



ACCOUNTING DEPARTMENT

ECONOMIC FACULTY

**UNIVERSITAS ANDALAS
ANDALAS UNIVERSITY**

THESIS DRAFT

**FACTORS INFLUENCING THE CHOICE OF CLAWBACK
COMPENSATION IN INDONESIAN BANKS**

BY:

FEELYA MONICA


1710532012

Thesis Advisor: Dr. Rahmat Febrianto, S.E., M.si., Ak., CA.

*Submitted to Fulfill one of the Requirements in order to Obtain Bachelor Degree
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	Alumna's University Number	FEELYA MONICA	Alumna's Faculty Number
	BIODATA		

a) Place/Date of Birth: Pitalah, December 16th 1998 b) Parent's Name: Delvino and Syofnita c) Faculty: Economics d) Major: International Accounting e) ID Number: 1710532012 f) Graduation Date: November 26th, 2021 g) Grade: Very Satisfactory h) GPA: 3.53 i) Length of Study: 4 years and 3 months j) Parent's Address: Jl. Raya Padang Panjang – Solok km 11, Pitalah.

"Factors Influencing The Choice of Clawback Compensation in Indonesian Banks"

Thesis by: Feelya Monica

Thesis Advisor: Dr. Rahmat Febrianto, SE., M.Si., Ak., CA

ABSTRACT

Indonesian Financial Service Authority regulates that banks should have implement their remuneration scheme no later than January 1, 2017. The regulation No. 45/2015 requires bank to choose clawback, holdback, or a combination of both clawback and holdback. A clawback provision permits bank to withdraw compensation paid to its employee should some risks related to the employee's decision brings the loss to the bank. A holdback provision, on the other hand, permits the bank to retain some portion of the variable compensation until a certain period passed. The regulation also permits bank to combine both the clawback and holdback systems. This study investigates factors that may have association with the choice of clawback remuneration payment system. The factors divide into firm performance and corporate governance. The result shows that only the net interest margin and the ratio of operating expense to revenue that have statistically significant association with the likelihood to choose clawback system. While, all corporate governance variables do not show a relationship with the choice of remuneration system.

Keywords: *compensation, clawback, holdback, bank performance, corporate governance.*