

[Paper00011]

**THE EFFECT OF OWNERSHIP STRUCTURE AND CORPORATE GOVERNANCE ON
EARNINGS MANAGEMENT**

(Empirical Study on Manufacture Companies listed on the Indonesia Stock Exchange in 2015-2019)

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Abstrak

Penelitian ini merupakan jenis penelitian asosisatif kuantitatif pada perusahaan manufaktur sub industri barang konsumsi yang terdaftar di Bursa Efek Indonesia pada tahun 2015 – 2019. Penelitian ini mengambil judul “Pengaruh Struktur Kepemilikan dan Corporate Governance Terhadap Manajemen Laba (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar di Bursa Efek Indonesia Tahun 2015-2019)”. Tujuan penelitian ini adalah untuk menganalisis pengaruh variabel kepemilikan manajerial, komite audit, ukuran dewan direksi terhadap manajemen laba dengan menggunakan variabel kontrol ukuran. Populasi yang digunakan dalam penelitian ini adalah seluruh perusahaan manufaktur sub industri barang konsumsi yang terdaftar di Bursa Efek Indonesia pada tahun 2015-2019. Untuk analisis data menggunakan uji asumsi klasik, uji deskriptif, uji regresi data panel, uji determinasi, dan uji t. Penentuan sampel menggunakan metode purposive sampling. Sampel dalam penelitian ini adalah 11 perusahaan. Dari hasil penelitian menunjukkan bahwa variabel kepemilikan manajerial dan ukuran dewan direksi berpengaruh positif dan signifikan terhadap manajemen laba. Sedangkan, variabel komite audit tidak berpengaruh signifikan terhadap manajemen laba pada perusahaan manufaktur sub industri barang konsumsi yang terdaftar di Bursa Efek Indonesia tahun 2015 – 2019. Implikasi dari penelitian ini adalah dari ketiga variabel yang diuji, variabel komite audit tidak mempunyai hubungan dengan manajemen laba. Sehingga, investor bisa melihat dari variabel lain yaitu kepemilikan manajerial dan ukuran dewan direksi untuk menjadi indikator menilai perusahaan sebelum melakukan investasi.

Kata kunci: Kepemilikan Manajerial, Komite Audit, Ukuran Dewan Direksi

Abstract

This research is a type of quantitative associative research on manufacturing industry sub-consumer goods companies listed on the Indonesia Stock Exchange in 2015 - 2019. This study takes the title "The Influence of Ownership Structure and Corporate Governance on Earnings Management (Empirical Study on Manufacturing Companies Listed on the Stock Exchange) Indonesian Securities 2015-2019". The purpose of this research is to analyze the effect of managerial ownership variable, audit committee, board of directors size on earnings management by using the size control variable. The population used in this study were all manufacturing industry sub-consumer goods companies listed on the Indonesia Stock Exchange in 2015-2019. For data analysis using classical assumption test, descriptive test, panel data regression test, determination test, and t test. Determination of the sample using purposive sampling method. The sample in this study were 11 companies. The results of the study show that the managerial ownership and the size of the board of directors have a positive and significant effect on earnings management. Meanwhile, the audit committee variable has no significant effect on earnings management in consumer goods manufacturing sub industry companies listed on the Indonesia Stock Exchange in 2015 – 2019. The implication of this research is that from the three variables tested, the audit committee variable has no relationship with earnings management. Thus, investors can see from other variables, namely managerial ownership and the size of the board of directors to be indicators of assessing the company before investing.

Keywords: Managerial Ownership, Audit Committee, Size of the Board of Directors

INTRODUCTION

Definition of financial statements according to Financial Accounting Standards (SAK) No. 1 that financial statements are part of the financial reporting process and financial statements are structured evidence of the financial position and performance of a company. Perfect financial statements that contain statements of changes in financial position, notes, income statements and other reports and their interpretations. In addition, the financial statements also include reports and additional information related to the report, such as financial information on industry and geographic segments and disclosure of the effect of price changes.

The income statement must contain events that occur in the field, because it will assist internal and external parties in making decisions. The income statement of a company will show the actual or real financial condition of the company in the current year. External parties, namely investors, will be greatly helped by the clear and factual information generated in the income statement, while internal parties, namely company management, will easily obtain information contained in the income statement as accountability to external parties, namely investors and those who read the financial statements.

Earnings management is a manager's choice of policy accounting to achieve specific goals (Rahmawati, 2012). With good finances, of course, investors are interested buy shares in the company because it is considered to have good performance. According to (Wirakusuma, 2016) Earnings management is a deliberate process, within the bounds of financial accounting standards to direct the reporting of earnings at a certain level. According to Schipper in Riske and Basuki (2013) earnings management is a condition in which management intervenes in the process of preparing financial reports for external parties so as to increase, level, and decrease profits.

The ownership structure of the firm is considered an important manager control mechanism. (Morck, Shleifer & Vishny 1988; Shleifer & Vishny 1986). So it has an important controlling role in reducing the occurrence of earnings management. There are several types of ownership structures, including managerial ownership, institutional ownership, ownership concentrated in only a few individuals/entities, and dispersed ownership. (Jensen and Meckling, 1976). Managers are more motivated to protect the interests of the company when they have a stake in it. So with reasonable managerial ownership can prevent earnings management activities that have the potential to harm the company.

According to agency theory, to overcome the problem of misalignment of interests between principals and agents can be done through good company management (Midiastuty & Machfoedz, 2003). Corporate governance is one way to control opportunistic actions by management, there are four corporate governance mechanisms that can be used to resolve agency disputes, namely audit committees, independent commissioners, increasing managerial ownership and increasing institutional ownership. (Andri and Hanung, 2007).

Manufacturing companies have unlimited liability, meaning that the personal assets of the company owners can also be used as collateral for all company debts. In addition, manufacturing companies have risks related to company obligations because funding comes from outside the company so that there is an opportunity for falsification of financial statements called earnings management. There are have several of cases of misstatement of financial statements that recently occurred :

No	Company	Case
1	PT Tiga Pilar Sejahtera Food Tbk	This imbalance occurred in 2007 to 2009, where the profit earned by Rp. 15,767 million increase to Rp. 37,485 million in 2008 and increased to Rp 37,823 million in 2009, but the share price actually dropped from Rp 649 to Rp 389 and ended at Rp 329 million in 2009.
2	PT Akasha Wira Internasional	The total comprehensive income of the Company in 2013 was Rp. 98.6 billion, or an increase of 11.8% compared to 2012 which was Rp. 83 billion. However, after the financial statements were audited, it turned out that there was a decrease in net profit by 33% or 26.6 billion.
3	PT Garuda Indonesia Tbk	In 2017 the company made a profit and loss of \$216 million compared to the inverse in 2018 which shows the company earned a profit of \$809 million.

Source : www.google.com

Figure 1. Earnings Management Case in Company

Based on Figure 1.1, the cases of the company PT Tiga Pilar Sejahtera Food Tbk, PT Akasha Wira

Internasional, PT Garuda Indonesia Tbk the company's profits have increased which indicates that the company's performance is good, but there is an imbalance between the profits obtained compared to the existing stock prices. The company's profit will determine the value of the company's shares, which means that when the company's profit increases, the share price should increase and vice versa when the company's profit decreases, the company's share price also decreases. If profits increase, theoretically stock prices will also increase. The higher the company's profit, the higher the company's share price, in other words an increase or decrease in profit will affect the share price which is a reflection of the company's value. This imbalance provides the assumption that earnings management practices have occurred by management using a pattern of earnings management known as Income Maximization.

From some of the phenomena above, we can see that fraud or financial manipulation that occurs in companies cannot be separated from the company's management as the perpetrators of the fraud, this proves that the governance of large and small companies can still be said to be bad and the parties concerned have not carried out their functions properly. so that there are still frauds committed by the management in compiling the company's financial statements. The case of earnings management is not something new to the Indonesian economy. The number of earnings management cases that occur in various corporate sectors raises public questions about how the company's management actually runs the company and can we trust the financial statements presented by management and auditors (Rezaee, 2005).

To minimize or reduce earnings management actions, it can be done by improving the ownership structure and corporate governance. Methods and procedures used by the audit committee and size of the board of directors and executives to make strategic directions, expectations of achieving company goals, monitoring and evaluating risk management and ensuring responsible use of resources. There are several mechanisms The company's ownership structure is considered an important manager monitoring mechanism, so it has an important supervisory role in limiting the occurrence of earnings management. Corporate governance mechanisms that can be used to minimize earnings management actions include audit committee and size of the board of directors. Ownership structure consisting of managerial share ownership.

LITERATURE REVIEW AND HYPOTHESES

Agency Theory

The existence of a conflict of interest between the principal and the agent occurs because of agency problems. Jensen and Meckling (1976) stated that the bond between one or more principals by using other people or agents to carry out company activities is called an agency relationship. In agency theory, the agent is the management that manages the property of the owner, then the principal is the shareholder or owner. Agency theory focuses on the relationship between two individuals, namely the agent and the principal (Dirgantiri, et al., 2000). In this case, the shareholders as company owners or principals delegate decision-making authority within the company to directors who are agents of the shareholders (Solomon, 2007). Delegation of company management authority from the principal to the agent is deemed necessary to achieve an independent company management system and professional. As it is known that independence is one of the components that must be met to achieve a corporate governance system.

With a corporate governance system in accordance with corporate governance standards, the company will be able to achieve superior performance. The difference in interests between the principal and the agent is called the agency problem. The existence of asymmetric information is one of the goals of the agency problem. Based on research conducted by Sunarto (2009) a system that has implications for both parties, so that a work contract between the principal and agent is needed is an agency theory.

Earnings Management

"The practice of distorting a firm's actual financial performance" is the definition of Earnings management (Klein, 2002, p.376). It is said that the distortion is due to the existence of earnings management that makes deviations/damages that can hinder the achievement process in a company.

Managers' decisions on voluntary disclosures, accrual estimates to intentionally influence earnings, accounting policies or other actions including voluntary earnings forecasts are called earnings management. The importance of earnings management in the preparation of reports, it can be said because earnings management can spoil the credibility of financial statements, which present useful information to stakeholders in a well- functioning capital market. The legality of earnings management in the preparation of financial statements is not prohibited as long as it is based on Financial Accounting Standards (SAK).

Ownership Structure

The structure of share ownership or equity is the party who owns proportional shares, institutional ownership is defined as the proportion of the number of investors in the form of institutions (companies) who buy the company's shares traded (Roberts & Yuan, 2006). The shares of companies that go public on the JSE are owned by many parties, for example the public (domestic and foreign), institutions (domestic and foreign), insiders (commissioners, directors, and managers), employees, and foundations in the company (ICMD, 2004). 2006)

The ownership structure is divided into several categories. The ownership structure is concentrated and diffuse. Specifically, the category of ownership structure includes ownership by domestic institutions, foreign, government, employees, and domestic individuals (Xu, 1997). There are 2 types of ownership structure when viewed from the concentration of ownership, namely scattered ownership structure and concentrated ownership structure.

Mitton (2002) explained that the company's stock performance during the crisis improved along with the increasing concentration of company ownership. This reflects that investors view companies with a concentrated ownership structure as having lower risk due to the presence of majority shareholders who closely monitor management. Brigham (1998) argues that if the company's risk is getting smaller, both business risk and financial risk, then the company's value will be higher.

Managerial Ownership

Managerial ownership is the number of shares owned key management in the company. Researchers measure this variable by using the percentage of the number of shares owned by key management divided by the total outstanding shares. This data is also obtained by looking at the Notes to the Financial Statements in the audited financial statements.

Corporate Governance

According to the Forum for Corporate Governance in Indonesia (FCGI) that corporate governance is a set of directions regarding the relationship between various parties, namely creditors, company management, government, shareholders, employees and other stakeholders related to matters and obligations. (Achyani, Triyono, Wahyono, 2015).

Corporate governance as a system that functions to control the organization and direct is the definition of research conducted by the Cadbury Report (1992). Corporate governance is a structure in which shareholders, commissioners and managers evolve the company's goals and suggestions to achieve these goals and monitor performance. Organization for Economic Cooperation and Development (OEC, 2004).

Size of the Board of Directors

In general, the board of directors is assigned and given responsibility for monitoring the quality of the information contained in the financial statements. This is important considering the importance of management to carry out earnings management which has an impact on reducing investor confidence. To overcome this, directors are allowed to have access to company information.

Audit Committee

According to the National Committee for Corporate Governance Policy (KNKCG), the audit committee is a committee consisting of one or more boards of commissioners and can request outsiders with various expertise, experience and other qualities needed to achieve the objectives of the audit committee.

The Effect Managerial Ownership towards Earnings Management

Based on research conducted by (Jensen, 1986), share ownership by company management is called managerial ownership. Managerial share ownership can match the interests of shareholders with managers, because managers benefit from the decisions taken and managers are willing to accept the risk if it results in losses for wrong decisions. The company's performance will improve if the greater the division of management ownership in the company will be able to unite the interests of managers and shareholders. The supervisory mechanism on managerial ownership aims to align the various interests in the company.

Dudi and Nelda (2020) shows the results that managerial ownership has significant effect on earnings management. Dilla (2020) shows the results that managerial ownership has significant effect on earnings management. Pasek and Edy (2021) shows the results that managerial ownership has significant effect on earnings management. Based on the studies above, this study will re-examine the effect of managerial ownership on earnings management practices by proposing the following hypotheses:

H1 : Managerial Ownership has a positive effect on Earnings Management.

The Effect Audit Committee towards Earnings Management

Based on research from (Andri and Hanung, 2007) defines the audit committee has an important role and maintains the creation of an adequate corporate supervision system and implements good corporate governance, strategically in maintaining the credibility of the financial statement preparation process. The function of the audit committee effectively can be said that the control over the company will be better so that agency conflicts that occur due to management's desire to improve their own desires can be minimized.

The number of audit committee conferences can reduce the level of earnings management, the higher the meetings held by the audit committee will increase the effectiveness of the audit committee in supervising management so that they do not try to optimize their own interests. The size of the audit committee is measured by the number of audit committee members in the company. The larger the number or size of the audit committee, the greater the function of management oversight.

Sudjatna dan Muid (2015) shows the results that audit committee has significant effect on earnings management. Mei (2021) shows the results that audit committee has significant effect on earnings management. Mursalmina (2019) shows the results that audit committee has significant effect on earnings management. So that the size of the audit committee can minimize the occurrence of earnings management. Thus the proposed hypothesis:

H2 : Audit Committee has a positive effect on Earnings Management.

The Effect Size of the Board of the Directors towards Earnings Management

The board of directors plays a managerial role in the company to ensure that financial information is analyzed by independent, competent and qualified external auditors in accordance with the standards and the information released reflects the actual situation of the company (Alves, 2011).

According to agency theory (Jensen and Meckling, 1976), management is responsible to the owner, so he will try to keep the financial statement performance always good and will act opportunistically in earnings management if the financial statement performance shows a decline. Therefore, the smaller size of the board of directors allows good coordination thereby reducing earnings management. The larger the size of the board of directors, the more inefficient and weak the control over management (Riadiani and Wahyudin, 2015) means, the larger the size of the board of directors, the lower the monitoring of management. On the other hand Alves (2011); Kumari and Pattanayak (2017) find that a large board size is stated to have an advantage in information over a small board size. Karina and Sutarti (2021) shows the results that size of the board of directors has significant effect on earnings management. Dewi and Stevanie (2020) shows the results that size of the board of directors has significant effect on earnings management. Yufenti (2017) shows the results that size of the board of directors has significant effect on

earnings management. Based on this description, the authors set the following hypothesis:

H3 : Size of the Board of Directors has a positive effect on Earnings Management. RESEARCH FRAMEWORK

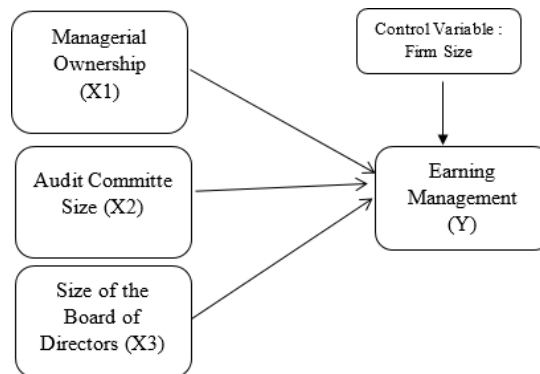


Figure 2. Research Framework

RESEARCH METHODS

Conceptual and Operational Definition Earnings Management

Earnings management (DAC) can be measured through discretionary accruals which are calculated by differentiating total accruals (TAC) and non-discretionary accruals (NDAC). In this study the main model used in measuring earnings management is the Jones model (1991). Determine the total accrual value, which is the difference between net income and operating cash flow

$$TAt = NIt - CFOt \dots \dots \dots (1)$$

Furthermore, total accruals are estimated into the regression equation as follows:

$$\frac{TAt_{it}}{A_{it-1}} = a_1 \left(\frac{1}{it-1} \right) \beta_{1t} \left(\frac{\Delta REV_{it}}{it-1} \right) + \beta_{2t} \left(\frac{PPE_{it}}{A_{it-1}} \right) + \epsilon_{it} \dots \dots \dots (2)$$

The next step is to find non-discretionary accruals with the following equation:

$$NDAC = a_1 \frac{1}{A_{it-1} + \beta_2} + \beta_{1t} \frac{\Delta REV_{it} - \Delta REC_{it}}{A_{it-1}} \dots \dots \dots (3)$$

Last determine discretionary accruals with the formula:

$$DAC_t = \frac{TAt}{A_{it-1}} \dots \dots \dots (4)$$

Ownership Structure

Ownership structure is measured by the percentage of public ownership in the company's ownership structure. The greater the ownership by the public means the more spread the ownership structure of the company and vice versa (Arsono, 2003). Managerial Ownership

Managerial ownership is the number of shares owned key management in the company. Researchers measure this variable by using the percentage of the number of shares owned by key management divided by the total outstanding shares. This data is also obtained by looking at the Notes to the Financial Statements in the audited financial statements.

$$managerial\ ownership = \frac{managerial\ share\ amount}{total\ outstanding\ shares}$$

Corporate Governance

Corporate governance arises because there is a separation between ownership with control of the company, or often known as the agency problem. The agency problem in the relationship between the owner of capital and the manager is how difficult it is for the owner to ensure that the invested funds are not taken over or invested in unprofitable projects that do not bring a return. Corporate governance is needed to reduce agency problems between owners and managers (Macey and O'Hara, 2003).

Audit Committee

The size of the audit committee is measured by determining the number of members on the company's audit committee. The data is obtained through the company's financial statements or annual reports.

Audit Committee Size = Number of members in audit committee

Size of the Board of Directors

The size of the board of directors is judged by its number. Researchers measure this variable by counting the number of members of the board of directors in the company. The number of directors can be obtained from the audited financial statements company.

Size of the Board of Director = Number of members on the board of directors

RESULT AND DISCUSSION

Descriptive Analysis

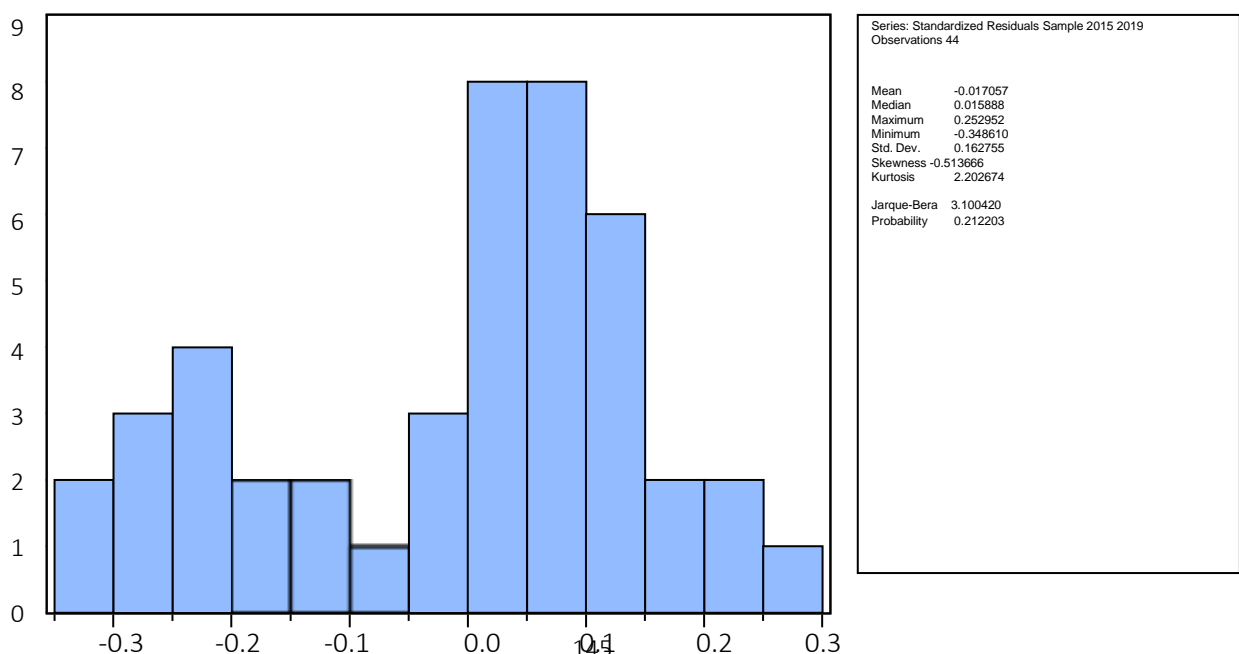
Table 1. Descriptive Analysis

Variable	N	Mean	Min	Max	Std. Dev
DAC	55	0,072868	-0,04879	0,358467	0,085107
MO	55	0,042861	0,000157	0,360142	0,085247
ACSIZE	55	2,727273	1	4	0,651339
BOARD	55	5,618182	2	15	3,285721
SIZE	55	24,99694	15,46165	29,17768	4,628516

Source : processed data

Classical Assumption Test Normality Test

Table 2. Result of Normality Test



After the normality test is carried out, it can be seen that the value its probability is 0.212203 > greater than 0.05. That way, we can conclude that the data used in this study are normally distributed.

Multicollinearity Test

Table 3. Result of Multicollinearity Test

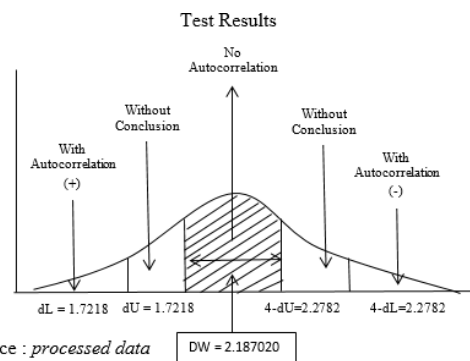
	MO	ACSIZE	BOARD	SIZE
MO	1.000000	0.187402	-0.457279	-0.209573
ACSIZE	0.187402	1.000000	0.149973	-0.183169
BOARD	-0.457279	0.149973	1.000000	-0.095137
SIZE	-0.209573	-0.183169	-0.095137	1.000000

Source : *processed data*

After the multicollinearity test, it can be said that each correlation value of each variable is less than < 0.9. Therefore, it can be concluded that in this study there were no symptoms of multicollinearity.

Autocorrelation Test

Table 4. Result of Autocorrelation Test



Source : *processed data*

It can be concluded that there is no autocorrelation symptom, because the regression equation is in an area where there are no positive or negative autocorrelation symptoms.

Heterocendasticity Test

Table 5. Result of Heterocendasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
MO	-0.068309	0.106751	-0.639896	0.5260
ACSIZE	0.200426	0.106764	1.877287	0.0680
BOARD	-0.152868	0.127893	-1.195276	0.2392
SIZE	-0.913573	0.877484	-1.041127	0.3042
C	0.296704	0.315872	0.939317	0.3533

To the results from the Glejser Test itself show that there are no symptoms heteroscedasticity because it is seen from the probability value in each independent variable, if the probability is more than (>) 0.05 means no heteroscedasticity occurs.

Model Selection

Based on research from Widarjono (2009: 231), it is stated that to find out the results of panel data there are three commonly used models, namely the common effect model (CEM), fixed effect

model (FEM) and random effect model (REM).

Table 6. Common Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
MO	0.149543	0.066482	2.249386	0.0302
ACSIZE	-0.220811	0.259118	-0.852165	0.3993
BOARD	0.212129	0.058414	3.631470	0.0008
SIZE	1.604606	0.650884	2.465270	0.0182
C	-0.783525	0.378504	-2.070058	0.0451
R-squared	0.099204	Mean dependent var		-0.393897
Adjusted R-squared	0.006815	S.D. dependent var		0.181676
S.E. of regression	0.181056	Akaike info criterion		-0.473372
Sum squared resid	1.278475	Schwarz criterion		-0.270623
Log likelihood	15.41418	Hannan-Quinn criter.		-0.398183
F-statistic	4.073759	Durbin-Watson stat		1.386311
Prob(F-statistic)	0.038260			

Table 7. Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
MO	0.091473	0.456112	0.200549	0.8425
ACSIZE	0.076908	0.345885	0.222352	0.8256
BOARD	0.820152	0.546645	1.500338	0.1443
SIZE	-2.020457	2.480665	-0.814482	0.4220
C	-0.347753	1.157954	-0.300317	0.7661
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.366469	Mean dependent var		-0.393897
Adjusted R-squared	0.060627	S.D. dependent var		0.181676
S.E. of regression	0.176083	Akaike info criterion		-0.370797
Sum squared resid	0.899153	Schwarz criterion		0.237450
Log likelihood	23.15752	Hannan-Quinn criter.		-0.145229
F-statistic	1.198229	Durbin-Watson stat		1.878552
Prob(F-statistic)	0.327841			

Table 8. Random Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
MO	0.162282	0.074389	2.181534	0.0352
ACSIZE	-0.197955	0.304992	-0.649050	0.5201
BOARD	0.222453	0.090576	2.455963	0.0186
SIZE	1.328161	0.858991	1.546187	0.1301
C	-0.719185	0.450318	-1.597059	0.1183
Effects Specification				
		S.D.	Rho	
Cross-section random		0.073872	0.1497	
Idiosyncratic random		0.176083	0.8503	
Weighted Statistics				
R-squared	0.057719	Mean dependent var		-0.296796
Adjusted R-squared	-0.038925	S.D. dependent var		0.165339
S.E. of regression	0.170724	Sum squared resid		1.136727
F-statistic	0.597230	Durbin-Watson stat		1.546290
Prob(F-statistic)	0.666784			
Unweighted Statistics				
R-squared	0.095983	Mean dependent var		-0.393897
Sum squared resid	1.283046	Durbin-Watson stat		1.369951

Furthermore, the Chow test is carried out to choose which model is right between the common effect and the fixed effect. The results of the Chow test that have been carried out are as follows:

Table 9. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.223412	(10,29)	0.3177
Cross-section Chi-square	15.486694	10	0.1153

The results of Table 9. the probability value is 0.317 which is smaller than Alpha 0.05, so H1 is rejected and Ho is accepted, the appropriate model from this result is the Common Effect Model is better than Fixed Effect Model.

Furthermore, the Hausman test is carried out to choose which model is right between fixed effects and random effects. The results of the Hausman test that have been carried out are as follows:

Table 10. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	4	1.0000

The results of the Hausman test have a significance value of 1,000 (Probability > 0.05), then H1 is rejected and H0 is accepted, so it can be interpreted that the Random Effect model is better than the Fixed Effect model. After knowing that the Random Effect is the appropriate model, it is necessary to perform a Lagrange Multiplier Test to choose between the Common Effect Model and the Random Effect Model. Following are the results of the Lagrange Multiplier Test:

Table 11. Lagrange Multiplier

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.073118 (0.7868)	0.002489 (0.9602)	0.075607 (0.7833)
Honda	0.270404 (0.3934)	0.049889 (0.4801)	0.226482 (0.4104)
King-Wu	0.270404 (0.3934)	0.049889 (0.4801)	0.188247 (0.4253)
Standardized Honda	1.539862 (0.0618)	0.271192 (0.3931)	-2.318675
Standardized King-Wu	1.539862 (0.0618)	0.271192 (0.3931)	-2.181041
Gourierioux, et al.*	--	--	0.075607 (>= 0.10)

It can be seen that the Breusch-Pagan Cross-Section value is significant (sig < 0.05), so it can be concluded that H1 is rejected and H0 is accepted, meaning that the results of the Lagrange multiplier test of the Common Effect Model method are better than the Random effect

Panel Data Regression Analysis

Table 12. The Results of Panel Data Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Conclusion
MO	0.149543	0.066482	2.249386	0.0302	Accepted
ACSIZE	-0.220811	0.259118	-0.852165	0.3993	Rejected
BOARD	0.212129	0.058414	3.631470	0.0008	Accepted
SIZE	1.604606	0.650884	2.465270	0.0182	
C	-0.783525	0.378504	-2.070058	0.0451	
R-squared	0.099204	Mean dependent var		-0.393897	
Adjusted R-squared	0.006815	S.D. dependent var		0.181676	
S.E. of regression	0.181056	Akaike info criterion		-0.473372	
Sum squared resid	1.278475	Schwarz criterion		-0.270623	
Log likelihood	15.41418	Hannan-Quinn criter.		-0.398183	
F-statistic	4.073759	Durbin-Watson stat		1.386311	
Prob(F-statistic)	0.038260				

According to Table 4.12, the results of panel data regression, so that the equation is as follows:

$$dac = -0,783525 + 0,149543mo - 0,220811acsize + 0,212129board + 1,604606size + e$$

Coefficient of Determination (R^2)

Adjusted R^2 level has an understanding of how much the independent variable contributes to the dependent variable. The higher the adjusted R^2 value, the greater the contribution of the independent variable to the dependent variable. Based on the results of statistical analysis, the coefficient of determination in table

4.13 is 0.099204 or 1 percent. This shows that changes in the discretionary accruals variable are explained by the independent variables of managerial ownership, audit committee, board of directors size of 1% and the remaining 99% is explained by other variables not examined.

F Test

The F test is intended to determine the accuracy of the proposed equation model. The test results on this equation are shown in table 4.13. Based on the results of the F statistical test, F is 4.073 and the probability value is 0.038. In the table above, it can be seen that the calculated The F test shows significant results because F count (4.073) > F table (2.55) or probability value (0.038) < 0.05. Thus, it can be concluded that has a significance probability value below 0.05, so this research model is feasible to use.

T Test

Managerial Ownership

The results showed that the t value of the managerial ownership variable was (2.092850) > t table (1.675) with a significance of (0,0302) < (0.05) with a positive coefficient direction. From these results it can be concluded that hypothesis 1 (H1) which states that managerial ownership have a positive effect on earnings management accepted.

Audit Committee

The results showed that the t value of the audit committee variable was (-0,852165) < t table (1.675) with a significance of (0.3993) > (0.05) with a negative coefficient direction. From these results it can be concluded that hypothesis 2 (H2) which states that audit committee has a negative effect on earnings management is rejected.

Size of the Board of Directors

The results showed the t value of the size of the board of the directors variable was (3,631470) < t table (1.675) with a significance of (0,0008) > (0.05) with a positive coefficient direction. From these results it can be concluded that hypothesis 3 (H3) which states that size of the board of directors has a positive effect on earnings management is accepted.

DISCUSSION

The Effect of Managerial Ownership on Earnings Management

Based on the results of the research above, the profitability value at t count is (2.092850) > t table (1.675) with a significance (0.0302) < (0.05) which means that managerial ownership has a positive and significant effect on earnings management. So that the higher the managerial ownership, the higher the percentage of earnings management in the company. These results support the hypothesis H1 that when management has a large percentage of shares, the value of discretionary accruals increases.

Based on the sample data, the most likely cause is because for five years the managerial ownership data for each company has relatively changed, then the occurrence of earnings management in the company. Therefore, it can be concluded that changes in earnings management are related to managerial ownership. This indicates that managerial ownership in the company shows management's incentives to take earnings management actions. The results of this study are in line with research conducted by Asih (2014) which found that managerial ownership has a positive effect on earnings management. Indriastuti (2012) states that a certain percentage of share ownership by managerial ownership management tends to affect earnings management actions.

The Effect of Audit Committee on Earnings Management

Based on the results of the research above, the profitability value at t count is $(-0.852165) < t$ table (1.675) with a significance $(0.3993) > (0.05)$ which means that the Audit Committee has a negative and insignificant effect on earnings management. This proves that with the increasing number of audit committees in a company, it is able to limit earnings management actions. It turned out that the existence of an audit committee was able to increase supervision of financial reporting carried out by managers/management.

The audit committee is something that was formed to carry out supervisory duties to increase effectiveness in creating quality financial disclosure and reporting, supervision of the implementation of financial statement audits by external auditors, monitoring compliance with applicable laws and regulations and adequate internal control. However, this study shows different results, where members of the audit committee are supposed to carry out supervision management of the company as well as assisting especially with regard to accounting policies, internal control and financial reporting systems have failed in carrying out their functions. Members of the audit committee do not actively carry out their duties as an audit committee, causing the supervisory function to not run properly. In other words, the size of the audit committee in this study proved to have no effect on earnings management.

These results are in line with research conducted by Ningsaptiti (2010:60), which states that the audit committee has a negative effect on earnings management. The insignificance of the audit committee variable in this study indicates that the audit committee has no effect on earnings management in a company.

The Effect of Size Of The Board Of Directors on Earnings Management

Based on the results of the research above, the profitability value at t count is $(3.631470) < t$ table (1.675) with a significance $(0.0008) > (0.05)$ which means that the size of the board of directors has a positive and significant effect. effect on earnings management. So the higher the number of the board of directors, the more opportunities for earnings management to occur in the company.

The test results show that the variable size of the board of directors effect on Earnings Management. This indicates that the number of the board of directors is not able to guarantee the effectiveness of management performance, each composition of the board of directors in the company adjusts to the size of the company's needs, so that many or at least the composition of the board of directors will always synergize with the interests of the company in managing or managing profits.

According to the guidelines for Good Corporate Governance (2010), the size of the board of directors in a company is adjusted based on the level of complexity of the company and effectiveness in decision making. The effectiveness of supervision is seen from the level of communication and good coordination in decision making (Boediono, 2005). So in this study, when a company has a large number of boards of directors and with that number, the company will practice earnings management. This is because the board of directors does not carry out their duties professionally, is dishonest, and does not adhere to the principles of good corporate governance.

The results of this study are in line with previous research which conducted by Ardiansyah (2014) and Taco and Ilat (2016) found that the board of directors has an effect on earnings management. Jao and Pagalung (2011) which show the results of the size of the board of directors significantly influence earnings management.

CONCLUSION

This study aims to test and obtain empirical evidence about what affects earnings management in manufacturing sector in the sub-sector of the consumer goods industry and listed on the Indonesia Stock Exchange for the period 2015- 2019.. Based on the results of the analysis and discussion, several

things can be concluded as follows:

1. Managerial ownership assets has a positive and significant effect on earnings management. This shows that managerial ownership will affect changes in earnings management.
2. The Audit Committee has a negative and insignificant effect on earnings management. This shows that the level of the audit committee does not affect the level of earnings management in a company.
3. The size of the board of directors has a positive and significant effect on earnings management. This shows that the size of the board of directors affects the level of earnings management in a company.

IMPLICATIONS

From this study shows the results of empirical information that managerial ownership and size of the board of directors have a positive and significant effect on earnings management. The implication for companies is to focus on independent managerial ownership and board size as this affects earnings management.

This study shows the results of empirical information that the audit committee has a negative and insignificant effect on earnings management. The implication for the company's audit commitment can be a limit to manipulation activities in the company. This is because the large size of the audit committee indicates a broad and diverse background, insight, and experience of members, so that the decisions taken are expected to improve the quality of reporting.

RESEARCH LIMITATIONS

In this study, there are several limitations of the study which experienced by researchers, namely:

1. The limitations of the results of the panel data on the Common Effect Model of the time coefficient in 2015 - 2019 is considered the same, even though it could be different.
2. The research sample is too small because some companies are not meet the criteria in the purposive sampling method. The research results are difficult to generalize because the sample is too small.

SUGGESIONS

Using a wider research sample such as the finance sector, or you can use all sectors on the IDX (Indonesia Stock Exchange). Add variables that have not been studied much and can add moderating variables. To be able to examine on a different year scale and over a longer time span to determine the effect in different years.

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