ABSTRACT

This study aims to analyze the impact of the implementation of good corporate governance and auditor quality on the size of the cost of bank loans. In this study, good corporate governance is proxied into three terms: the proportion of institutional ownership, size of audit committees and proportion of independent board. Corporate governance and audti quality is a way to improve the effectiveness of monitoring activities to increase confidence in the bank against the company.

Samples used in this study are the financial statements of listed manufacturing companies on the Stock Exchange during the period 2006-2010 by using certain criteria.Analysis tools used to test the hypotesis in this study is the linier regression.

The result showed that the proportion of institutional ownership and the number of audit committee significantly affect the cost of loan. While the proportion of independent board and audit quality do not significantly affect the cost of loan.

Key Words : Corporate Governance, Audit Quality, Cost of Loans, Bank, Monitoring Activities.