

The Effect of Good Corporate Governance, Leverage, and Profitability on Earning Management with Firm Size as a Moderating Variable in Banking Companies Listed on the Indonesian Stock Exchange

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ABSTRACT

This study aims to determine the effect of good corporate governance (managerial ownership, institutional ownership, number of commissioners, and audit committees), Leverage, and Profitability on Earnings Management in banking sub-sector companies listed on the Indonesia Stock Exchange. In addition, this study also aims to determine whether firm size can be used as a moderating variable for the relationship between managerial ownership, institutional ownership, number of commissioners, audit committees, leverage, and profitability with earnings management.

The research design carried out is a causal relationship research with a quantitative approach. The sample in this research is 30 banking sub-sector companies listed on the Indonesia Stock Exchange from 2017 to 2021. The type of data used in this research is secondary data. The technique of determining the sample using purposive sampling. The data analysis technique used multiple linear regression analysis and the residual test for the moderating variable, which was carried out with the help of Eviews 10 software.

The results in this study indicate that partially Managerial Ownership has a negative but not significant effect on Earnings Management, Institutional Ownership has a negative but not significant impact on Earnings Management, the number of the Board of Commissioners has a positive but not significant impact on Earnings

Management and the Audit Committee has a negative but not significant effect on Profit Management, Leverage has a negative but not significant impact on Earnings Management, and Profitability has a negative but not significant effect on Earnings Management. As well as other results show that firm size cannot moderate the impact of managerial ownership, institutional ownership, number of commissioners and audit committees, leverage, and profitability on company financial performance in banking sub-sector companies listed on the Indonesia Stock Exchange.

Keywords: Good corporate governance, managerial ownership, institutional ownership, number of commissioners, audit committee, Leverage, Earnings Management Profitability, and Firm Size

INTRODUCTION

If a person or team wants to set up a company, they must have the goal of getting profit (profitability). With that, every company must have excellent and correct management. With the formation of management, management must be able to fulfill the wishes of stakeholders. This often causes collisions between Stakeholders and earnings management, or what is known as agency conflict.

Profit Management is an action to increase, decrease or equalize profits in financial

statements (Scott, 2015). Agency problems cannot be avoided when the goals of the agent and the principal are different. Based on its perspective, earnings management is divided into two: good and bad (Scott, 2015) or efficient and opportunistic (Gunny, 2010; Cornett et al., 2009). Efficient earnings management is shown by increasing the company's value, including increasing profits (Gunny, 2010), so earnings can be predicted and a signal for improving earnings quality (Jara and Lopez, 2011). Opportunistic earnings management is shown by the increasing prosperity of management, insiders, and controlling shareholders.

One of the factors that influence earnings management is profitability. Profitability is the company's ability to earn profits through its business operations by using the assets owned by the company. Another definition also states that profitability shows the company's ability to generate profits and measure operational efficiency and efficiency in using its assets. Companies with a high level of profitability each year tend to have capital instead of debt (Kesuma, 2009). Another assumption also mentions a high return on assets, meaning the company's net profit is high.

About earnings management, profitability can influence managers to carry out earnings management. Because if the profitability of the company is low, managers will generally take earnings management actions to save their performance in the eyes of the owner. This is closely related to the manager's efforts to display the best performance from the company he leads. Herni and Susanto (2008) explain that companies with low profitability tend to do income smoothing. Income smoothing is a form of earnings management. Managers tend to carry out these activities because low profits or even suffering losses will worsen the manager's performance in the eyes of the owner and will worsen the company's image in the public eye. Gunawan (2015) states that

profitability has a negative effect on earnings management. Meanwhile, Wildarman (2014) found that profitability positively affects earnings management.

Another factor that can affect earnings management is leverage. Leverage is the use of debt by a company to carry out the company's operational activities. Leverage which is a debt ratio, often also known as a solvency ratio, is a ratio that can show the ability of a company to fulfill all financial obligations of the company if the company is liquidated (Agnes, 2004). Leverage can also be a tool that companies widely use to increase their capital to increase profits (Singapurwoko, 2011). Increases and decreases in debt levels influence market valuation (Nor, 2012). Large excess debt will have a negative impact on firm value (Ogolmagai, 2013).

The definition of profit according to the Indonesian Institute of Accountants (IAI) in the book of Financial Accounting Standards (SAK) as of September 1, 2007, is as a measure of performance or as a basis for other measures such as return on investment for performance measures or as a basis for additional measures. The element directly related to the measurement of income and expenses, and therefore also net income (profit), depends partly on the concepts of capital and maintenance of capital that companies use to prepare their financial statements. In this case, earnings management can change the results of the financial statements to make the financial reports look better and more stable so that earnings management gains the complete trust of the shareholders, even though, in this case, the earnings management misleads the shareholders and investors in its financial statements.

Judging from the phenomenon, several cases have occurred, such as earnings management, which has been proven to have destroyed the Arthur Andersson & Co. Public Accounting Firm (KAP) global network. As a public accountant, Arthur Andersson & Co is a KAP that has the most

clients among other well-known KAPs because its integrity and credibility have been recognized internationally. Even local KAPs in various countries affiliated with them are also trusted KAPs and have the most clients in the country concerned. However, the efforts made by KAP Arthur Andersen & Co in the United States to legalize or hide fraud committed by its clients have brought down KAP Arthur Andersen & Co in that country and all of its affiliates around the world. More interestingly, this KAP collapsed without having to go through a court process, but only because it was shunned by clients and the public, who saw it as a prisoner. This financial scandal involving KAP had a broad impact on international business.

For cases in Indonesia itself, namely PT Garuda Indonesia, it was subject to sanctions by the government and non-government financial institutions. This is because Garuda's financial report found irregularities. Starting from the results of the financial statements for the 2018 financial year. In these financial statements, Garuda Indonesia Group posted a net profit of USD 809.85 thousand, or the equivalent of IDR 11.33 billion (assuming an exchange rate of IDR 14,000 per US dollar). This figure jumped sharply compared to 2017, which suffered a loss of USD 216.5 million. The Financial Services Authority (OJK) Asks IDX to Verify Garuda's Financial Statements. Ministry of Finance Finds Allegations of Garuda's Financial Statements Not Following Standards. Here it can be seen that earnings management practices are not by the Financial Accounting Standards Regulations (PSAK). This is no exception from the banking sector, namely the case that hit Century Bank, where management manipulated financial reports so that the company showed appropriate capital. Besides that, this was done to obtain rescue funds from the Minister of Finance, Sri Mulyani. As of January 28, 2008, Century Bank's capital was alleged at -132.5%. Bank Indonesia

(BI) does not allow 100% elimination related to securities.

Another case concerns Bank Bukopin, believed to have falsified credit card information about five years ago 100,000 credit card amounts modify successful credit cards. This problem can pass through audit checks for years, either from audits within Bukopin or Public Accounting Firms, Bank Indonesia, and the Financial Services Authority (OJK). The weak capacity of Bank Bukopin Officials causes this. The Bank's financial statements were audited by auditors affiliated with one of the big four global auditors, ERNST & Young, namely KAP Purwanto, Sungkoro, and Surja.

It is interesting to study the several cases above regarding earnings management and its practices, including in Indonesia's banking sector. This is because the banking industry has stricter regulations than other industries. For example, a bank must meet minimum CAR (Capital Adequacy Ratio) criteria. Bank Indonesia uses financial reports to determine a bank's status (whether the bank is a healthy bank or not).

In minimize the occurrence of earnings management actions and improve the quality of financial reports, companies need to implement Good Corporate Governance mechanisms in the company's control and management system. Good Corporate Governance is an effort made by all parties interested in the company to run their business correctly, following their respective rights and obligations (Arifin, 2005). Corporate governance principles that are applied consistently can become an obstacle to performance engineering activities resulting in financial reports not reflecting the company's fundamental values Chtourou et al. (2001). Corporate governance can be implemented through a monitoring ring mechanism to align various interests, including: (1) Enlarging company share ownership by management (managerial ownership) so that the interests of owners or shareholders can be aligned with those of managers. (2) Share

ownership by institutional investors. Midiastuty and Mahfoedz (2003) state that institutional investors are parties who can monitor agents with large ownership. (3) Through the role of monitoring by the board of directors. The audit committee is a party that assists commissioners in improving the quality of financial reports and increasing the effectiveness of external and internal audits (Sulistyanto, 2008).

The main objective of corporate governance is to achieve transparency in company management for users of financial statements. If the company can apply the GCG concept, clarity of management performance will run well, and the company's profitability is expected to continue to increase. The benefit of the company implementing GCG is that the resources (resources) owned by the company's shareholders can be appropriately managed efficiently and used solely for the benefit of the growth (value). This means that Good Corporate Governance has positive consequences for shareholders and the broader community in the form of national economic growth.

The analysis research results of Yangs (2011) regarding the effect of Good Corporate Governance, profitability, and Corporate Social Responsibility on firm value indicate that profitability has a positive and significant influence on firm value. Simultaneously, all the independent variables in this study significantly affect firm value. Then the regression estimation results show that the ability of the four predictors of the four independent variables on firm value is 61%. In contrast, the remaining 39% is influenced by other factors outside the model that are not included in this analysis. In comparison to the research by Hanum Latifah et al. (2014) researched that the results of Good Corporate Governance moderated by Corporate Social Responsibility did not have a significant effect on company value in manufacturing companies listed on the IDX and Good Corporate Governance and

Corporate Social Responsibility as a whole. Simultaneously or jointly, have a significant effect on firm value in manufacturing companies listed on the IDX.

Research results in Anggraini (2013) researched good corporate governance and found that the board of commissioners and independent panel of commissioners significantly influence firm value. However, Aldino (2015) research found that independent commissioners have little influence on firm value. Meanwhile, the results of a study by Jinda al and Jaiswall (2015) show that the size of the board of independent commissioners in a company has a negative effect on firm value at the University of North Sumatra 6, in contrast to research conducted by Munir, Eka and Anik (2014) which states that the proportion of independent commissioners affects firm value.

LITERATURE REVIEW

Earning management

According to (Wirakusuma, 2016), Earning management is a deliberate process, with the limits of financial accounting standards to direct profit reporting at a certain level. According to Schipper in Riske and Basuki (2013), earning management is a condition where control intervenes in the process of preparing financial reports for external parties so that it can increase, level, and reduce profits. Earning management is one of the factors that can reduce the credibility of financial reports, add to bias in financial statements, and disturb users of financial reports who believe in these engineered figures as absolute numbers or without engineering.

Good Corporate Governance

Agency conflicts and earnings management actions can be detrimental to stakeholders, especially shareholders. Agency conflicts and earning management can be overcome by implementing good corporate governance mechanisms. Good corporate governance is considered a tool that limits

the interests of managers to pursue the interests of shareholders (Kultys, 2016). According to Kathryn et al. (2016), good corporate governance is a portfolio description of the processes that guide and control organizations so that companies can fulfill their responsibilities as citizens. Good corporate governance can provide many benefits. One of the things that can be contributed to implementing a good corporate governance mechanism is to prevent agents from acting based on personal interests by changing the performance of financial statements, which can be detrimental to the principal. However, poor good corporate governance and weak financial controls allow managers and controlling owners to adjust reported earnings to cover actual company performance.

Leverage

In a broad sense, the leverage ratio measures a company's ability to fulfill all its obligations, both long-term liabilities (Hery, 2016). The leverage ratio measures how much the company is financed with debt. The use of debt that is too high will endanger the company. If it is too high, it will harm the company. The company will be included in the extreme leverage category. Namely, the company is trapped in a high level of debt, and it is difficult to release the debt burden. Because of that, the company should have to balance how much debt is worth taking and from which sources are used to pay debts (Fahmi, 2012). According to Sartono (2015), financial leverage shows the proportion of using debt to finance investment. Companies that do not have leverage means using 100% of their capital.

Profitability

Profitability ratios are used to measure the overall management effectiveness as indicated by the size of the relationship between sales and investment. The better the profitability ratio, the better it describes

the company's ability to obtain high profits (Fahmi, 2012). According to Kashmir (2013), the profitability ratio is a ratio to assess a company's ability to make a profit. This ratio also measures the effectiveness of a company's management. This is demonstrated by the profit generated from sales and investment income. The point is that this ratio shows the company's efficiency.

Firm size

Indarti and Extralyus (2013) put forward the definition of "firm size is a value that indicates the size of the company." Various proxies are usually used to represent a company, total assets, number of sales, and market capitalization. Firm size is a scale where the company is classified according to size. The size of a company can reflect a stronger company condition (Basyaib, 2007 in Mutia et al., 2011). According to the Ministry of Industry and Trade of the Republic of Indonesia, firm size is divided into three categories: large, medium, and small. An established company will have numerous activities and more considerable risks or responsibilities according to the activities carried out. The bigger a company, the more known to the public, which means it is easier to get information about the company (Jogiyanto, 2003) in Mutia, Zuraida, and Andriani (2011).

Framework

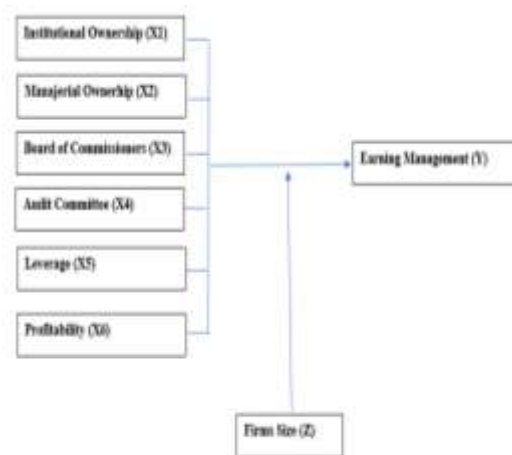


Figure 1. Framework

H1: Institutional Ownership has a negative effect on Earning Management.

H2: Managerial Ownership has a positive effect on Earning Management.

H3: Board of Commissioners has a negative effect on Earning Management.

H4: Audit Committee has a negative effect on Earning Management.

H5: Leverage has a positive effect on Earning Management.

H6: Profitability has a negative effect on Earning Management.

H7: Firm Size can moderate the effect of institutional Ownership on Earning Management.

H8: Firm Size can moderate the effect of managerial ownership on Earning Management.

H9: Firm Size can moderate the effect of the board of commissioners on Earning Management.

H10: Firm Size can moderate the effect of Audit Committee on Earning Management.

H11: Firm Size can moderate the effect of leverage on Earning Management.

H12: Firm Size can moderate the effect of profitability on Earning Management.

MATERIALS & METHODS

The research design in this study is causal associative, namely research that aims to determine the causal relationship between various variables (Erlina, 2011). This study uses independent variables, namely Institutional Ownership (X_1), Managerial Ownership (X_2), Board of Commissioners (X_3), Audit Committee (X_4), Leverage (X_5), and Profitability (X_6). Earnings Management is the dependent variable (Y), and a moderating variable is Firm Size (Z).

This research uses secondary data where the scope of the study is all banking companies listed on the Indonesia Stock Exchange. The data is taken from audited financial reports for the 2017-2020 period and obtained from the UGM Business and Economics Data Center, the Indonesia

Stock Exchange, and the Indonesia Capital Market Directory (ICMD) in the form of company financial reports. The population in this study are all companies listed on the IDX (Indonesian Stock Exchange) from 2017-2020. There are a total of 30 banking companies listed on the IDX.

RESULT

1. Descriptive Statistical Analysis

Based on Table 1 above, the statistical description value is that of each variable used in this study. It is known that Discretionary Accrual (DAC), namely Earning management as the dependent variable, has a maximum value of 0.180642, a minimum value of -0.177414, a mean value of 0.000791 and a standard deviation of 0.069359, with a total of 112 observations of data. Institutional Ownership (IC), as the first independent variable, has a maximum value of 0.999992, a minimum value of 0.333733, a mean value of 0.744330, and a standard deviation of 0.177057, with a total of 112 observations. Managerial Ownership (MO), as the second independent variable, has a maximum value of 0.125428, a minimum value of 0.00, and a standard deviation of 0.015703, with a total of 112 observations. The Independent Commissioner Board (ICB), the third dependent variable, has a maximum value of 1.00, a minimum value of 0.333, and a standard deviation of 0.110768, with a total of 112 observations.

The Audit Committee, as the fourth independent variable, has a maximum value of 8.00, a minimum value of 2.00, and a standard deviation of 1.156336, with a total of 112 observations. Debt to Equity Ratio (DER), namely Leverage as the fifth independent variable, has a maximum value of 15.06319, a minimum value of 0.709770, and a standard deviation of 0.05198, with a total of 112 data observations. Return on Assets (ROA, i.e., Profitability as the sixth independent variable has a maximum value of 0.031343, a minimum value of -0.06400,

a standard deviation of 0.015707, with a total of 112 observations of data. Firm size as a moderating variable has a maximum value of 21.13657, a minimum value of 15.12960, and a standard deviation of 1.594573, with a total of 112 observations of data.

Table 1. Descriptive Statistics Test Results

	Y	X1	X2	X3	X4	X5	X6	Z
Mean	0.000791	0.744530	0.005024	0.576226	3.840214	0.834109	0.006233	18.16291
Median	0.001234	61.60111	5.66E-05	0.527778	3.500000	0.842464	0.007369	18.37334
Maximum	0.280642	0.999992	0.125426	1.000000	8.000000	15.06319	0.011543	21.13657
Minimum	-0.177414	16.86444	0.000000	0.333333	2.000000	0.709770	-0.064000	15.12960
Std.Dev.	0.069139	0.333733	0.015703	0.110768	1.156336	0.051398	0.015707	1.594573
Skewness	-0.124841	-0.227202	4.950802	1.483733	1.457232	-0.274685	-1.911269	0.061674
Kurtosis	3.306781	-0.227202	33.68526	6.802396	4.665335	2.722045	8.373170	21.19960
Jarque-Bera	0.730225	4.388047	4851.591	108.6023	52.58140	1.768881	202.9195	3.685198
Probabil ity	0.694133	0.019690	0.000000	0.000000	0.300000	0.422925	0.000000	0.138402
Sum	0.088555	83.36502	0.562641	64.53730	10301.06	93.40025	0.698080	2034.246
SumSq Dev.	0.533991	3.478752	0.027369	1.361929	611776.5	0.285527	0.027385	282.2355
Observ ans	112	112	112	112	2	112	112	112

Source: Data processed by researchers, 2022

2. Classic Assumption Test

a) Multicollinearity Test

In this study, multicollinearity symptoms can be seen from the VIF value. Ghazali (2013) states that if the VIF value is > 10 , this is an indication of multicollinearity. The multicollinearity test results are presented in Table 2.

Table 2. Multicollinearity Test with VIF

Variance Inflation Factors
Date: 10/16/22 Time: 22:47
Sample: 1 112
Included observations: 112

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.017117	423.2135	NA
(X1)	0.001582	22.88969	1.215459
(X2)	0.188380	1.255720	1.138179
(X3)	0.003970	33.78243	1.193496
(X4)	3.40E-05	13.55978	1.113745
(X5)	0.016735	288.9648	1.091776
(X6)	0.178209	1.248510	1.077333

Source: data processed by EViews, 2022

Based on Table 2. From the results of the multicollinearity test, it can be concluded that there are no symptoms of multicollinearity between the independent variables. This is because the VIF value < 10 (Ghozali, 2013).

b) Autocorrelation Test

The assumption regarding the independence of the residuals (non-autocorrelation) can be tested using the Durbin-Watson test. Statistical values of the Durbin-Watson test range between 0 and 4. Statistical values of the Durbin-Watson test that are less than one or greater than 3 indicate autocorrelation.

Table 3. Autocorrelation Test with Durbin-Watson Test

Log likelihood	146.9281	Hannan-Quinnriter.	-2.429782
F-statistic	2.146944	Durbin-Watson stat	2.097677

Source: data processed by EViews, 2022

Based on Table 3. the value of the Durbin-Watson statistic is 2.097677. Note that because the value of the Durbin-Watson statistic lies between 1 and 3, namely $1 < 2.097677 < 3$, the non-autocorrelation assumption is met. In other words, there is no high autocorrelation in the residuals.

c). Heteroscedasticity Test

To test whether there is heteroscedasticity or not, the Breusch-Pagan test can be used. Table 4 presents the results of the heteroscedasticity test using the Breusch-Pagan test.

Table 4. Heteroscedasticity Test with the Breusch-Pagan Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	1.125702	Prob. F(4,85)	0.3525
Obs*R-squared	6.769069	Prob. Chi-Square(4)	0.3427

Source: data processed by EViews, 2022

Based on the results of the Breusch-Pagan test in Table 4, it is known that the P rob. The chi-Square value is $0.3427 > 0.05$, meaning there is no heteroscedasticity.

3. Hypothesis Testing

In testing the hypothesis, an analysis of the coefficient of determination will be carried out, testing the simultaneous effect (F) and the partial test).

The analysis technique used in this study is multiple linear regression with panel data to determine the effect of managerial ownership, institutional ownership, and the number of commissioners, and audit committees on the company's financial performance, leverage, and profitability. In choosing the estimation method above, the method used in this study is the fixed effect model.

Table 5. Regression Analysis with Panel Data

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.014416	0.013207	1.091583	0.2775
X1	-0.002848	0.004015	-0.709364	0.4797
X2	-0.016773	0.043812	-0.382834	0.7026
X3	0.006599	0.006360	1.037617	0.3018
X4	-0.000373	0.000589	-0.634183	0.5273
X5	-0.010481	0.013058	-0.802621	0.4240
X6	-0.171270	0.042613	-4.019181	0.0001

Source: data processed by EViews, 2022

Statistical Test F (Simultaneous)

The F test is used to see the effect of independent variables (Managerial Ownership, Institutional Ownership, Independent Board of Commissioners, Audit Committee, Leverage, and Profitability) on the dependent variable (Earning management) simultaneously. This effect must be tested to see whether this regression model can be continued by conducting a test t (partial). Suppose the results of the F test conclude that all independent variables have a significant effect on the dependent variable (earnings management). In that case, this regression model can be continued by conducting a t-test. Conversely, if it has no effect, the t-test (partial test) is unnecessary because all the independent variables do not affect the dependent variable (Earnings Management).

Table 6. Statistical Test F (Simultaneous)

R-squared	0.172898	Mean dependent var	0.004788
Adjusted R-squared	0.125635	S.D. dependent var	0.007266
S.E. of regression	0.006794	Akaike info criterion	-7.085100
Sum squared resid	0.004847	Schwarz criterion	-6.915194
Log likelihood	403.7056	Hannan-Quinn criter.	-7.016164
F-statistic	3.658223	Durbin-Watson stat	1.781918
Prob(F-statistic)	0.002445		

Source: data processed by EViews, 2022

From the results above, it is known that the value of Prob. (F-statistics), namely 0.002445 < 0.05, it can be concluded that all independent variables, namely Managerial Ownership (X1), Institutional Ownership (X2), Number of Board of Commissioners (X3), and Audit Committee (X4) Leverage (X5) and Profitability (X6) simultaneously has a significant effect on the Earning management variable (Y).

Statistical Test t (Partial)

Table 7. Statistical Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.014416	0.013207	1.091583	0.2775
X1	-0.002848	0.004015	-0.709364	0.4797
X2	-0.016773	0.043812	-0.382834	0.7026
X3	0.006599	0.006360	1.037617	0.3018
X4	-0.000373	0.000589	-0.634183	0.5273
X5	-0.010481	0.013058	-0.802621	0.4240
X6	-0.171270	0.042613	-4.019181	0.0001

Source: data processed by EViews, 2022

Based on the data above, it can be seen that:

1. It is known that Institutional Ownership (X1) has a negative effect on Earning management (Y), with a coefficient value of -0.014416, and not significant, with a Prob value. 0.2775 < 0.05.
2. It is known that Managerial Ownership (X2) has a negative effect on Earning management (Y), with a coefficient value of -0.016773, and not significant, with a Prob value. 0.4797 < 0.05.
3. It is known that the Independent Board of Commissioners (X3) has a positive effect on Earning management (Y), with a coefficient value of 0.006599, but not significant, with a Prob value. 0.3018 > 0.05.
4. It is known that the Audit Committee (X4) has a negative effect on Earning management (Y), with a coefficient

value of -0.171270, but not significant, with a Prob value. $0.5273 > 0.05$.

5. It is known that Leverage (X5) has a negative effect on Earning management (Y), with a coefficient value of -0.010481, but not significant, with a Prob value. $0.4240 > 0.05$.
6. It is known that Profitability (X6) negatively affects earnings management (Y), with a coefficient value of -0.010481, but not significant, with a Prob value. $0.00001 > 0.05$.

Determination Coefficient Test (R2)

Table 8. Test Results for the Coefficient of Determination

R-squared	0.172898	Mean dependent var	0.004768
Adjusted R-squared	0.125635	S.D. dependent var	0.007266
S.E. of regression	0.006794	Akaike info criterion	-7.085100
Sum squared resid	0.004847	Schwarz criterion	-6.915194
Log likelihood	403.7856	Hannan-Quinn criter.	-7.016164
F-statistic	3.658223	Durbin-Watson stat	1.781918
Prob(F-statistic)	0.002445		

Source: data processed by EViews, 2022

The results above show that the value of the coefficient of determination (R-squared) is 0.172898. This value can be interpreted as Managerial Ownership (X1), Institutional Ownership (X2), Number of Board of Commissioners (X3), Audit Committee (X4), Leverage (X5), and Profitability (X6) simultaneously or together explain the variation of Earning management (Y) of 17.29%. In comparison, the remaining 82.71% present the interpretation of other factors.

Moderating Test

The moderating test is carried out to test whether Firm size (Z) is significantly able to moderate the influence between Institutional Ownership (IC), Managerial Ownership (X2), Independent Board of Commissioners (X3), Audit Committee (X4), Leverage (X5), Profitability (X6)) to Earning management (Y). Moderation testing was carried out with the MRA residual test.

Testing Firm size (Z) in Moderating the Effect of Institutional Ownership (X1) on Earning management (Y).

Table 9. H1 Moderating Test

Dependent Variable: ABSRES_X1_Z
Method: Least Squares
Date: 10/17/22 Time: 19:22
Sample: 1 112
Included observations: 112

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.002425	0.000298	8.140454	0.0000
Y	0.576981	0.034387	16.77923	0.0000

Source: data processed by EViews, 2022

Based on the results of the moderation test in table 9. above, the Prob. The Y line is $0.00 < 0.05$, and the coefficient value is positive 0.0024. So, it can be concluded that firm size (Z) is significant in moderating the influence of institutional ownership on earnings management (Y).

Testing Firm size (Z) in Moderating the Effect of Managerial Ownership (X2) on Earning management (Y)

Table 10. H2 Moderating Test

Dependent Variable: ABSRES_X2_Z
Method: Least Squares
Date: 10/17/22 Time: 19:23
Sample: 1 112
Included observations: 112

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.002380	0.000292	8.154999	0.0000
Y	0.595146	0.033683	17.66907	0.0000

Source: data processed by EViews, 2022

Based on the results of the moderation test in table 10. above, the Prob (in the Y line) is $0.00 < 0.05$, and the coefficient value is positive, namely 0.0023. So, it can be concluded that firm size (Z) is significant in moderating the effect of managerial ownership on earnings management (Y).

Testing Firm size (Z) in Moderating the Influence of the Independent Board of Commissioners (X3) on Earning Management (Y)

Table 11. H3 Moderating Test

Dependent Variable: ABSRES_X3_Z
Method: Least Squares
Date: 10/17/22 Time: 19:24
Sample: 1 112
Included observations: 112

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.002392	0.000292	8.201237	0.0000
Y	0.594095	0.033689	17.64523	0.0000

Source: data processed by EViews, 2022

Based on the results of the moderation test in table 11. above, the Prob (in the Y line) is $0.00 < 0.05$, and the coefficient value is positive 0.0023. So, it can be concluded that firm size (Z) is significant in moderating the influence of the Independent Board of Commissioners on the Earning management variable

Testing Firm size (Z) in Moderating the Influence of the Audit Committee (X4) on Earning management (Y)

Table 12. H3 Moderating Test

Dependent Variable: ABSRES_X4_Z
Method: Least Squares
Date: 10/17/22 Time: 19:23
Sample: 1 112
Included observations: 112

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.002374	0.000299	7.940978	0.0000
Y	0.580891	0.034505	16.83475	0.0000

Source: data processed by EViews, 2022

Based on the results of the moderation test in table 12 above, the Prob. The Y line is $0.00 < 0.05$, and the coefficient value is positive 0.002374. So, it can be concluded that firm size (Z) is significant in moderating the effect of the audit committee on the earnings management variable (Y).

Testing Firm size (Z) in Moderating the Effect of Leverage (X5) on Earning management (Y)

Table 13. H5 Moderating Test

Dependent Variable: ABSRES_X5_Z
Method: Least Squares
Date: 10/17/22 Time: 19:23
Sample: 1 112
Included observations: 112

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.002293	0.000325	7.053532	0.0000
Y	0.550872	0.037529	14.67871	0.0000

Source: data processed by EViews, 2022

Based on the results of the moderation test in table 13 above, the Prob (in the Y line) is $0.00 < 0.05$, and the coefficient value is positive, namely 0.002293. So, it can be concluded that Firm Size (Z) is significant in moderating the influence of Leverage on the Earnings Management variable (Y).

Testing Firm size (Z) in Moderating the Effect of Profitability (X6) on Earning management (Y)

Table 14. H6 Moderating Test

Dependent Variable: ABSRES_X6_Z
Method: Least Squares
Date: 10/17/22 Time: 19:23
Sample: 1 112
Included observations: 112

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.002198	0.000323	6.807122	0.0000
Y	0.526474	0.037268	14.12678	0.0000

Source: data processed by EViews, 2022

Based on the results of the moderation test in table 14 above, the Prob (in the Y line) is $0.00 < 0.05$, and the coefficient value is positive, namely 0.002198. So it can be concluded that Firm Size (Z) is significant in moderating the effect of Profitability on the Profit Management variable (Y).

CONCLUSION

Based on the results of the research and discussion in the previous chapter, several conclusions can be drawn as follows:

1. Institutional Ownership (X1) has a negative effect on Earning management (Y), with a coefficient value of -0.014416, and not significant, with a Prob value. $0.2775 < 0.05$.
2. Managerial Ownership (X2) has a negative effect on Earning management (Y), with a coefficient value of -0.016773, and not significant, with a Prob value. $0.4797 < 0.05$.
3. The Independent Board of Commissioners (X3) has a positive effect on Earning management (Y), with a coefficient value of 0.06599, but not significant, with a Prob value. $0.3018 > 0.05$.
4. The Audit Committee (X4) has a negative effect on Earning management (Y), with a coefficient value of -0.171270, but not significant, with a Prob value. $0.5273 > 0.05$.
5. Leverage (X5) negatively affects earnings management (Y), with a coefficient value of -0.010481, but not significant, with a Prob value. $0.4240 >$

- 0.05.
6. Profitability (X6) negatively affects earnings management (Y), with a coefficient value of -0.010481, but not significant, with a Prob value. 0.00001 > 0.05.
 7. Firm size (Z) is significant in moderating the influence of Institutional Ownership (X1) on Earning management (Y).
 8. Firm size (Z) is significant in moderating the influence of Managerial Ownership on Earning management (Y).
 9. Firm size (Z) is significant in moderating the influence of the Independent Board of Commissioners on Earning management (Y).
 10. Firm size (Z) is significant in moderating the influence of the Audit Committee on Earning management (Y).
 11. Firm size (Z) is significant in moderating the effect of leverage on Earning management (Y).
 12. Firm size (Z) is significant in moderating the effect of profitability on earning management (Y).

SUGGESTION

Based on the conclusions of this study, several suggestions can be made as follows:

1. For further research, it is hoped that it will re-examine the influence of other variables that can affect earning management in banking sub-sector companies listed on the Indonesia Stock Exchange.
2. This research can be a reference or supporting material for future research.
3. For further research, this research can be used to solve problems
4. Managerial Ownership (X1), Institutional Ownership (X2), Total Board of Commissioners (X3), Audit Committee (X4), Leverage (X5), and Profitability (X6) simultaneously or jointly affect Earning management (Y) only by 17.29% in this case further

research should look for other factors that can make an impact.

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