# ***ABSTRACT***

*Tania Marlia Sari / 21150285 / 2019 / The Role of Business Risk in Moderating the Effect of Good Corporate Governance on the Agency Cost (Case Studies in Manufacturing Companies Listed on The Indonesia Stock Exchange period 2015-2017) / M. Budi Widiyo Iryanto, Dr.*

*The phenomena that occur in manufacturing companies in 2015-2017, there are indications of inconsistencies in the implications of good corporate governance and their impact in reducing agency costs. Therefore, this study aims to determine the role of business risk in moderating the effect of good corporate governance on agency costs in manufacturing companies listed on the Indonesia Stock Exchange period 2015-2017.*

*The theory underlying this research is agency theory. Agency theory states that managers will tend to be selfish and opportunistic unless monitored effectively, will exploit the principal for his own sake. Companies must spend agency costs so that the interests of managers and principals are aligned. The agency problem that arises between managers and principals encourages the implementation of good corporate governance which is expected to minimize the agency costs. The application of good corporate governance is expected to provide a balance between various interests that can provide benefits to the company as a whole.*

*Data sample of this research is manufacture companies listed in Indonesia Stock Exchange (IDX) during the period 2015-2017. Sampling technique to be used is the Non-Probability Sampling technique using Judgement / Purposive sampling, is sampling technique with consideration of certain criteria that have been determined in advance by the researcher. From the population of manufacturing companies listed on the Indonesia Stock Exchange in 2015-2017, a sample of 113 companies was obtained, so that there were 339 units of analysis.*

*Data analysis technique, to test each variable and hypotheses, is Structural Equation Model (SEM) by using the method of Partial Least Square (PLS) through Smart PLS Software Version 3.2.8. The use of SEM is because the variable data to be examined includes latent variables with formative indicators.*

*The findings of this research state that good corporate governance has a positive and significant effect on agency cost. Business risk has a positive but does not significantly affect the agency cost. Furthermore, business risk does not play a role in moderating the effect of good corporate governance on agency costs.*

*Key words: Good Corporate Governance, Agency Cost, Business Risk, Agency Theory*