

## **ABSTRACT**

*The rapid growth of Islamic banks in Indonesia, driven by the policy of the dual banking system in the banking industry. This policy allows conventional banks to open a sharia business unit which is the forerunner to the establishment of sharia banks in general. Currently principals (managers) of sharia bank is a conventional bank or at least the actors 'graduates' of conventional banks. Sharia bank performance appraisal is also not much different from conventional banks. While long known that this happens indication of earnings management practices in the banking industry. This study aims to examine the existence of earnings management practices in Sharia banks and the influence of CAMEL ratios to earnings management.*

*This study uses secondary data monthly financial reports Sharia banks, as published by Bank Indonesia during the years 2008 and 2009. Earnings management proxy for discretionary accruals that have been adapted to the characteristics of banking. Determination of the coefficient of earnings management is done by regressed total accruals which are calculated with the Healy (1985) and Jones (1991) model, where the value obtained unstandardized residual is the value of discretionary accruals used in the subsequent regression to examine the influence of CAMEL ratio of earnings management in Sharia banks . Testing the ratio of earnings management and the influence of CAMEL on the management carried out by multiple regression.*

*The results showed that there are negative slope of CAR, ROA, NPM and LDR to earnings management, but their effects are not significant to earnings management in sharia banks.*

*Keywords: Sharia banks, discretionary accruals, earnings management, CAMEL ratio.*