ABSTRACT

Corporate Governance (CG) is a corporate governance that explain the relationship between various parties within the company that determines the direction and performance of the company. Issues on Corporate Governance (CG) start to become an important discussion, especially in Indonesia, named after Indonesia experienced a prolonged period of crisis since 1998. The purpose of this study was to measure the corporate governance and financial performance in the banking sector which will determine on corporate governance.

In this study the concept of indicators adopted in corporate governance mechanisms consist of: the size of the board of directors, board size and firm size on earnings management practices by the banking industry in Indonesia. The sample in this study are all banking companies listed in Indonesia Stock Exchange (BEI) in 2006-2008. The method of analysis used in this study is multiple regression, because in accordance with the purpose of this study was to analyze the influence of independent variables on the dependent variable. To menentuan sample selection used a purposive sampling method. By using this method are obtained 22 companies banking that will serve as samples in this study.

From the results of hypothesis testing, it shows that corporate governanace that in this research consist of indicators of the size of the board of directors, board size and company size. And his results point that the size of the board of directors is not significant negative effect on the financial performance while the size of the board of commissioners and company size is not significant positive effect on financial performance. So it can be concluded that all hypotheses showed no significant impact on financial performance.

Keywords: *Corporate Governanace, Size of the Board of Directors, the size of the Board of Commissioners, Company Size and Financial Performance (CFROA)*