords : Islamic banks, corporate governance, discretionary LLP, and earnings management