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AN ANALYSIS OF THE EFFECT OF EARNINGS PERSISTENCE, GOOD CORPOARATE GOVERNANCE, AND ACCRUAL COMPONENT TO EARNINGS QUALITY ON BANKING IN INDONESIA IN 2011-2015

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ABSTRACT

This study aims to examine empirically the effect of earnings persistence, good corporate governance, and the accrual component of the quality of earnings in the banking sector in Indonesia. Data analysis was performed using quantitative descriptive method that aims to provide an overview of the nature of things that took place at the time the research was done. The study sample consisted of 25 banks listed on the Indonesia Stock Exchange (IDX) with data for a period of 5 years (2011-2015). The results showed that the accrual component of earnings persistence and significant effect on the quality of earnings. The resulting value is significantly smaller than 0.05. While GCG no significant effect on the quality of earnings in the banking sector in Indonesia, where significant value is greater than 0.05. This Study contributes to the existing Earnings Persistence, corporate governance, accrual component and earnings quality literature in emerging markets. In addition, this study offers some useful insights for regulators and policy makers by testing the effect of Banking Indonesia's reforms on earnings quality

Keyword : ***Earnings persistence, GCG, accrual component, earnings quality***

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Introduction

The earnings information in the financial statements is generally important, especially for those who use financial statements for the purposes of contracting and investment decision making. From the perspective of contract objectives, profit information can be used to make decisions related to Good Corporate Governance practices, can also be used as a basis for salary allocation within an enterprise (Sugiarto dan Siagian, 2010).

Management that has a particular interest will tend to compile earnings reports in accordance with its purpose and not in the interest of the principal. Under these circumstances, a control mechanism is required that aligns the differences of interests between the two parties. Good Corporate Governance Mechanism has the ability in relation to produce a financial statement that contains information of profit (Boediono, 2010).

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There are four mechanisms of Good Corporate Governance that are often used in various studies on Good Corporate Governance which aims to reduce agency conflicts, namely audit committee, independent commissioner, institutional ownership, managerial ownership. The structure of public share ownership by some researchers is believed to be able to influence the course of the company which ultimately affects the company's performance in achieving the company's goal of maximizing corporate value. This is because of the control they have.

The low quality of profits will be able to make decisions of the users as investors and creditors, so that the value of the company will be reduced. The value of the firm will be reflected in its stock market price. Profits as part of the financial statements that do not present the actual facts about the economic condition of a company can be doubted its quality. Profits that do not show actual information about management performance may mislead the users of the report. If such profits are used by investors to form the market value of the firm, then profit cannot explain the true market value of the company (Boediono, 2010).

In Indonesia, the issue of credibility on profit information is often the case causing the decrease of investor's confidence in earnings quality. As happened in PT. Kimia Farma. This case requires the restatement of profit reported by PT Kimia Farma company in the past period. Because there is an indication that management is marking up profit. In addition, PT KF also recorded double sales on 2 business units. Double listing is done on units that are not sampled by external auditor.

One part of the financial statements is a rugim profit report that presents the company's profit within a period. earnings information is a key key in assessing the quality of corporate profits for investors, so as to reduce information errors. Low earnings information quality reflects poor resource allocation. According to handarin (2003) in Jang, *et al*.,(2007), accounting earnings of quality is accounting earnings can reflect the actual financial performance of the company and the information presented does not contain perceptions of uncertainty. The greater the disturbance of the perceptions of the uncertainties contained in accounting profit, the lower the quality of accounting profit.

Earnings management occurs when management uses certain decisions in financial statements and transactions to alter financial statements as a basis for the performance of a company that aims to mislead shareholders or to influence contractual results that rely on accounting figures reported. Earnings management can occur because managers are given the flexibility to choose the accounting method to be used in recording and disclosing their private financial information. In addition, this manipulation behavior also occurs because of high information asymmetry between management and others who do not have adequate resources, encouragement or access to information to monitor manager actions, so that management will attempt to manipulate the reported company performance for his own interests (Robert, 2015).

Managerial manipulation behavior that originated from this conflict of interest can be minimized through a monitoring mechanism that aims to align the

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various interests. First, by enlarging the ownership of the company's shares by management (managerial ownership), so the interests of the owner or shareholder will be aligned with the interests of the manager. Second, share ownership by institutional investors. They can monitor agents with large holdings. Through the role of monitoring by the board of directors (board of directors). The role of the board of directors with financial reporting is the size and independence of the board of directors affecting their ability to monitor the financial reporting process. This is in accordance with the spirit of Good Corporate Governance (GCG) which is proclaimed by the government against public companies.

This study refers to the research produced by Widayanti (2014) which suggests about the factors that affect the quality of profit. The results showed that growth opportunities positively affect the quality of profit, risk, firm size, CSR quality negatively affect earnings quality. While the persistence of profit, auditor quality, and capital structure have no effect on earnings quality. This research is able to produce a better research model compared to the reference research which is indicated by the increase of adjusted R2 value.

Supervision is expected to improve the creation of Good Corporate Governance within the company. The benefits of Good Corporate Governance will be seen from the premium that investors are willing to pay for the company's equity (market price). If it turns out that investors are willing to pay more, then the market value of companies implementing Good Corporate Governance will also be higher than companies that do not implement or disclose their Good Corporate Governance (Kusumawati and Riyanto, 2015).

The phenomenon of the influence of profit persistence, good corporate governance, and the accrual component based on the literature review and the results of previous research, the authors considered it necessary to present research on the influence of profit persistence, good corporate governance, and the accrual component to earnings quality, especially in banking companies in Indonesia, that is by proposing sample of research year 2011-2015.This study contributes to the existing earnings persistence, good corporate governance, accrual component and earnings quality literature in emerging markets by testing on Indonesian Banking. In addition, this study offers some useful insights for regulators and policy makers by testing the effect of Indonesian Banking reforms on earnings quality.

Theoretical Framework and Hypothesis

Profit Quality

The quality of profit can be defined as the profitability in explaining the information contained in it that can assist decision-making by decision makers (Dechow, *et al*., 2010). Profit is an accrual accounting product and is used as a gauge of company performance management. The better the profit in describing the performance of the management the more qualified the profit.

The quality of profit has many dimensions and can be measured with many sizes, one of which uses accruals. Accrual is the difference between net income and cash flow from operating activities (Richardson, *et al*.,2001). The main use of accruals is to reduce the time and incompatibility problems of cash

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flow (Dechow, 2001 in Schoemaker, 2013). Accrual makes operating cash flow into net income, thereby making the financial statements more informative of the company's performance.

According to Suwardjono (2011) investors through securities analysis, generally more basing themselves on the economic profit to predict cash flow or stock returns of the company in the future. Analysts see that accounting profits contain noise due to the application of PABU which in many cases does not reflect economic reality (eg the use of historical hiding) or due to earnings management. Therefore, if accounting profit is free from disruption and approaching economic profit, accounting earnings will be a reliable predictor as well. Thus, the proximity or correlation between accounting profit and economic profit will determine the quality of accounting earnings (earnings quality).

A quality profit is a useful profit in decision making that has characteristics of relevance, reliability, and comparability / consistency. Measuring each of these quality criteria separately is difficult or impossible. Therefore, in empirical studies the price regression coefficients and stock returns on earnings (and other related measures eg cash flow) are interpreted as measures of earnings quality based on the characteristics of relevance and reliability (Paul, 2012)

Profit Persistence

Profit persistence is expected future earnings as reflected in current year earnings. Sustained profit for a future period is a reflection of quality profit (Ikhsan, 2012). Less-fluctuating profits are the hallmark of persistent earnings. Profit is one of the company's goals in addition to survival (going concern). Quality earnings are earnings that can reflect a continuation in the future. The preparation of financial statements aims to provide information useful for decision making. Achieving that goal, the Financial Accounting Standard sets out a criterion that accounting information must have to be used in decision making. The main criteria are relevant and reliable. Profit persistence is one component of predictive value of earnings, because persistence is an element of relevance, then persistence can be used to assess earnings quality.

Profit information is used to assess a company's performance, whether the company reports its earnings higher or lower than the previous year and assesses the prospects of the company in the future. The importance of profit information in making decisions causes the reported earnings quality of the company to be important for the users of financial statements to consider. Viewed from the Indonesian economy, so far accounting profits still attract the attention of investors, therefore potential investors are advised not only to see high profits, but persistent profit. Persistent earnings are profits that may reflect the continuation of future profits determined by its accruals and cash flows.

Good Corporate Governace

According to Sutedi (2011) Good Corporate Governance can be defined as a process and structure used by corporate organs (Directors, managers, shareholders, and others related to the development of companies in certain

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environments) to improve business success and corporate accountability to realize value shareholders in the long term while maintaining the attention of other stakeholders, based on legislation and ethical values. Banks are required to implement GCG principles in each of their business activities at all levels or levels of the organization including when composing vision, mission, strategic plan, policy implementation and steps Internal monitoring. The scope of application of GCG principles according to SE No. 15/15 / DPNP in 2013 Indonesian Bank shall at least be realized in 1) Implementation of duties and responsibilities of the Board of Commissioners; 2) Implementation of duties and responsibilities of the Board of Directors; 3) Completeness and performance of the Committee's duties; 4) Handling of conflict of interest; 5) Implementation of compliance function; 6) Implementation of internal audit function; 7) Implementation of external audit function; 8) Implementation of risk management including internal control system; 9) Provision of funds to related parties and large exposures; 10) Transparency of BUS financial and non financial condition, Good Corporate Governance implementation report and internal reporting; 11) Handling of conflict of interest (Rinawati, 2011).

Accrual Components

Accrual is technically a profit difference with cash. Accrual is an accounting method in which receipts and expenses are recognized or recorded when transactions take place, not when cash for transactions is received or paid. Harahap (2010) states accruals are: determination of income and expenses of the position of assets and liabilities set without seeing whether cash transactions have been done or not. The determination is not a cash engagement but based on its legal factor whether it is already a company's rights and / or obligations. If it should be recorded without waiting for payment or cash receipt.

It can be concluded that the concept of accrual acknowledges a transaction, especially income and expenses, at the time of occurrence without being associated with cash transactions. This accrual basis of determination is also based on its legal factor whether or not it is a company's rights and obligations. The accrual basis will include the recording of transactions that occurred in the past and various rights and obligations in the future. In Study No. 14 issued by IFAC-Public Sector Committe, the financial statements presented on an accrual basis allow report users to:

- Assess the accountability of the management of all resources by an entity
- Assess the performance, financial position and cash flows of an entity;
- Decision-making on the provision of resources to, or conduct business with an entity.

Research Hypothesis

The earnings persistence indicates a quality profit because it indicates that the company can retain earnings over time, and see that the company does not perform an action that could mislead the information user, since the firm's profit does not fluctuate sharply. The results of research Widayanti (2014) argued that the persistence of earnings significantly affect the quality of earnings. It is based

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on that the full profit persistence is oriented to the quality of profit, where the increase of earnings persistence, it is expected the quality of profit will be increased.(3)

H1 : The Profit persistence has a significant effect on earnings quality in banking in Indonesia

Implementation of GCG in the banking industry should always be based on 5 basic principles of transparency, accountability, responsibility, independency, fairness. Research Chusnulia Aryandhita Widayanti (2014) resulted that Good Corporate Governance have a significant and negative impact on earnings quality. This is because the implementation of GCG in the company is not oriented optimally to improve the quality of profit.

H2 : Good Corporate Governance has significant effect to earnings quality in banking in Indonesia.

According to Suwardjono (2005) the disadvantages and advantages of accruals are accounting on the basis of accruals providing the entity's overall financial information both in asset ownership and the potential of ownership that is likely to be realized in the future as well as future liabilities. The principle or basis of accruals as the basic concept of accounting is more accepted and made into accounting policies of entities in general. The results of research Zaenal Fanani (2010), argued that the accruals affect the quality of earnings. This is a separate critique for accounting, where it is difficult to see the future predictions of the company only by relying on the financial statements based on the information of the past.

H3 : Accruals have significant effect on earnings quality in banks in Indonesia.

Research Method

Research design

This research is a quantitative descriptive research that aims to provide an overview of the nature of something that takes place at the time of research conducted. Researchers collect, arrange, and analyze data that can then be used to discuss the problem of research so that it can be drawn conclusions.

The data in this study is a combination of time series data and cross section or better known as panel data. This research data is secondary data with type of panel data obtained through publication of financial statements (which have been audited) banking companies listed in Indonesia Stock Exchange period 2011-2015.

Sampling of this research using purposive sampling method and based on the provisions that the company publishes audited financial statements from 2011 to 2015 and during the year of observation the company is not in a state of loss. Banking companies are selected as a sample because the banking sector in BEI describes the overall banking sector in Indonesia. In addition, researchers want to add value in research, as some previous researchers already use manufacturing industry as a sample.

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Variable of Research and Definition of Operational Variable

- Quality of profit, is the ability to explain the information contained in it that can assist decision-making by decision makers.

TA (*total accrual*) = *Net income – Cash flow from operation*
Tat/At-1 = α1 (1/At-1) + α2 (ΔREVt/At-1) + α3 (PPEt/At-1) + ε
Descript:
At-1 = Asset Total in period t-1
ΔREVt = Changes in revenue in t period
PPEt = *Property, Plant, and Equipment*
α1, α2, α3 = regression coefficient
NDA = α1 (1/At-1) + α2 (ΔREVt-ΔRECt)/At-1) + α3 (PPEt/At-1)

Information:
ΔRECt = Changes in accounts receivable in t period

Furthermore, the discretionary accruals can be calculated as follows:
DACit = TAt /At-1-NDA
Descript:
DACit = *Discretionary accruals* in t period
NDA = *Non discretionary accruals*

- Profit Persistence (X1), is expected future earnings as reflected in current year earnings. Sustained profit for a period to come is a reflection of a quality profit, measured by the following formula:

$$\frac{\text{Earnings}_{jt}}{\text{Shares outstanding}_{jt}} = \beta_0 + \beta_1 \frac{\text{Earnings}_{jt-1}}{\text{Shares outstanding}_{jt-1}} + \varepsilon_{Jt}$$

Descript:
Earnings_{jt} = earnings before extraordinary items company j years t
Earnings_{jt-1} = earnings before extraordinary items company j last years
$\text{Shares outstanding}_{jt}$ = Shares outstanding company j years t
$\text{Shares outstanding}_{jt-1}$ = Shares outstanding company j last years

- Good corporate governance (X2), as a process and structure used by corporate organs (Directors, managers, shareholders, and others related to the development of the company in certain environments) to improve business success and corporate accountability in order to realize value holders shares in the long term while still paying close attention to other stakeholders, based on legislation and ethical values.
- Accrual components (X3), is an accounting method in which receipts and expenditures are recognized or recorded when transactions occur, not when cash for transactions are received or paid, ie by using the formula:

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$$\sigma\ (Earning_{jt} - CFO_{jt})$$

Descript:
$Earning_{jt}$ = Company Operating Cash Flow j years t
CFO_{jt} = Profit Before extraordinary items of company j years t

Data analysis technique

Regression analysis is used to determine whether the hypothesis in this study proved to have an effect or no effect. the equations of multiple linear regression analysis below:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Descript:
Y = Quality of profit
α = Constanta
b = Regression coefficient of independent variables
X_1 = Profit Persistence
X_2 = Good corporate governance
X_3 = Accrual components
e = Recidual

Result
Descriptive Statistic

Table I. Description of Research Data

No	variable	Minimum	Maximum	Mean
1.	Profit Persistence	.000	21.20	1.5062
2.	GCG	1.00	1.32	1.1366
3.	Accrual Components	22.85	34.57	27.3016
4.	Earning Quality	-899903512862	749.91218588272	-6743126873.0195

Source: Processed Data (2017)

Based on the table, it can be seen that **the profit persistence** is 21.20% that is at Bank Mega in 2015. While the lowest value is equal to .000% that is at Mayapada Bank in 2011 and year 2012. The mean value of Profit Persistence amounted to 1.506%.

Based on the table, it can be seen that **good corprorate governance** is 1.32% that is at Bank BRI in 2013. While the lowest value is 1.00 that is in Bank of India Indonesia in 2015. The mean as indicator of variable independent is 1.136%.Based on the table, it can be seen that **the accrual components** with the value of change for two years is 34.57% which is at Bank Rakyat Indonesia Agro Niaga in 2011. While the mean value is 27.3016% that is at Bank Mayapada year 2011.

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Based on the table, it can be seen that **the earning quality** is 749%, ie at Bank Capital in 2015. The lowest value is -899%, ie at Bank Rakyat Indonesia Agro Niaga in 2015. The average value of stabiliats ratio finance amounted to -6743%.

Classical Assumption Test Analysis

Normality Test

Normality test can also be done by Kolmogorov smirnov test. The basic concept of this test is to compare the distribution of data (which will be tested normality) with the normal standard distribution. The application of this test is if the significance below 0.05 means that the data to be tested has a significant difference with the normal raw data, meaning the data is not normal (Ghozali, 2011: 160). To find out is done by considering the following SPSS output:

Table II. Normality Test -One-Sample Kolmogorov-Smirnov Test

Keterangan		Unstandardized Residual
N		125
Normal Parameters [a,b]	Mean	000000000
	Std. Deviation	1.57327885
	Absolute	.125
Most Ekstreme Differences	Positive	.103
	Negative	-.125
Kolmogorov-Smirnov Z		1.402
Asymp. Sig. (2-tailed)		.392**
** Normal = ** > 0,05.		

Based on the result, it can be stated that the research data is normally distributed. Because the resulting significant value is 0.392 (greater than 0.05).

This multicollinearity test is used to determine the presence or absence of double cholinearity (high correlation) between the independent variables used in the model (Gurajati: 2012). To know the presence or absence of multicollinearity among variables, it can be seen Variable Inflation Factor (VIF) and Tolerance, where VIF value is not more than 10, and Tolerance value is more than 0,1. For more details can be seen in the following table:

Multicollinearity Test

This multicollinearity test is used to determine the presence or absence of double cholinearity (high correlation) between the independent variables used in the model (Gurajati: 2012). To know the presence or absence of multicollinearity among variables, it can be seen Variable Inflation Factor (VIF) and Tolerance, where VIF value is not more than 10, and Tolerance value is more than 0,1. For more details can be seen in the following table:

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Table III. Multicollinearity Test

Independent Variable	Tolerance	Variance Inflation Factor
Profit Persistence	0,995	1,005
GCG	0,996	1,004
Accrual Components	0,991	1,009

Source: Processed Data (2017)

Based on the table, indicates that this study there are no symptoms of multicollinearity. Because all the considerations and requirements of multicolinearity test research have been fulfilled.

Heterokedastisity Test

The independent variable heteroscedasticity test is constant for each value of a particular independent variable (homocedasticity). A good regression model is no heteroscedasticity. Detecting whether or not heteroskedastisitas with Glejser method, which is done by regressing between independent variables with residual absolute value. If the significance value between the independent variable with absolute residual is more than 0.05 then there is no heteroscedasticity problem. The results of Glejser test output are as follows:

Table IV. Heterokedastisity Test with Glejser Method

Independent Variable	Significant	Annotation
Profit Persistence	0,032	there are symptoms
GCG	0,298	no symptoms
Accrual Components	0,229	no symptoms

Source: Processed Data (2017)

Based on these results, indicating that on factor GCG (X2) there are symptoms of heteroscedasticity, because the significant value less than 0.05. Furthermore, according to Baltagi (2011) to overcome the symptoms that occur in the test heteroskedastisitas is to test spearman rho with the provision that the significant value of correlation is greater than 0.05. The results of spearman rho test are as follows:

Table V. Heterokedastisity Test with Spearmen rho

Independent Variable	Significant	Annotation
Profit Persistence	0,032	no symptoms
GCG	0,298	no symptoms
Accrual Components	0,229	no symptoms

Source: Processed Data (2017)

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Based on the results of spearman rho test, then this study did not experience symptoms of heteroskedastisitas, because the significant value of each independent vaiabel is greater than 0.05.

Analysis Coefficient of Determination (R^2)

The coefficient of determination test (R^2) is used to measure how far the model capability in explaining the variation of the dependent variable. The coefficient of determination is between zero and one. The small value of R^2 means that the ability of independent variables to explain the variation of the dependent variable is very limited. A value close to one means independent variables provide almost all the information needed to predict the variation of independent variables (Ghozali, 2011) (Subramayam dan Wild, 2013).

Table VI. Analysis Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square
1	.624	.389	.374

Source: Processed Data (2017)

Based on the test results obtained R^2 of 0.624. This shows that correlation between two or more independent variables on the dependent variable. R^2 value ranging from 0 to 1. If the value close to 1, then the relationship more closely. Conversely, if close to 0, then the relationship is weak. This shows the bottom of a relationship being between the Profit Persistence, Good Corporate Governance (GCG), and Accrual Components.

Hypothesis Testing Research

Table VII. Hypothesis Testing Research

Independent Variable	t-hitung	Sig.	Descript
Profit Persistence	7,956	0,000	Significant effect
GCG	0,596	0,552	No significant effect
Accrual Components	3,026	0,003	Significant effect

Source: Processed Data (2017)

Based on the table, the level of influence given each independent variable to the dependent variable is as follows:

The Effect of Profit Persistence on Profit Quality

Profit Persistence factor (X1), has a tcount of 7,656 and a significant level of 0.000. It shows that earnings persistence (X1) have a significant effect on earnings Quality (Y). The proof of the statement is based on the tcount value greater than the ttable value (7,656> 1,980) and the significant value smaller than the significant level (0,000 <0.05). Based on these results, the first hypothesis

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(H1) which states that the persistence of earnings significantly affect the quality of earnings in banks in Indonesia is accepted.

According Richardson (2001), profit is not too fluctuating is a feature of persistent profit. Profit is one of the company's goals in addition to survival (going concern). Quality earnings are earnings that can reflect a continuation in the future. The preparation of financial statements aims to provide information useful for decision making. (9) The results of this study are in line with research produced by Chusnulia Aryandhita Widayanti (2014), which suggests that the persistence of earnings gives a significant effect on the quality of profit.

Persistensi profit is a profit that can be used as an indicator of future earnings. Sustained earnings persistence is expressed as a profit that has high quality; otherwise if the unusual profit is expressed as a profit that has poor quality. The earnings persistence in the bank reflects the ability as a future earnings indicator produced by the company repetitive in the long term (sustainable). While unusual earnings or transitory earnings are temporarily generated earnings and can not be repeatedly generated (non-repeating), so it can not be used as an indicator of future period earnings.

The Effect of Good Corporate Governance on Profit Quality

GCG factor (X2), has a tcount of 0.596 and a significant level of 0,552. It shows that GCG (X2) has no significant effect to the quality of profit (Y). The proof of the statement is based on the tcount value greater than the ttable value (0,596 <1,980) and the significant value greater than the significant level (0,552> 0,05). Based on these results, the second hypothesis (H2) which states that GCG has a significant effect on earnings quality in banking in Indonesia is rejected.

This does not support Cadburry's theory in Sutedi (2011), which suggests that Good Corporate Governance is the principle that directs and controls the company to achieve a balance between the power and authority possessed by the company in giving accountability to its shareholders in particular, and stakeholders in general. The discrepancies of the research results with the proposed theories are based on differences of interest in the perception of Good Corporate Governance where GCG is not entirely meant to gain management of banking management that leads to earnings quality.

The results of research are in line with the research put forward Widayanti (2014), where Good Corporate Governance actually negatively affect the quality of profit.

The Effect of Acrual Component on Profit Quality

Accrual Components Factor (X3), has a tcount of 3.026 and a significant level of 0.003. It shows that Accrual Components (X3) have a significant effect on the Quality of profit (Y). The proof of the statement is based on tcount value greater than ttable (3.026> 1,980) and significant value smaller than significant level (0,003 <0,05). Based on these results, the third hypothesis (H3) which states that the profit persistence significantly affect the quality of earnings in banks in Indonesia is accepted.

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This result is in line with Harahap's stated theory (2010) states that accruals are: the determination of income and expenses from the position of assets and liabilities is determined regardless of whether the cash transaction has been done or not. The determination is not a cash engagement but based on its legal factor whether it is already a company's rights and / or obligations. If it should be recorded without waiting for payment or cash receipt.

The results of research are not in line with the results of research Chusnulia Aryandhita Widayanti (2014), which suggests that the accruals have a significant effect on the quality of profit. The amount of accrual is the amount of income recognized in the union rights of the business arising from the delivery of goods to external parties. The amount of income is recognized when the business unity rights arise because of the delivery of goods to an outsider and the cost is recognized when the liability arises because of the use of the economic resources attached to the delivered goods. Companies with large accruals will have a lower earnings persistence resulting in a decrease in earnings performance in the next year.

Conclusion

Based on t test results, the first hypothesis (H1) which states that the persistence of earnings significantly affect the quality of earnings in banks in Indonesia is accepted. Persistensi profit is a profit that can be used as an indicator of future earnings. The earnings persistence in the bank reflects the ability as a future earnings indicator produced by the company repetitive in the long term (sustainable).

Based on t test results, the second hypothesis (H2) which states that GCG has a significant effect on earnings quality in banking in Indonesia is rejected. The discrepancies of the research results with the proposed theories are based on differences of interest in the perception of Good Corporate Governance where GCG is not entirely meant to gain management of banking management that leads to earnings quality.

Based on these results, the third hypothesis (H3) which states that the profit persistence significantly affect the quality of earnings in banks in Indonesia is accepted.

Limitation

- The results of this study can not be used as the basis of generalization, because it only focuses on banking companies that earn profits during the period of observation.
- This study focuses only on the financial statements of companies that profit, subsequent research should use a sample company that loses in order to provide a more real conditions.

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Implication

- This research can be used as research reference about the persistence of earnings and earnings quality in banking company.
- The earning quality describes the financial statements especially banking, so it can be used as a consideration in assessing the financial condition of banks.
- This research can be used as consideration in investment decision making in banking field.

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