ISSN 2409-2665
Journal of Logistics, Informatics and Service Science
Vol. 11 (2024) No. 8, pp. 80-96
DOI:10.33168/JLISS.2024.0806

Corporate Governance Mechanisms and Earnings Management: An Empirical Investigation of Indonesian Banks Listed on the Indonesia Stock Exchange (2019-2021)

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Abstract. The implementation of good corporate governance (GCG) in the banking sector seemed to be starting to slacken when there was rampant theft of funds or fraudulent practices that hit banking. The banking industry is a trust industry. If investors lose confidence due to biased financial statements due to earnings management actions, they will withdraw funds together, which can result in a rush. Therefore, a mechanism is needed to minimize earnings management carried out by banking companies, one of which is corporate governance. The purpose of this research is to determine corporate governance as measured by the independent Board of Commissioners, the Independent Audit Committee, and managerial ownership of profit management. The population in this study was the entire banking company registered at IDX in 2019–2021. The researcher used a sampling method, resulting in a total of 22 banks. The data analysis methods used in this study are descriptive statistical analysis and inferential analysis, including classical assumption trials, multiple regression analysis, and hypothesis testing, using SPSS 26 programs. The results of this research show that the independent Board of Commissioners, Independent Audit Committee, and managerial ownership have no effect on profit management. The simultaneous results of the research show that the independent Board of Commissioners, Independent Audit Committee, and managerial ownership have no effect on profit management.

Keywords: Corporate Governance, Earnings Management, Indonesia Banking Industry, Indonesia Stock Exchange

1. Introduction

The purpose of this study is to analyze the research conducted by the World Bank about the weak implementation of the corporate governance system, commonly known as "corporate governance. It is a concept proposed to improve company performance through supervision or monitoring of management performance and ensure management accountability to stakeholders based on a regulatory framework. It is proposed in order to achieve more transparent corporate management for all users of financial reports (Sugandi, 2022). If this concept is implemented properly, it is expected that economic growth will continue to climb along with better transparency in the management of the company, which will benefit many parties. The weaknesses in the implementation of the corporate governance system can be seen in the lack of financial performance reports, the lack of supervision over management activities by the board of commissioners and auditors, as well as the lack of external incentives to encourage efficiency in the company through fair competition

Basically, the issue of corporate governance is motivated by agency theory, which states that agency problems arise when the management of a company is separated from its ownership. Therefore, in order to overcome agency problems, the banking sector made improvements to the corporate governance system (Setiyanto, 2022). To achieve good corporate governance, a systematic working mechanism is needed to monitor all policies. The Indonesian Banking Development Institute (LPPI) conducted a survey related to the practice of good corporate governance in the banking industry, which showed that the implementation of good corporate governance (GCG) in the banking sector seemed to be starting to slacken when there was rampant theft of funds or fraudulent practices that hit banking. GCG is implemented through the performance and reponsibility of the company's management, which plays an important role in improving the company's performance (Dewi et. al., 2023). In addition to rampant fund burglary or fraudulent practices, the challenges of GCG practice will be even greater when the banking (Najamuddin et al., 2022) industry begins to adopt digital technology in each of its products and services. Based on research conducted by the LPPI in the last 10 years, from 2007 to 2020, it concluded that the composite value of the implementation of GCG carried out by the banking industry is still in the good range.

According to Vicente et al. (2020), in 2006, the average value of GCG in the banking industry was in the range of 1, which means very good. It has only been a year since the implementation of the GCG values in the banking industry, but after 2008–2010, there has been improvement in the implementation of the GCG in the banking industry. From 2011 to 2015, the banking industry faced serious problems related to rampant fraud practices that undermined several commercial banks. A banking company is one of the companies listed on the Indonesia Stock Exchange (IDX). The operational activities of banking companies include collecting funds from the public and channeling these funds back to the public, as well as providing other banking services to support the smooth activities of collecting and distributing funds.

According to Willim et al. (2020), there are 43 banking companies listed on the Indonesia Stock Exchange (IDX). The banking industry is a trust industry. Earnings management is a strategy used by business management to consciously control an organization's earnings so that the numbers meet certain goals (Folajimi et. al., 2023). If investors lose confidence due to biased financial statements due to earnings management actions, they will withdraw funds together, which can result in a rush. Therefore, a mechanism is needed to minimize earnings management by banking companies. One of the mechanisms that can be used is corporate governance. Therefore, this study examines the effect of corporate governance on earnings management in the Indonesian banking industry. This study examines the corporate governance mechanisms: the composition of the independent board of commissioners, the size of the board of commissioners, and the existence of an audit committee on earnings management conducted by Indonesian banking companies listed on the Indonesian stock exchange in 2019–2021

2. Literature Review

Agency theory arises because of the separation of company ownership between owners and management. Agency theory is a contractual model between two people (parties) or more, where one party is called management or an agent and the other party is called the owner or principal. The principal gives a mandate to the agent to carry out certain tasks in accordance with the agreed-upon work contract. The powers and responsibilities of both the agent and the principal are regulated in a work contract upon mutual agreement (Xue and O'Sullivan, 2023). Agency theory also explains the problem of information asymmetry. Managers know more about internal information and company prospects in the future than owners (shareholders). Therefore, as a manager, I am obliged to give a signal about the condition of the company to the owner. However, the information submitted is sometimes not in accordance with the actual company conditions. This condition is known as asymmetric information (Adamanti et al., 2022).

As a result of this information asymmetry, it can cause two problems due to the difficulty of the principal to monitor and control the actions of the agent. Jensen and Meckling (Rizvi and Sahminan, 2020) state that these problems are: (a) moral hazard, which is a problem that arises if the agent does not carry out the things that have been mutually agreed upon in the employment contract. (b) Adverse selection, which is a condition where the principal cannot know whether a decision taken by the agent is really based on the information he has obtained or occurs as a result of negligence in his duties. Earnings management, according to (Guna, 2010), is any management action that can affect reported earnings figures. Meanwhile, Fisher and Rosenzweig (Chakradhar and Bairwa, 2020) state that earnings management is the management of managers' actions to increase or decrease current period profits from a company they manage without causing an increase or decrease in long-term company economic profits.

Earnings management occurs when management uses certain decisions in financial statements and transactions to modify financial statements as a basis in order to influence contractual results that rely on reported accounting numbers. Earnings management can occur because managers are given the freedom to choose the accounting method that will be used in recording and disclosing the private financial information they have (Sari et al., 2021) . Earnings management is a phenomenon that is difficult to avoid because of the impact of the use of the accrual basis in the preparation of financial statements. Earnings management arises as a result of the use of accounting as a means of communication between interested parties and the inherent weaknesses in accounting that lead to judgment (Setiawati, 2020; Guna and Herawaty, 2021). (Boresli et al., 2023) state that the mechanisms for supervising corporate governance are divided into two groups, namely internal and external mechanisms. Internal mechanisms are ways to control the company by using internal structures and processes such as the general meeting of shareholders (GMS), the composition of the board of directors, the composition of the board of commissioners, and meetings with the board of directors. Meanwhile, external mechanisms are ways of influencing the company other than using internal mechanisms, such as control by the company and market control. According to the market for corporate control theory, when it is known that management takes actions that benefit themselves, the company's performance will decrease, which is reflected by the decline in the value of the company's shares (Guluma, 2021).

In this study, the variables that will be used to determine the effect on earnings management are the independent board of commissioners, the independent audit committee, and managerial ownership. The existence of an independent board of commissioners in the company serves as a counterweight in the decision-making process in order to provide protection for minority shareholders and other parties related to the company. The role of the independent audit committee is also needed to further improve the quality of the information contained in the company's financial statements in accordance with their duties so as to reduce opportunistic behavior carried out by managers. According to Jensen's statement regarding managerial ownership, by increasing the company's share ownership by management (managerial ownership), the interests of the owners or shareholders will be aligned with the interests of managers, or it can be said that a certain percentage of stock ownership tends to affect earnings management actions.

3. Research Method

The researcher draws the methods section describes the steps followed in the execution of the study and also provides a brief justification for the research methods used (Perry et al., 2003:661).

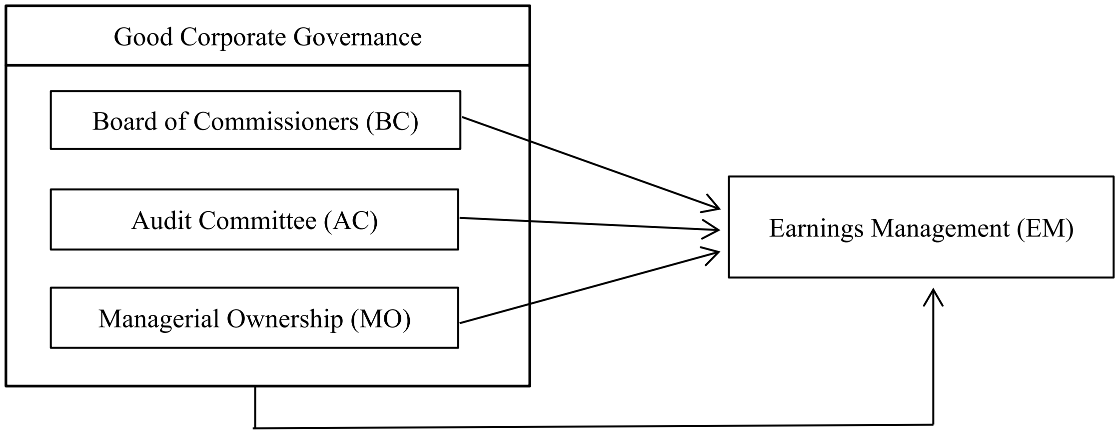

Fig. 1: Conceptual Framework

Research hypothesis Based on the theory and the relationship between the research objectives, the framework for the formulation of the problem is as follows: H1: Independent commissioners have an effect on earnings management. H2: An independent audit committee has an effect on earnings management. H3: Managerial ownership has an effect on earnings management. H4: Independent board of commissioners, independent audit committee, and managerial ownership simultaneously affect earnings management. Managerial share ownership is given a value of 1, whereas if there is no managerial ownership, it is assigned a value of 0 (Wahyudi et al., 2020). The data scale used is the nominal scale.

The data analysis method used is a multiple linear regression model (multiple regression) carried out on the proposed model using SPSS 26 software to predict the relationship between good corporate governance, namely independent commissioners, independent audit committees, and managerial ownership with earnings management as measured by the formula as follows :

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3Dum3 + \varepsilon \qquad (1)$$

explanation :

Y	= Earnings management
X1	= Independent commissioners
X2	= Independent audit committee
Dum3	= Managerial ownership
β0...β3	= Regression coefficient
ε	= Error

4. Results

Descriptive Statistical Analysis

Tabel 1. Descriptive Statistics

Descriptive Statistics

	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
EM	66	.391	-.128	.263	.854	.01294	.065344	.004
BC	66	.47	.33	.80	38.32	.5806	.10322	.011
AC	66	.60	.20	.80	36.55	.5538	.15295	.023
MO	66	1	0	1	26	.39	.492	.242

Valid N (listwise)	66

Source : SPSS Data Processed, 2021

In Table 1, it is known that the average value (mean) for the dependent variable of earnings management (Krishnamurti et al., 2021) with discretionary accrual (DA) proxy is 0.01294, with a maximum value of 0.263 and a minimum value of -0.128. The standard deviation value is 0.065344 or greater than the average value (mean), indicating (Siahaan, 2013) that the distribution of data for the earnings management variable is not good and that the company's earnings management value is almost the same. The results of the calculation of earnings management for each company can be seen in Table 2 below

Tabel 2. Earnings Management Calculation

No	Code	Bank	Earnings Management		
			2019	2020	2021
1	ARGO	Bank Rakyat Indonesia Argo Niaga Tbk	-0.047	0.137	-0,124
2	BBMD	Bank Mustika Dharma Tbk	-0.013	0.019	0.050
3	BBNI	Bank Negara Indonesia (Persero) Tbk	-0.024	0.263	0.017
4	BDMN	Bank Danamon Indonesia Tbk	0.024	0.038	0.048
5	BGTG	Bank Ganesha Tbk	0.099	0.042	0.015
6	BJBR	Bank Jabar Banten Tbk	-0.048	0.023	0.071
7	BJTM	Bank Pembangunan Daerah Jawa Timur Tbk	0.042	0.029	-0.128
8	BMAS	Bank Maspion Indonesia Tbk	0.025	0.006	-0.024
9	BNBA	Bank Bumi Arta Tbk	-0.043	0.014	0.043
10	BNGA	Bank CIMB Niaga Tbk	-0.015	-0.054	0.023
11	BNII	Bank Maybank Indonesia Tbk	-0.021	0.062	0.056
12	BNLI	Bank Permata Tbk	-0.084	0.031	0.033
13	BSIM	Bank Sinar Mas Tbk	-0.026	0.029	0.045
14	BTPN	Bank Tabungan Pensiunan Nasional Tbk	-0.015	0.017	-0.017
15	DNAR	Bank Dinar Indonesia Tbk	0.080	-0.038	-0.072
16	INPC	Bank Artha Graha International Tbk	0.029	-0.021	0.003
17	MCOR	Bank China Construction Bank Ind. Tbk	0.029	-0.033	0.145
18	MEGA	Bank Mega Tbk	-0.063	-0.003	0.078
19	NAGA	Bank Mitraniaga Tbk	0.051	-0.117	0.077
20	NISP	Bank OCBC NISP Tbk	-0.072	0.055	-0.033
21	NOBU	Bank Nationalnubo Tbk	-0.003	-0.045	-0.030
22	SDRA	Bank Woori Saudara Indonesia 1906 Tbk	0.014	0.057	0.145

Source : Secondary data processed, 2021

Table 2 shows that banking companies from 2019 to 2021 carried out earnings management, either by increasing or decreasing profits. The highest earnings management (Prawida, 2021) value owned by Bank Negara Indonesia (Persero) Tbk is 0.263 in 2020, while the lowest earnings management value is owned by the Regional Development Bank of East Java Tbk at -0.128 in 2021. Based on the calculation data of each company's earnings management, it can be categorized based on the level of earnings management by the company as follows:

Tabel 3. Categories of Earnings Management Level Intervals

No	**Interval**	**Categories**	**Frequency**	**Percentage**
1	-0,128 – -0,0	Sangat Rendah	16	24 %
2	-0,026 – 0,0	Rendah	13	20 %

3	0,014 – 0,02	Cukup	14	21 %
4	0,031 – 0,055	Tinggi	11	17 %
5	0,056 – 0,263	Sangat Tinggi	12	18 %
		Total	66	100 %

Source : Secondary Data Processed, 2021

Table 3 shows that as many as 16 or 24% of the units of analysis have earnings management scores in the very low category, 13 or 20% of the units of analysis are in the low category, 14 or 21% are in the moderate category, 11 or 17% are in the high category, and as many as 12 or 18% are in the very high category. The first independent variable in the descriptive analysis is the independent board of commissioners (DKI), which is calculated based on the percentage of the number of independent commissioners to the total number of commissioners in the company. In table 4.1, it can be seen that the average value (mean) for the independent board of commissioners variable is 0.5806, with a maximum value of 0.80 and a minimum value of 0.33. The average value of 0.5806 or 58% indicates that, in general, the sample companies have complied with Bank Indonesia Regulation No. 8/4/PBI/2006, which states that the number of independent commissioners is at least 50%. The standard deviation value of 0.10322 is lower than the average value (mean) of 0.5806, meaning that the distribution of data for the independent board of commissioners variable is good and the independent board of commissioners of the sample companies is almost the same. The results of the calculation of the independent board of commissioners can be seen in Table 4.4 as follows:

Tabel 4. Data of the Independent Board of Commisionrs

No	Code	Bank	Independent of Board Commisioners		
			2019 (%)	2020 (%)	2021 (%)
1	ARGO	Bank Rakyat Indonesia Argo Niaga Tbk	50	67	67
2	BBMD	Bank Mustika Dharma Tbk	50	50	50
3	BBNI	Bank Negara Indonesia (Persero) Tbk	63	38	56
4	BDMN	Bank Danamon Indonesia Tbk	57	50	50
5	BGTG	Bank Ganesha Tbk	67	75	67
6	BJBR	Bank Jabar Banten Tbk	40	80	50
7	BJTM	Bank Pembangunan Daerah Jawa Timur Tbk	80	67	50
8	BMAS	Bank Maspion Indonesia Tbk	67	67	50
9	BNBA	Bank Bumi Arta Tbk	33	67	67
10	BNGA	Bank CIMB Niaga Tbk	50	44	50
11	BNII	Bank Maybank Indonesia Tbk	60	50	50
12	BNLI	Bank Permata Tbk	50	50	50
13	BSIM	Bank Sinar Mas Tbk	67	67	67
14	BTPN	Bank Tabungan Pensiunan Nasional Tbk	60	60	60
15	DNAR	Bank Dinar Indonesia Tbk	50	50	50
16	INPC	Bank Artha Graha International Tbk	50	50	43
17	MCOR	Bank China Construction Bank Ind. Tbk	67	50	50
18	MEGA	Bank Mega Tbk	50	67	60
19	NAGA	Bank Mitraniaga Tbk	67	67	67
20	NISP	Bank OCBC NISP Tbk	57	63	63
21	NOBU	Bank Nationalnubo Tbk	50	67	67
22	SDRA	Bank Woori Saudara Indonesia 1906 Tbk	67	75	75

Source : Secondary Data Processed, 2021

Table 4 shows that the highest independent board of commissioners is 80% owned by Bank Jabar Banten Tbk in 2020 and Regional Development Bank East Java Tbk in 2019. While the lowest independent board of commissioners is 33, owned by Bank Bumi Arta Tbk in 2019. Sample The research shows that of the 66 units of analysis, 61, or 92%, of the independent commissioners' analysis units are above 50%, while 5 or 8% of the independent commissioners' analysis units are still below 50%. This means that the number of independent commissioners in the sample companies is good and meets the criteria of Bank Indonesia Regulation No. 8/4/PBI/2006. The second descriptive analysis of the independent variable is the independent audit committee (KAI), which is measured based on the percentage of audit committee members who come from outside compared to all members of the audit committee. In table 4.1, it can be seen that the average value (mean) for the independent audit committee variable is 0.5538, with a maximum value of 0.80 and a minimum value of 0.20. The average value (mean) of 0.5538 or 55% indicates that, in general, the sample companies have complied with Bank Indonesia Regulation No. 8/4/PBI/2006, which states that the number of independent commissioners and independent parties who are members of the audit committee is at least 51%. The standard deviation value of 0.15295 is lower than the average value of 0.5538, indicating that the distribution of data for the independent audit committee variable is good. The independent audit committees of the sample companies are almost the same.The results of the calculation of the independent audit committe can be seen in table 4.4 as follows:

Tabel 5. Data of Independent Audit Committe

No	Code	Bank	Independent Audit Committe		
			2019 (%)	2020 (%)	2021 (%)
1	ARGO	Bank Rakyat Indonesia Argo Niaga Tbk	67	67	67
2	BBMD	Bank Mustika Dharma Tbk	67	67	67
3	BBNI	Bank Negara Indonesia (Persero) Tbk	50	50	50
4	BDMN	Bank Danamon Indonesia Tbk	50	50	50
5	BGTG	Bank Ganesha Tbk	33	67	67
6	BJBR	Bank Jabar Banten Tbk	20	33	33
7	BJTM	Bank Pembangunan Daerah Jawa Timur Tbk	33	50	25
8	BMAS	Bank Maspion Indonesia Tbk	50	50	67
9	BNBA	Bank Bumi Arta Tbk	67	67	67
10	BNGA	Bank CIMB Niaga Tbk	50	50	50
11	BNII	Bank Maybank Indonesia Tbk	50	67	67
12	BNLI	Bank Permata Tbk	50	67	50
13	BSIM	Bank Sinar Mas Tbk	67	67	67
14	BTPN	Bank Tabungan Pensiunan Nasional Tbk	50	50	50
15	DNAR	Bank Dinar Indonesia Tbk	25	25	33
16	INPC	Bank Artha Graha International Tbk	25	25	75
17	MCOR	Bank China Construction Bank Ind. Tbk	67	67	67
18	MEGA	Bank Mega Tbk	67	67	67
19	NAGA	Bank Mitraniaga Tbk	67	67	67
20	NISP	Bank OCBC NISP Tbk	67	67	67
21	NOBU	Bank Nationalnubo Tbk	50	40	40
22	SDRA	Bank Woori Saudara Indonesia 1906 Tbk	80	75	75

Source : Secondary Data Processed, 2021

In Table 5, the highest independent audit committee value was 80% owned by Bank Woori Saudara Indonesia Tbk in 2019. Meanwhile, the lowest independent audit committee was 20% owned by Bank Jabar Banten Tbk in 2019. The research sample shows that of 66 analysis units, as many as 53 or 80% of independent audit committee analysis units are above 50%, while as many as 13 or 20% of independent audit committee analysis units are below 50%. It means that the number of independent commissioners of the sample companies is good and meets the criteria of Bank Indonesia Regulation

No. 8/4/PBI/2006. The descriptive analysis of the third independent variable is managerial ownership (KM), which in this study uses a dummy variable. If there is a managerial ownership proportion, then it is given a value of 1, whereas if there is no managerial ownership, it is given a value of 0. Table 4.1 shows that for the average value (mean) of the managerial ownership variable, it is 0.39, with a maximum value of 1 and a minimum value of 0. The standard deviation value of 0.492 is higher than the average value of 0.39, which means that it shows that the distribution of data for the independent audit committee variable is not good; there are sample companies that have managerial ownership, but many do not.

Multiple Regression Analysis

Multiple regression analysis was used to determine the effect of the dependent variable on the independent variable. The results of the regression calculations using SPSS 26 software can be seen in Table 6 as follows:

Tabel 6. The Result of Multiple Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-.009	.053		-.164	.870
	BC	.037	.079	.058	.470	.640
	AC	.024	.055	.056	.436	.664
	MO	-.033	.017	-.251	-1.978	.052

a. Dependent Variable: EM

Source : Secondary Data Processed, 2021

The regression equation obtained in table 6 is as follows :

$$Y = -0{,}009 – 0{,}037 \text{ BC} + 0{,}024 \text{ AC} + -0{,}033 \text{ MO} + \varepsilon \qquad 2)$$

The equation shows that :

1. The constant is -0.009, meaning that if the variables of the independent board of commissioners, independent audit committee, and managerial ownership are constant (zero), then earnings management is -0.009
2. The coefficient 1 is equal to 0.037, meaning that if the independent board of commissioners increases by 1%, it will be followed by an increase in earnings management of 0.037.
3. The coefficient 2 is equal to 0.024, meaning that if the independent audit committee increases by 1% it will be followed by an increase in earnings management of 0.024
4. The coefficient 3 is equal to -0.033, meaning that if managerial ownership increases by 1% it will be followed by a decrease in earnings management of -0.033

The Coefficient of Determination (***R^2***)

The coefficient of determination measures how good the model's ability to explain the dependent variable is. The value of the coefficient of determination is between 0 and 1. The value of the coefficient of determination that is close to 0 indicates that the ability of the independent variables to explain the dependent variables is very limited. A value close to 1 indicates that the information contained in the independent variables provides almost all the information needed to predict the dependent variables. The fundamental weakness of using R2 is that it is biased towards the number of independent variables included in the model. Therefore, many researchers recommend using the adjusted R2 value when evaluating which regression model is the best. The adjusted R2 value can increase or decrease if an independent variable is added to the model. In reality, the adjusted R2 value can be negative, although what is desired must be positive (Ghozali, 2018). (Gujarati, 2006) states that if in the empirical test the adjusted R2 value is negative, then the adjusted R2 value is considered to be 0. The results of the coefficient of determination test (R2) can be seen in Table 4.12 as follows:

Tabel 7. Test Result of Determination Coefficient (R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.286[a]	.082	.037	.064114

a. Predictors: (Constant), BC, AC, MO
b. Dependent Variable: EM

Source: SPSS data processed,2021

The test results obtained have an adjusted R2 value of 0.082, which indicates that the tests carried out gave good results. This value means that the ability of the independent variable to explain the dependent variable is 8%. While the remaining 92% is explained by other variables outside the regression model.

Statistic Test (Individual Parameter Significance Test)

This test is used to determine the contribution of each independent variable (X) to the dependent variable (Y). The results of the t statistical test can be seen in table 8 as follows:

Tabel 8. The Results of Statistic Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.009	.053		-.164	.870
	BC	.037	.079	.058	.470	.640
	AC	.024	.055	.056	.436	.664
	MO	-.033	.017	-.251	-1.978	.052

a. Dependent Variable: EM

Sumber : Data SPSS diolah, 2021

Table 8 shows the results of the t-statistical test as follows:

1. The results of the t-statistical test for the independent board of commissioners variable are 0.470 with a significance value of 0.640. The significance value shows that it is greater than the significance level of 0.05, which means that the independent board of commissioners variable has no significant effect on the earnings management variable.
2. The results of the t-statistical test for the independent audit committee variable are 0.439 with a significance value of 0.664. The significance value shows that it is greater than the significance level of 0.05, which means that the independent audit committee variable has no significant effect on the earnings management variable.
3. The results of the t-statistical test for the managerial ownership variable are -1.978 with a significance value of 0.052. The significance value shows that it is greater than the significance level of 0.05, so it can be interpreted that the managerial ownership variable has no significant effect on the earnings management variable.

Statistical Test (Simultaneous Significance Test)

This test is used to test the overall effect of the independent variable (X) together or simultaneously on the dependent variable (Y). The results of the F statistical test can be seen in Table 4.14 below

Tabel 9. The Result of F- Statistical Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.023	3	.008	1.840	.149[b]
	Residual	.255	62	.004		
	Total	.278	65			

a. Dependent Variable: EM

b. Predictors: (Constant), BC, AC, MO

Sumber : Data SPSS diolah, 2021

Table 9 shows the results of the F value of 1.840 and a significance of 0.149, which is greater than a significance of 0.05 (5%). Thus, it can be concluded that the independent corporate governance variables used in this study, namely the independent board of commissioners, independent audit committee, and managerial ownership together (simultaneously), have no effect on the earnings management variable.

5. Discussion

Based on the researcher's main purpose, this study is focused on determining corporate governance as measured by the independent Board of Commissioners, the Independent Audit Committee, and managerial ownership of profit management. Therefore, in this discussion section, the researcher also summarizes the results related to each data analysis to show the reader that this topic is very important to be discussed and contributed to, such as follows:

The Influence of Independence Board of Commisioners on Earnings Management

The Independent Board of Commissioners is measured based on the percentage of the number of independent commissioners to the total number of commissioners in the company. Based on the results of the t test (test for individual parameter significance), the significant value for the independent board of directors variable is 0.640. The significance value is greater than the significant level of 0.05. So H1 shows that the independent board commissioners have no significant effect on earnings management. The average independent board of commissioners owned by banking companies according to descriptive statistics is 0.5806 or 58%, indicating that in general the sample companies have complied with Bank Indonesia Regulation No. 8/4/PBI/2006, which states that the number of independent commissioners is at least 50%. The research sample shows that of the 66 units of analysis, 61, or 92%, of the independent commissioners' analysis units are above 50%, while 5 or 8% of the independent commissioners' analysis units are still below 50%. This means that the number of independent commissioners in the sample companies is good and meets the criteria of Bank Indonesia Regulation No. 8/4/PBI/2006.

The results of this study indicate that the independent board of commissioners has no effect on earnings management. The reason for this is the possibility that the independent board of commissioners in the company has not been able to provide direction, has not been able to supervise the implementation of good corporate governance principles, and has not succeeded in carrying out its responsibilities in terms of overseeing the quality of financial reporting so that it has not been able to reduce earnings management. Theoretically, the number of independent commissioners in a company should reduce earnings management practices, but the results of this study indicate that the number of independent commissioners in a company cannot reduce management behavior in earnings management practices. With the implementation of a good corporate governance mechanism, it is expected that the existence of an independent board of commissioners can limit the opportunistic actions of management so that they can achieve company goals and prosper all parties with an interest in the company. However, in practice in Indonesia, the independent board of commissioners has not been able to work effectively to improve oversight of management. According to (Efendi, 2009), there is a tendency for the position of the board of directors to be very strong; there are even directors who are reluctant to share authority and provide adequate information to the independent board of commissioners. And there are obstacles that hinder the performance of the independent board of commissioners, namely their weak ability and integrity to oversee the performance of management. In fact, integrity and independence are principles so that the implementation of good corporate governance can run effectively. In this case, the independent board of commissioners is not truly independent and cannot carry out its duties and responsibilities optimally because it is limited by the policies of the majority shareholder, who is the strong controller of the company. The majority shareholder has a great ability to make and influence decisions. Thus, the independent board of commissioners cannot encourage companies to implement good corporate governance properly so as to reduce earnings management practices.

The results of this study are consistent with the research of Pela Rima Nandya Warhadika (2021), which states that there are obstacles that hinder the performance of the independent board of commissioners because some of them are still weak in competence and integrity. This can happen because the appointment of an independent board of commissioners is based solely on appreciation, the existence of family relationships, or close acquaintances. Another reason, according to (Millah et al., 2020) is that the size of the independent board of commissioners is not the main determining factor of the effectiveness of the supervision of the company's management. This study is inconsistent with research by Umi Murtini and Rizal Mansyur (2012)and(Nasution, 2007), which show that the composition of the board of commissioners has a negative effect on earnings management.

The Influence of the Independent Audit Committee on Earnings Management

The Independent Audit Committee is measured based on the percentage of audit committee members who come from outside compared to all other members of the committee. Based on the results of the t test (test individual parameter significance), the significant value for the independent audit committee variable is 0.664. The significance value is greater than the significant level of 0.05. So H2 shows that the independent audit committee has no significant effect on earnings management. The average independent audit committee owned by banking companies according to descriptive statistics is 0.5538, or 55%, indicating that in general the sample companies have complied with Bank Indonesia Regulation No. 8/4/PBI/2006, which states that the number of independent commissioners and independent parties who are members of the audit committee is at least 51%. The research sample shows that of the 66 units of analysis, 53 or 80% of the analytical units of the independent audit committee are above 50%, while 13 or 20% of the analytical units of the independent audit committee are below 50%. This means that the number of independent commissioners in the sample companies is good and meets the criteria of Bank Indonesia Regulation No. 8/4/PBI/2006.

The results of this research stated that the independent audit committee has no effect on earnings management. The reason for this is that there is a possibility that the establishment of an independent audit committee within the company is based solely on complying with regulations from Bank Indonesia. According to Bank Indonesia Regulation No. 8/4/PBI/2006, banking companies must have an audit committee consisting of at least an independent commissioner, an independent party with expertise in finance or accounting, and an independent party with expertise in law or banking. Therefore, the independent audit committee in this sample company has not carried out its duties effectively. The independent audit committee formed may not be someone who has expertise in finance or accounting; besides that, they also do not have expertise in law or banking, so they cannot take appropriate decisions. The audit committee is also not the only benchmark to determine the company's financial condition

Theoretically, the existence of an audit committee is an important tool in the implementation of good corporate governance. However, the existence of an audit committee is not enough to prevent companies from having financial problems, especially in earnings management. The audit committee also needs its independence and effectiveness in supervising the financial reporting process (Pamudji, 2010). Thus, the existence of an audit committee does not necessarily affect the earnings management of a company because it can be seen from the effective implementation of the audit committee in carrying out its duties and responsibilities towards the management of the company. The results of this study are consistent with research by (Sillman et al., 1969), which explains that the formation of an audit committee in a company is based on meeting regulations from Bank Indonesia, which require banking companies to have an audit committee, so that in practice the audit committee is less effective in carrying out its duties and responsibilities. Another reason, according to research by Eka Sefiana (2009), why the audit committee in the company, as one of the corporate governance mechanisms, is not able to reduce earnings manipulation by management is due to the weak practice of corporate governance in Indonesia. This study is not consistent with the research of Marismiati SE., Msi. (2020) and Marihot Nasution & Doddy Setiawan (2007), which show that the existence of an audit committee on managed accruals indicates that the negative effect of this variable is significant.

The Influence of Managerial Ownership of Earnings Management.

Managerial ownership is the percentage of the number of shares owned by the management of the total outstanding share capital of the company. Managerial ownership is measured using a dummy variable. If there is a managerial ownership proportion, then it is given a value of 1, whereas if there is no managerial ownership, it is given a value of 0. Based on the results of the t test (significance test of individual parameters), the significant value for the managerial ownership variable is 0.052. The significance value is greater than the significant level of 0.05. So H3 shows that managerial ownership has no significant effect on earnings management.

The research sample shows that of the 66 units of analysis, 26 or 39% have managerial ownership, while 40 or 61% do not. This means that the sample used has a low percentage of managerial ownership. The results of this study state that managerial ownership has no effect on earnings management. The reason for this is that the sample used in this study has a very low percentage of managerial ownership. Thus, the results cannot be used to show that managerial ownership will affect earnings management activities. Theoretically, managerial ownership is a shareholder from the management who actively participates in making company decisions (directors and commissioners). However, the shares owned by the management of the company are not as large as the outstanding ownership. Although managers actively participate in making decisions because of the shares they own, the amount owned by the management does not have a large impact on the votes cast in making decisions relating to companies related to earnings manipulation. It can be said that the position of the majority shareholder is often not represented in decision-making. According to accounting theory, earnings management is determined by the motivation of company managers. Different motivations will result in different earnings management, such as managers who have shares in the company and managers who do not own shares in the company. This is in accordance with the criteria for managing companies, which are divided into two categories: (1) companies led by managers and owners (owner-manager) and (2) companies led by managers and non-owners (non-owners-managers). These two criteria can affect earnings management because share ownership by managers will participate in determining policies and making decisions on accounting methods that will be applied to the companies they manage (Boediono, 2005).The results of this study are consistent with the results of research conducted by Guna and Herawaty (2010), which states that managerial ownership has no significant effect on earnings management. The reason for this is that the sample used has a very low amount of managerial ownership. This research is not consistent with the research of Umi Murtini and Rizal Mansyur (2008), which shows that institutional ownership has no effect on earnings management.

The Influence of Independent Board of Commissioners, Independent Audit Committee, and Managerial Ownership on Earnings Management.

Hypothesis testing is done, and it shows that the independent board of commissioners, independent audit committee, and managerial ownership together (simultaneously) have no significant influence on earnings management variables. The significant value of F is 0.149, which is greater than the significance of 0.05 (5%). So H4 shows that the independent board of commissioners, independent audit committee, and managerial ownership together (simultaneously) have no significant influence on the earnings management variable. The results of this research stated that the independent board of commissioners, independent audit committee, and managerial ownership together (simultaneously) have no significant effect on earnings management variables. The reason for this hypothesis is that it does not mean that the implementation of corporate governance in a company is necessarily free from earnings management actions because the implementation of corporate governance in Indonesia has not been implemented optimally, so the impact of its implementation has not yet been felt and has not been proven to influence earnings management.

The results of this study are consistent with the results of research by Eka Sefiana (2009), which found that corporate governance is not proven to have a significant effect on earnings management. This is because the implementation of corporate governance is still a new thing in Indonesia, and the effects of the implementation of corporate governance are only felt in the long term, so it has not been proven to have a significant effect on earnings management. This study is inconsistent with the research of Pela Rima Nandya Warhadika (2021), which shows that it simultaneously has a significant effect on earnings management.

6. Conclusion

Based on the results of research and discussion regarding corporate governance as measured by the independent board of commissioners, independent audit committee, and managerial ownership of earnings management in the Indonesian banking industry listed on the Indonesia stock exchange in 2019-2021 are as follows:

Independent commissioners have no effect on earnings management. Due to the possibility that the independent board of commissioners in the company has not been able to provide direction, has not been able to supervise the implementation of the principles of good corporate governance, based on the results of the t test, a significant value for the independent board of commissioners variable is 0.640. This value is greater than the significant level of 0.05.

The independent audit committee has no effect on earnings management. Due to the possibility that the formation of an independent audit committee in the company is only based on fulfilling regulations from Bank Indonesia, the independent audit committee formed may not be people with expertise in finance or accounting, but also do not have expertise in law or banking, so they cannot make the right decisions. Based on the results of the t test, the value of tobtained a significant value for the independent audit committee variable of 0.664. This value is greater than the significant level of 0.05.

Managerial ownership has no effect on earnings management. Because the sample used in this study has a very low number of managerial owners, thus, these results cannot be used to show that managerial ownership will affect earnings management activities. Based on the t test results, the significant value for the managerial ownership variable is 0.052. for the managerial ownership variable is 0.052. This value is greater than the significant level of 0.05. The independent board of commissioners, independent audit committee, and managerial ownership simultaneously have no effect on earnings management Based on the F test, a significant value of 0.149 was obtained. which is greater than the significance of 0.05 (5%).

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