Abstract
This study was conducted with the aim of analyzing the effect of institutional ownership, audit committee, firm size, profitability, and leverage on earnings management. The population used in this study were all manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2016 – 2018. The sample in this study was 44 companies using the purposive sampling method. Hypothesis testing in this study using multiple linear regression analysis. The results showed that institutional ownership, audit committee, firm size, ROE and DER had no effect on earnings management, while ROA had a positive effect on earnings management. Simultaneously institutional ownership, audit committee, firm size, ROA, ROE, and DER affect earnings management.

Keywords: institutional ownership, audit committee, company size, profitability, leverage, earnings management.

INTRODUCTION

Information about the work of a company is generally described in the financial statements issued by each company at a predetermined time period. There are five types of financial statements, one of which is the profit/loss report which contains information about the gain or loss on the company's comprehensive income during the current period (Widjanarko and Nurmelia, 2020). Profit is the main goal of the company obtained from the production of goods for services. The greater the production, the profit to be generated will also increase (Nurdiana, 2018). It creates problems where sometimes earnings information is often used by management through window dressing actions for personal gain by minimizing or maximizing profits using certain accounting policies. This management behavior is known as earnings management.

Earnings management practice is the provision of incorrect information or the act of manipulating stakeholders regarding the company's financial condition by managers of a company, which is done by increasing the percentage of income in the event of a decrease in profits and income smoothing if the company experiences fluctuations in profits that are too high (Dharma et al., 2021; Ghofir & Yusuf, 2020). Whereas disclosures regarding financial or non-financial conditions should be stated with relevant and transparent information, making it easier for stakeholders to make decisions (Prihanto and Damayanti, 2020). An example of a case occurred at PT Tiga Pilar Sejahtera Food, Tbk, where the old directors manipulated financial statements by making a markup on the profit generated by the entity amounting to Rp.662 billion (Three Pillars and Dramatic Inflating Funds, n.d.).

Based on the case of PT Tiga Pilar Sejahtera Food Tbk, earnings management can be reduced by implementing good corporate governance, because in good corporate governance there are rules that regulate relationships with interested parties, which in this study is the relationship between the boards of commissioners, directors, shareholders. And other stakeholders (Damayanty et al., 2021). The implementation of good corporate governance in this study uses indicators of institutional ownership and the audit committee.
The Influence of Good Corporate Governance, Company Size, Profitability, and Leverage on Earnings Management

Prisila Damayanty, Mutiara Ayuningtyas, Oktaviyanti

Dharma et al. (2021) defines institutional ownership as ownership of a share of a company owned by an institution or institution, such as a bank, insurance, or other investment company. The existence of institutional ownership in the company structure is expected to increase the effective control function, so that the prosperity of shareholders can be guaranteed. Meanwhile, the audit committee was established by the board of commissioners to carry out its work professionally and independently in supervising management in compiling financial reports and implementing corporate governance in the company so that accountability can be achieved (Mayasari and Ariani, 2021).

The size of the company is a scale that determines the condition of the company's condition as measured by the total assets/assets belonging to a company (Damayanty and Putri, 2021). The greater the number of assets or wealth belonging to the company, the success of the company's efforts to earn a profit is more stable than small companies whose resources are still limited.

In addition to the above factors, earnings management can also be influenced by profitability and leverage. Companies that perform well can be reflected in their financial ratios (John Agata, 2021). Defined by Yulianto (2021) and Yusuf & Suherman (2021), profitability is the amount of effort that has been successfully carried out by the company to be able to earn a profit, while the way is to compare the amount of assets with the amount of capital that has been owned by the company or can be interpreted as an effort of a company's capability in order to seek to earn profit at the appointed time. The high percentage of profitability can create opportunities for management to carry out earnings management.

Leverage is used to see a comparison between certain capital held against debt or available money loans obtained from creditors (Mayasari and Al-Musfiroh, 2020). Utilization of leverage in a business is expected to increase a company's profit, but if it is not in line with expectations, it will result in a company loss of as much as a percentage of the profit earned or maybe more. Because if the value of the leverage ratio is high, it will make it difficult for the company to pay off its obligations. And in this case the management will see it as an opportunity to manipulate the financial statements, because they do not want their performance to be assessed as bad.

This research has been carried out a lot, one of which is in the research of Bangun (2017). Research results that can be partially proven, audit quality has a negative effect on significant positive effect on earnings management and profitability has a significant positive effect on earnings management. And also in Selvian's research (2017), which results in the conclusion that profitability has a positive effect on earnings management, while leverage and firm size have no significant effect on earnings management.

From the description above, the purpose of this study is to analyze the effect of good corporate governance as measured using indicators of institutional ownership and audit committees, firm size, profitability as measured using Return On Assets (ROA) and Return On Equity (ROE), and leverage which is measured using Debt to Equity Ratio (DER) on earnings management in manufacturing companies listed on the IDX for the 2016-2018 period. So that in carrying out this research, it is hoped that it can contribute to the management to take a step that must be carried out related to earnings management, because it is feared that the practice of earnings management is not in accordance with the reasonable criteria which can cause investors to lose their capital in the company. And the results can show similarities and differences to previous researchers who in carrying out their research produced different things.

RESEARCH METHODE

This research is included in quantitative research, namely by testing variables that can change other variables or those that do not change variables. Using secondary data taken through the IDX website, namely www.idx.co.id and the websites of each company.
The population and sample in this study are the manufacturing industries listed on the Indonesia Stock Exchange for the period 2016 to 2018. In this case, the population of the listed manufacturing industries is 163 companies. Sampling of this research used purposive sampling technique. Where the criteria set are companies that are coherently registered in the year of research observation, and publish annual financial statements for the period 2016 to 2018, not experiencing losses during the research period, and complete data available for researchers to detect earnings management and know good corporate procedures. Governance, firm size, profitability and leverage. The results of the sample selection based on these criteria resulted in 44 companies. So the number of data analysis units in this research is 132 units.

The measurement of the independent and dependent variables in this study are:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indikator</th>
<th>Skala Ukur</th>
<th>Satuan Ukur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manajemen Laba</td>
<td>Discretionary Accruals</td>
<td>$TA_i - NDA_i$</td>
<td>Nominal</td>
</tr>
<tr>
<td>Kepemilikan Institutional</td>
<td>Kepemilikan institusional didapat dari jumlah kepemilikan saham institusi dibagi dengan jumlah saham yang</td>
<td>Jumlah Saham yang Dapat Institusi / Jumlah Saham yang Beredar $\times 100%$</td>
<td>Persentase</td>
</tr>
<tr>
<td>Komite Audit</td>
<td>Komite audit menilai semua anggota komite audit dalam suatu perusahaan</td>
<td>Jumlah Komite Audit Pada Perusahaan</td>
<td>Nominal</td>
</tr>
<tr>
<td>Ukuran Perusahaan</td>
<td>Ukuran perusahaan menggunakan hitung logaritma dari total aset</td>
<td>$\ln$(total assets)</td>
<td>Nominal</td>
</tr>
<tr>
<td>Profitabilitas</td>
<td>Return on Assets (ROA)</td>
<td>$\frac{Laba Berih}{Total Aset} \times 100%$</td>
<td>Persentase</td>
</tr>
<tr>
<td></td>
<td>Return on Equity (ROE)</td>
<td>$\frac{Laba Berih}{Emitas} \times 100%$</td>
<td>Persentase</td>
</tr>
<tr>
<td>Leverage</td>
<td>Leverage menggunakan Debt to Equity Ratio (DER)</td>
<td>$\frac{Hutang Jangka Panjang}{Emis} \times 100%$</td>
<td>Persentase</td>
</tr>
</tbody>
</table>

The results of the regression analysis in the form of coefficients on the results of the independent equations are as follows.

$$MnjL = \alpha + \beta_1KI + \beta_2KA + \beta_3SIZE + \beta_4ROA + \beta_5ROE + \beta_6DER + \varepsilon$$

**Information:**
- $MnjL$ = Earnings Management
- $\alpha$ = Constant
- $\beta_1KI$ = Institutional Ownership
- $\beta_2KA$ = Audit Committee
- $\beta_3SIZE$ = Company Size
- $\beta_4ROA$ = Return of Assets
- $\beta_5ROE$ = Return of Equity
- $\beta_6DER$ = Debt to Equity Ratio
- $\varepsilon$ = Error
RESULTS AND DISCUSSION

Results

Table 1. Descriptive Statistical Results

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>MnjL</td>
<td>132</td>
<td>-.10</td>
<td>.16</td>
<td>.0284</td>
<td>.04558</td>
</tr>
<tr>
<td>KI</td>
<td>132</td>
<td>32.22</td>
<td>99.43</td>
<td>72.9465</td>
<td>15.86001</td>
</tr>
<tr>
<td>KA</td>
<td>132</td>
<td>3.00</td>
<td>4.00</td>
<td>3.0227</td>
<td>1.4960</td>
</tr>
<tr>
<td>UP</td>
<td>132</td>
<td>11.83</td>
<td>18.39</td>
<td>14.8309</td>
<td>1.42757</td>
</tr>
<tr>
<td>ROA</td>
<td>132</td>
<td>.01</td>
<td>.17</td>
<td>.0574</td>
<td>.03951</td>
</tr>
<tr>
<td>ROE</td>
<td>132</td>
<td>.01</td>
<td>4.10</td>
<td>.1369</td>
<td>.56356</td>
</tr>
<tr>
<td>DER</td>
<td>132</td>
<td>.01</td>
<td>4.19</td>
<td>.8312</td>
<td>.81722</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>132</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The sample in this study is 132 data obtained in the observation period from 2016 to 2018. The dependent variable of earnings management shows a mean of 0.02 and a maximum value of 0.16. Std. Deviation in research can show the value of Std. Deviation is smaller than the mean value of the data distribution, which means that the data distribution is evenly distributed.

Institutional Ownership (KI) variable has a minimum value of 32.22 with the company code LMSH; the maximum value is 99.43 with the company code TALF and the average value is 72.94.

The Audit Committee (KA) variable has a minimum value of 3 with company codes AGII, AKPI, ALKA, AMFG, AUTO, BATA, BUDI, CINT, CPIN, DVL, EKAD, GGRM, IGAR, INAI, IND, INTP, JFPA, KAEF, KBLM, KDSI, KINO, KLB, LION, LMSH, MAIN, MLIA, PICO, ROTI, SCCO, SKBM, SKLT, SMBR, SMMA, TALF, TCID, TOTO, TRST, TSPC, UTR, and WTON; the maximum value is 4 with ASII company code and the average value is 3.02.

Variable Company Size (UP) has a minimum value of 11.83 with the company code ALKA; the maximum score is 18.39 with the company code INDF and the average value is 14.83.

The ROA and ROE variables have a minimum value of 0.01 with the company code AGII, AMFG, MAIN, SMBR, and TRST and 0.01 with the company code AKPI; the maximum value is 0.17 with the company code CPIN and 4.10 with the company code BUDI and the average value is 0.05 and 0.13.

The leverage variable DER has a minimum value of 0.01 with the company code MAIN; the maximum value is 4.19 with the company code INAI and the average value is 0.83.

Table 3. Multiple Regression

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.004</td>
<td>.112</td>
<td>.033</td>
<td>.974</td>
</tr>
<tr>
<td>KI</td>
<td>.000</td>
<td>.000</td>
<td>.134</td>
<td>1.484</td>
</tr>
<tr>
<td>KA</td>
<td>.005</td>
<td>.003</td>
<td>.016</td>
<td>.178</td>
</tr>
<tr>
<td>UP</td>
<td>.001</td>
<td>.003</td>
<td>-.031</td>
<td>-.332</td>
</tr>
<tr>
<td>ROA</td>
<td>.397</td>
<td>.105</td>
<td>.444</td>
<td>3.790</td>
</tr>
<tr>
<td>ROE</td>
<td>.005</td>
<td>.011</td>
<td>.044</td>
<td>.516</td>
</tr>
<tr>
<td>DER</td>
<td>.003</td>
<td>.005</td>
<td>.053</td>
<td>.009</td>
</tr>
</tbody>
</table>

Based on the results of the analysis which can be seen in table 3, the following equation can be formed:

\[ \text{MnjL} = 0.102 + 0.005(\text{KI}) - 0.001(\text{KA}) - 0.01(\text{SIZE}) + 0.397(\text{ROA}) + 0.005(\text{ROE}) + 0.003(\text{DER}) + \varepsilon \]
1. First Hypothesis Test
The results of the regression analysis showed a significance value of 0.140 compared to a significance level of 0.050. Thus it can be stated that institutional ownership (KI) has no effect on earnings management, meaning that the results show that the first hypothesis (H1) is rejected.

2. Second Hypothesis Test
The results of the regression analysis showed a significance value of 0.859 compared to a significance level of 0.050. Thus it can be stated that the audit committee (KA) has no effect on earnings management, meaning that the results show that the second hypothesis (H2) is rejected.

3. Third Hypothesis Test
The results of the regression analysis showed a significance value of 0.741 compared to a significance level of 0.050. Thus it can be stated that firm size (UP) has no effect on earnings management, meaning that the results show that the third hypothesis (H3) is rejected.

4. Fourth Hypothesis Test
The results of the regression analysis showed a significance value of 0.000 compared to a significance level of 0.050. Thus it can be stated that Return on Assets (ROA) has a significant positive effect on earnings management, meaning that the results show that the fourth hypothesis (H4) is accepted.

5. Fifth Hypothesis Test
The results of the regression analysis showed a significance value of 0.607 compared to a significance level of 0.050. Thus it can be stated that Return on Equity (ROE) has no effect on earnings management, meaning that the results show that the fifth hypothesis (H5) is rejected.

6. Sixth Hypothesis Test
The results of the regression analysis showed a significance value of 0.543 compared to a significance level of 0.050. Thus, it can be stated that the Debt to Equity Ratio (DER) has no effect on earnings management, meaning that the results show that the sixth hypothesis (H6) is rejected.

Table 4. Results of the Coefficient of Determination

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.336a</td>
<td>.113</td>
<td>.071</td>
<td>.04394</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), DER, KA, ROE, ROA, UP, KI

Based on Table 4 above, it is known that the coefficient of determination seen from the value of Adj R2 is 0.071. This means that 7.1% of the dependent variable earnings management can be explained by the independent variables of institutional ownership (KI), audit committee (KA), firm size (UP), Return On Assets (ROA), Return On Equity (ROE), and Debt to Equity Ratio (DER). While the remaining 92.9% is explained by other variables that are not included in the equation, possibly because the sample taken is only 132 data so it cannot test the model properly or there are other factors that influence earnings management more outside the study.

Table 5. Simultaneous Test Results (F Test)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>.031</td>
<td>6</td>
<td>.005</td>
<td>2.659</td>
<td>.010a</td>
</tr>
<tr>
<td>Residual</td>
<td>.241</td>
<td>125</td>
<td>.002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>.272</td>
<td>131</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Mng.
b. Predictors: (Constant), DER, KA, ROE, ROA, UP, KI

Based on table 5 above, it is known that the hypothesis can be adopted with a p-value of 0.010 (different from 0.05). This means that there is a relationship between the variables in question which is the dependent variable earnings management and the independent variables of institutional ownership (KI), audit committee (KA), firm size (UP), Return On Assets (ROA), Return On Equity (ROE), and Debt to Equity Ratio (DER). While the remaining 92.9% is explained by other variables that are not included in the equation, possibly because the sample taken is only 132 data so it cannot test the model properly or there are other factors that influence earnings management more outside the study.
Based on table 6, the Prob value (F-Statistic) is 0.018 < 0.050, then the hypothesis is accepted which means institutional ownership (KI), audit committee (KA), firm size (UP), Return On Assets (ROA), Return On Equity (ROE), as well as the Debt to Equity Ratio (DER) simultaneously affect earnings management in the manufacturing industry sector in 2016-2018.

**Discussion**

Based on the test results, the variable whose hypothesis is proven is Return On Assets (ROA). Return on Assets (ROA) has a significant positive effect on earnings management, meaning that the higher the profitability, the greater the profit earned, the greater the bonus that will be obtained by the manager (Damayanty and Murwaningsari, 2020). On the basis of this incentive can be a management parameter to carry out management practices and this supports the findings of Selviani (2017), Bangun (2017), and Dharma et al. (2021).

While the other five variables the hypothesis is rejected. Institutional ownership has no effect on earnings management, meaning that institutional shareholders have authority over the company's operational activities, so it can minimize management presenting financial reports that are not real and this supports the research of Dharma et al. (2021).

The variables of audit committee (KA) and firm size (UP) were also concluded to have no effect on earnings management, and this also supports research from Bangun (2017). Which means, the proportion of audit committees that have skills and expertise in accounting or finance, followed by the frequency of audit committee meetings, can minimize the use of earnings management. Meanwhile, management's motivation to commit fraudulent earnings management is not based on the size of the company.

Furthermore, Return on Equity (ROE) does not affect earnings management, and this is in accordance with the findings of Nainggolan (2018). Because more and more profits are obtained from investment, companies generally tend to reduce earnings management activities so as not to become public attention, and companies can maintain their credibility.

And the Debt to Equity Ratio (DER) variable also does not affect the level of earnings management carried out by management, meaning that the large amount of debt owned by the company and followed by investor demands may encourage management to misappropriate financial statement information, but not so significantly. The results of the study are also in accordance with the findings of Nainggolan (2018).

**CONCLUSION**

From The ISC above, it can be concluded that only The Return on Assets (ROA) variable affects earnings management positively. While other variables do not support the hypothesis, such as institutional ownership (KI), Return on Equity (ROE), and Debt to Equity Ratio (DER) which show a positive but not significant effect. And the variables of audit committee (KA) and firm size (UP) which concluded negatively did not affect earnings management.

And simultaneously shows the influence of institutional ownership (KI), audit committee (KA), firm size (UP), Return on Assets (ROA), Return on Equity (ROE), and Debt to Equity Ratio (DER) on earnings management. Furthermore, the research is limited to manufacturing industries listed on The Indonesia Stock Exchange (IDX) for the 2016-2018 period. This causes the results of the research to be unable to cover other industries listed on The Indonesia Stock Exchange (IDX). In addition, simultaneously the independent variables only affect 7.1% of earnings management, so there are other factors that can modify earnings management in a company.
Suggestions that can be given for further research are to obtain the actual situation, add the number of population so that the sample studied is not only one industry or extend the research method. Also use the financial ratio calculation method with other formulas to find the value of each variable.

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