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Research Article

The Impact of Good Corporate Governance on Earning Management in Banking Listed On Bei in 2019

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Abstract

This research aims to determine empirically the effect of good corporate governance on profit management. The size of the Board of Commissioners is a proxy for good corporate governance, Expertise of the Board of Commissioners, Meetings of the Board of Commissioners, Size of the Board of Directors, Size of the Audit Committee, Expertise of the Audit Committee and Meetings of the Audit Committee. The dependent variable in this research is earning management. This research used 44 samples of Annual Bank Reports listed on the Indonesia Stock Exchange in 2019. The method of analysis data in this research is regression analysis after testing classical assumptions. The results of this research indicate that the number of members of the board of directors and the number of audit committees have a significant negative effect on earning management. Meanwhile, the number of members of the board of commissioners, the expertise of the board of commissioners, the meeting of the board of commissioners, the number of independent commissioners and the meeting of the audit committee have no significant effect on earnings management. The results of this research indicate that the presence of an adequate number of directors and audit committees can reduce earnings management.

Keywords
Corporate Governance, Earning Management

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Introduction

To describe the financial condition and operating results of a company at a certain time or at a certain period of time, the company makes financial statements (Lessambo, 2018). Users of financial statements involve current and potential investors, employees, lenders, suppliers and other business creditors, customers, the government and its institutions, and the public (Perera & Baydoun, 2007).
According to Diri (2017), management's purpose is to show income in a different way (up or down) than what they know in order to generate personal gain while misleading stakeholders (Diri, 2017). Earnings management, which involves manipulating financial statements, has the potential to deceive some stakeholders about the company's economic performance, (Diri, 2017).
Based on the analysis conducted on 5 financial statements in 2019 in the banking sector registered as LQ45 companies using the discretionary accruals method at BRI worth -0.013, BNI worth -0.015, BTN has a value of -0.014, BCA has a value of -0.001, and Bank Mandiri has a value of -0.01 -0.0003. All banks showed negative results where earnings management actions were carried out with a pattern of decreasing profits.
According to Bank Indonesia Regulation No. 8/4/PBI/2006 and No. 11/33/PBI/2009 concerning the Implementation of Good Corporate Governance (GCG) for Commercial Banks and Sharia Commercial Banks and Sharia Business Units states that banks are required to implement the principles of Good Corporate Governance in each of their business activities at all levels or levels of the organization (Andriani & Gai, 2013).
The embodiment of good corporate governance is to minimize earnings management in business management. A robust monitoring and control system will prevent management from concealing, modifying, or delaying information that the public should have access to. In addition, it encourages managers to always be take the responsibility for all actions and decisions they make (Ronen & Yaari, 2008).
The board of commissioners must have the right composition, independence, expertise, and the right meeting Ghosh, Marra, and Moon (2010); Setiawan, Taib, Phua, and Chee (2019) which state that the size of the board of commissioners can have a negative impact on earnings management. However, in the research of Muda, Maulana, Sakti Siregar, and Indra (2018); Savitri, Andreas, Syahza, Gumanti, and Abdullah (2020) stated the opposite, where the size of the board of commissioners increases earnings management. Research conducted by Xie, Davidson III, and DaDalt (2003) stated a negative relationship. Research conducted by Marrakchi Chtourou, Bedard, and Courteau (2001) states that earnings management is favorably related to the expertise of the board of commissioners. Meanwhile, Xie et al. (2003) stated that there was a negative relationship.
Gaps occur in research. Riwayati and Siladjaja (2016) which stated that the meeting of the board of commissioners has no bearing on earnings management. According to Marrakchi Chtourou et al. (2001), the size of the board of directors has little effect on earnings management. According to Riwayati and Siladjaja (2016) research, the size of the audit committee has an impact on earnings management. According to Riwayati and Siladjaja (2016) research, the size of the audit committee has an impact on earnings management. In the research of Xie et al. (2003) revealed that audit committee meetings can reduce earnings management.
Based on the preceding description, the author is interested in discussing "The Influence of Good Corporate Governance on Earnings Management in Banking Listed on the BEI in 2019" in further depth.

Review Literature

Earnings Management

According to Ronen and Yaari (2008), earnings management (EM) is an attempt by corporate managers to affect the information in financial statements , to deceive stakeholders who wish to know the company's performance and state.
(Diri, 2017); Earning management when managers use their judgment in financial statement and transaction
structuring to change financial statement in order to either mislead some

stakeholders about the company's underlying economic performance or to influence contractual outcomes that rely on the reported accounting numbers.
Earnings management can cause reported earnings to rise or fall. This can be considered bad if it contributes to the firm's worth being reduced, but it can be considered advantageous if it permits signaling more information about the future of the company. However, Earnings management does not disrupt accounting rules (Diri, 2017).
Earnings management can be calculated using the Modified Jones Model method in Ronen and Yaari (2008) by;

a) Measure the total accruals first by using this formula:

$$TAC_t = NI_t - CFO_t$$

b) Next, calculate the *total accrual* ; the formula *modified jones model* such as the following:

$$TAC_t/_{TA_{t-1}} = \alpha\left(1/_{TA_{t-1}}\right) + \beta_1\left(^{(\Delta Rev_t}/_{TA_{t-1}}\right) + \beta_2\left(^{PPE_t)}/_{TA_{t-1}}\right) + \varepsilon$$

c) Next, calculate the *non discretional accrual* by using this formula

$$NDA_t = \alpha\left(1/_{TA_{t-1}}\right) + \beta_1\left(^{(\Delta Rev_t - \Delta Rec_t)}/_{TA_{t-1}}\right) + \beta_2\left(^{PPE_t}/_{TA_{t-1}}\right) + \varepsilon$$

d) To calculate earnings management, is by finding the following discretional accruals value:

$$DAC_t = \left(^{TAC_T}/_{TA_{t-1}}\right) - NDA_t$$

The Relationship of the Size of the Board of Commissioners to Earnings Management

The Board of Commissioners, as a corporate organ, is jointly responsible for supervising and advising the Board of Directors, as well as ensuring that GCG is implemented by the Company (Khotiawan & Luthfiansyah, 2017). The number of commissioners must be determined by the demands of the firm and its shareholders, as well as by regulatory restrictions. At least each committee member consists of one person. And fulfill all the requirements to become an independent commissioner (Khotiawan & Luthfiansyah, 2017).
In another research conducted by Savitri et al. (2020) that the size of the board of directors has a considerable beneficial influence (0.081) on earnings management activities taken by banks, meaning that companies that have a large number of commissioners then earnings management actions carried out by the organization are becoming increasingly common. Earnings management is unaffected by the membership of the board of commissioners, and the KAP industry specialization proxy has no discernible impact on earnings management (Roodposhti & Chashmi, 2011). The results of the experiment reveal that the size of the board of commissioners has a detrimental impact on earnings management during the initial public offering. A bigger number of commissioners on the board of directors has the potential to have a major impact on reducing earnings management methods used by management at the time of the initial public offering. These findings support the hypothesis that a larger board size is preferable for minimizing earnings management (Ghosh et al., 2010; Setiawan et al., 2019). The variable size of the board of commissioners will be measured by looking at the number of members of a company's board of commissioners numerically.

Relationship of the Board of Commissioners Expertise to Earnings Management

Members of the board of commissioners must be professional, that is, they must have integrity and the ability to carry out their tasks correctly, which includes ensuring that the board of directors considers the interests of all stakeholders (Khotiawan & Luthfiansyah, 2017).
Khotiawan and Luthfiansyah (2017) (here in after referred to as OJK) stated that one of

accounting and finance are recommended qualifications for a member of the board of commissioners. The Board of Commissioners must be composed of people who collectively possess the knowledge, competencies, and professional experience required for the successful direction of the organization. At least one member must be knowledgeable and experienced in the management of finance and accounting in a public firm. Previous research by Mardjono and Chen (2020) revealed that the financial expertise of the board of commissioners had a beneficial but not statistically significant effect. Contrary to the results obtained by Mardjono and Chen (2020) this research proves that the board of commissioners who are experts in finance have not been able to influence the decline in earnings management. Firms with fewer discretionary current accruals have board and audit committee members with corporate or financial experience. (Xie et al., 2003). We discover that organizations with outside board members who have expertise as board members with other firms and with other firms have better profits management (Marrakchi Chtourou et al., 2001). This statistic is calculated by dividing the number of members of the board of commissioners who have financial competence by the total number of commissioners.

Relationship of the Board of Commissioners Meeting to Earnings Management

The board of commissioners is responsible for supervising and advising on preventive and remedial actions, as well as temporary removal. For this reason, The board of commissioners must have a work plan in place, as well as a meeting schedule that includes the issues to be covered. The board of commissioners is supposed to have regular meetings at least four times in a year. (Khotiawan & Luthfiansyah, 2017).
According to previous study, the frequency of board of commissioners meetings has little effect on earnings management (Mardjono & Chen, 2020). Chen, Firth, Gao, and Rui (2006) discovered a positive trend indicating that more board meetings imply greater fraud. At first glance, the good indicator appears to be contradictory, as more board meetings should mean more monitoring, which will help to prevent fraud. Our explanation for the good indicator is that the director was aware that the corporation was engaging in (or was about to participate in) some dubious behavior, which necessitated a lot of debate, which resulted in more meetings. This variable will be measured numerically in terms of how many meetings were held by the board of commissioners during the current year.

Relationship of the Independent Commissioners to Earnings Management

Independent commissioners are responsible for encouraging the establishment of good corporate governance principles within the company by empowering the board of commissioners. This is done so that independent commissioners can effectively carry out supervisory duties, provide advice to managers, and add value to the company (Ronen & Yaari, 2008).
The number of independent commissioners must be sufficient to ensure that the supervisory mechanism operates properly and in line with the applicable rules and regulations. At least 50% (fifty percent) of the total members of the Board of Commissioners are Independent Commissioners (Andriani & Gai, 2013).
According to previous studies, the independent commissioner (X3) has a minor impact on earnings management (Fauzan, Ayu, & Nurharjanti, 2019). In contrast to Fauzan et al. (2019) discovered that the proportion of the company's independent board of commissioners had a negative effect on earnings management. Independent commissioners and the age of board members have an important influence in minimizing earnings management in small businesses (Setiawan et al., 2019). This variable is calculated by dividing
the number of independent board of commissioners members by the total number of board of commissioners members.

The Relationship of the Board of Directors Size to Earnings Management

The Board of Directors is described by ICL as an organ of the company having complete authority to run the firm for the best interests of the company in line with the company's aims

and objectives as established in the Articles of Association (International Finance Corporation, 2014). According to the provisions of the CG Code, the composition of the Board of Directors allows for effective, precise, and timely decision making, and can act independently, as well as having an adequate size in accordance with the complexity of the company's business by taking decision making effectiveness into account (Khotiawan & Luthfiansyah, 2017).
Previous research, Earnings management is unaffected by the board of directors (García-Meca & Sánchez-Ballesta, 2009). Earnings management is unaffected by the board of directors (Fauzan et al., 2019). Earnings management was found to be strongly associated with many governance practices by the audit committee and the board of directors in Marrakchi Chtourou et al. (2001) study.

Relationship of the Audit Committee Size to Earnings Management

The audit committee's job is to help the board of commissioners improve the quality of financial reports and the efficacy of internal and external audits. Furthermore, the audit committee is responsible for carrying out oversight in order to improve efficacy in providing quality financial disclosure and reporting, compliance with applicable rules and regulations, and proper internal control (Ronen & Yaari, 2008).
Based on a Circular from the Board of Directors of PT. Jakarta Stock Exchange which has now become PT. Indonesia Stock Exchange, No. SE-008/BEJ/12-2001, the number of members of the audit committee is at least 3 (three) people. This variable will then be measured numerically, namely the nominal number of members of the audit committee.
Previous research indicates that an increase in management earnings for audit committees is negatively related to a larger proportion of outside members who are not managers in other companies, a clear mandate to oversee financial reporting and external audits, and a committee consisting of only independent directors who meet more than twice a year (Marrakchi Chtourou et al., 2001). As a result, Hypothesis 4 argues that the size of the audit committee has a detrimental effect on earnings management via real activity manipulation (Riwayati & Siladjaja, 2016).

Relationship of the Audit Committee Expertise to Earnings Management

The Audit Committee members must be financially literate. The Audit Committee should be chaired by an experienced financial expert. The chairperson's independence, talent, and leadership qualities are vital to the committee's success. One of the audit committee's responsibilities is to examine and make recommendations to the Board of Commissioners on risks associated with transactions and corporate operations (Khotiawan & Luthfiansyah, 2017).
Previous study implies that audit committee activities and its members' financial knowledge may be crucial variables in curbing managers' proclivity to participate in earnings management. (Xie et al., 2003).
The audit committee's skill and the number of audit committee meetings have a considerable negative impact on earnings management.
The audit committee's competence, as moderated by external audit, has a favorable and considerable impact on earnings management (Suprianto, Suwarno, Murtini, Rahmawati, & Sawitri, 2017). Siagian and Siregar (2018) conducted a study utilizing panel data and discovered that the presence of members of the audit committee and the board of co mmissioner with accounting or financial competence did haven't adetrimental impact on earnings management. However, the existence of both the expertise of the part of the board of commissioners reduces earnings management, although this is not the case for the audit committee.

Relationship of the Audit Committee Meetings to Earnings Management

Because the board of commissioners meeting covers items pertaining to the Audit Committee's activities, the audit committee meeting must take place prior to the board of commissioners meeting. This meeting should be arranged far enough in advance of the board of commissioners meeting to allow the audit committee to report its findings and allow the Board of Commissioners to thoroughly evaluate them (Khotiawan & Luthfiansyah, 2017). At least once every three months, the Audit Committee must convene (Khotiawan & Luthfiansyah, 2017).

This variable will be measured numerically, as evidenced by the audit committee's nominal number of meetings held in the current fiscal year. According to previous study, the amount of audit committee meetings has a detrimental impact on earnings management (Riwayati & Siladjaja, 2016). Supporting the research of Riwayati and Siladjaja (2016), research by Marrakchi Chtourou et al. (2001) found that active committees were associated with less earnings management.

Research Methods

Types of Research and Operational Variables

This study's research approach is causal comparative research (Causal-Comparative Research) quantitative analysis. Comparative Causal Research is a sort of research that looks at the characteristics of an issue through the lens of a causal connection between two or more variables (Schenker & Rumrill Jr, 2004). The dependent variable in this study is Earnings Management, according to this study. In this research, the independent variables related to the problem to be studied are Good Corporate Governance (GCG) which includes the size of the board of commissioners, the board of commissioners' expertise, the board of commissioners' meeting, the independence of the board commissioners, the size of the board of directors, the size of the audit committee, the audit committee's expertise, and audit committee meetings.

The secondary data used in this study was obtained from the 2019 annual reports of all banks listed on the Bursa Efek Indonesia (BEI). According to Sekaran (2009), the dependent variable is the variable that the researcher is most concerned with. Earnings Management is the dependent variable in this study.

Tab.3.1.
Variable Operations

Variable	Indicator	Scale
BOC (Board of Commissioners Size) (X1)	UDK = ∑ BoC	Ratio
EBOC (Expertise of the Board of Commissioners) (X2)	KDK = ∑ BoC who have expertise in accounting / ∑ member of the BoC	Ratio
Variable	**Indicator**	**Scale**
BOCM (Board of Commissioners Meeting) (X3)	PDK = ∑ a meeting held by the BoC every year	Ratio
IBOC (Independence of the Board of Commissioners) (X4)	PDKI = ∑ Member of Independent Commissioner / Member of the BoC	Ratio
BOD (Board of Directors Size) (X5)	Size of the BoD ∑ = Member of the BoD	Ratio
AC (Audit Committee) (X6)	AC = ∑ Member of the AC in the Company	Ratio
ACE (Audit Committee Expertise) (X7)	KDK = ∑ AC with expertise in accounting / ∑ Member of the AC	Ratio

ACM (Audit committee meeting) (X8)	PDK = ∑ a meeting held by the AC every year	Ratio
EM (Earning Management)(Y)	- Acrual Total: $TAC_t = NI_t - CFO_t$ - *NDA (Non Discretionary Accruals)* $NDA_t = \alpha\left(1/TA_{t-1}\right) + \beta_1\left((\Delta Rev_t - \Delta Rec_t)/TA_{t-1}\right) + \beta_2\left((PPE_t)/TA_{t-1}\right) + \varepsilon$ - *OLS* $TAC_t/TA_{t-1} = \alpha\left(1/TA_{t-1}\right) + \beta_1\left((\Delta Rev_t - \Delta Rec_t)/TA_{t-1}\right) + \beta_2\left(PPE_t/TA_{t-1}\right) + \varepsilon$ - *DAC (Diskresioner Accrual)* $DAC_t = \left(TAC_T/TA_{t-1}\right) - NDA_t$	Ratio

Population and Sample

The population for this study is the Annual Report of all Indonesian banks listed on the Bursa Efek Indonesia. The number of annual reports of companies that make up the population is 641 reports. (attached) The sample in this research is the Annual Report of Banks listed on the IDX in 2019, namely 44 reports. This sampling uses several criteria as follows:

1. All Banks listed on the Bursa Efek Indonesia and not delisting from the IDX in 2019.
2. Banks that publish complete annual financial report data in 2019.
3. Banks with information on the number of the Board of Commissioners, the expertise of the Board of Commissioners, the number of Independent Commissioners, the number of Board of Commissioners Meetings, the number of Board of Directors, the numberof Audit Committees, the expertise of the Audit Committee, and theAudit Committee Meetings.

Data Analysis Methods

Analysis of the data in this research using the SPSS (Statistics Product & Services Solution) version 20.0 program. The classical assumption test is performed first before testing the hypothesis. The classic assumption test consists of the heteroscedasticity test, the normality test, and the multicollinearity test.

Multiple Linear Analysis

Multiple linear regression analysis seeks to explain the extent of the independent variables' influence. namely the size of BoC, the expertise of the BoC, the meeting of the BoC, the independence of the BoC, the size of the BoD, the size of the AC, the expertise of the AC, the meeting of the AC on EM. Multiple linear reggression formula :

$$Y=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\beta_5X_{5+}\beta_6X_{6+}\beta_7X_{7+}\beta_8X_{8+}\varepsilon$$

Hypothesis Test

The hypothesis test using 2 test methods, named Partial Test (t-test) and the Feasibility Test of the Model (F-Test). The t-statistical test essentially reveals how far one explanatory variable (independent) can define the variation of the dependent variable on its own. The t test has a significance value of = 5%. The t statistical test is used to test the hypothesis, and if the significance value of t (p-value) is less than 0.10, the alternative hypothesis is adopted, which asserts that an independent variable impacts the dependent variable individually and significantly (Firnanti & Pirzada, 2019).

The F statistical test assesses goodness of fit, or the sample regression function's accuracy in approximating the actual value. If the significance value of F < 0.05, then to predict the independent variables, the regression model can be utilized. The F statistical test also determines if all of the independent or independent variables in the model have a joint effect on the dependent variable. The F statistical test has a significance of 0.05 (Firnanti & Pirzada, 2019). The criteria for testing the hypothesis using the F statistic is if the significance value of F < 0.05, then The alternative hypothesis, which claims that all independent variables affect the dependent variable simultaneously and strongly, is accepted (Firnanti & Pirzada, 2019).

Research Results and Discussion

Descriptive Statistics

Tab.4. 1

Descriptive

	N	Min	Max	Mean	Std. Dev
Earnings Management	44	.00	1.01	.0481	.15247
Number of Commis.	44	2.00	11.00	4.8409	2.09032
Board of commis. Expertise	44	.25	1.00	.6727	.22420
Board of Commis. Meetings	44	4.00	92.00	17.3636	20.31507
Independent Commis.	44	.33	.73	.5651	.09377
Board of Directors	44	3.00	13.00	6.5682	2.86436
Number of Audit Committee	44	3.00	7.00	3.8409	.98697
Audit Committee Expertise	44	.20	1.00	.8316	.21170
Audit Committee Meettings	44	4.00	25.00	10.7727	6.23144
Valid N (listwise)	44				

In 2019, the average size of the Bank's board of commissioners was 4.84, or approximately 4 individuals. As a description of the distribution, the minimum is two individuals and the maximum is eleven people, with a standard deviation of 2.09. Members of the BoC who have expertise in both accounting and finance experience as well as accounting and finance education at the Bank in 2019 in the structure of the BoC are at most 100%, at least 25%, and an average of 67.27 percent of the total members of the BoC. With a standard deviation of 0.2242 to show the spread.

BOCM are held at least four times per year and at most 92 times per year. The average quantity of meetings held by the Bank's board of commissioners in 2019 was 17.36, or 17 times per year. With a standard deviation of 20.315 which shows the distribution. Number of independent commissioners at the Bank in 2019 at most 73%, at least 33% and the average independent commissioner 56.51% of the total BOC. For the spread, the independent board of commissioners' standard deviation is 0.0937.

In 2019, the Bank's BOD will consist of a minimum of three and a maximum of thirteen people. The average number is 6.5682 or about 6 people. And the standard deviation is 2.864. The number of audit committees at the Bank in 2019 is at least 3 people and a maximum of 7 people. With an average number of audit committee members 3.8409 or 3 people. With a standard deviation of 0.98697. The audit committee must have accounting and finance experience based on data from the Bank in 2019. The audit committee has accounting and financial expertise at least 20% of the total audit committee and at most 100% of all audit committees have accounting and finance expertise. With an average of 83.16% of audit committee members having accounting and financial experience. A standard deviation of 0.2117 is used.

Audit committee meetings need to be held at least twice a year. According to descriptive statistics, the Bank held audit committee meetings at least four times a year and up to 25 times a year in 2019. The average audit committee meeting at the Bank in 2019 was 10.7727 or 10 meetings a year. With a standard deviation of 6.23144 for the spread. Based on data for earnings management at Banks in 2019, some have or are approaching a value of 0 but there are Banks that have a Discretional Accruals value of 1.01. So the average value of Earnings Management based on Discretional Accruals is 0.0481 with a standard deviation of 0.15247.

Discussion of Research Results

Hypothesis Test Results

With the classical assumption test process, we get a regression model that has been processed by removing some outliers and transforming using the natural logarithm (ln) then raised to the power of three. Based on Figure 4.7, a multiple regression model is obtained

$$\ln(\hat{y})^3 = 25{,}019\ln(x_1)^3 + 32{,}488\ln(x_2)^3 - 0{,}712\ln(x_3)^3 - 66{,}328\ln(x_4)^3 - 21{,}506\ln(x_5)^3 - 13{,}851\ln(x_6)^3 - 9{,}385\ln(x_7)^3 - 0{,}564\ln(x_8)^3$$

To get the $\hat{y}$ value, then from the $\ln(\hat{y})^3$ value, exponensialed then rooted to cubed. So $\hat{y} = \exp(\sqrt[3]{\ln(\hat{y})^3})$.

Partial Test (t-*test*)

Tab. 1+
T-Test results

Coefficients[a,b]

Model		Unstand Coeff. B	Std. Error	Stand Coeff Beta	T	Sig.	Collinearity Statistics Toleran ce	VIF
1	Number of commissioners	25.019	5.733	.954	4.364	.000	.148	6.746
	Board of Commissioners Expertise	32.488	14.602	.206	2.225	.034	.824	1.214
	Commissioners Meetings	-.712	.628	-.164	-1.133	.266	.337	2.971
	Independent Commissioners	-66.328	46.978	-.204	-1.412	.168	.341	2.937
	Board of Directors	-21.506	3.805	-1.332	-5.652	.000	.127	7.845
	Number of Audit Committee	-13.851	7.880	-.299	-1.758	.089	.244	4.101
	Audit Committee Expertise	-9.385	11.406	-.079	-.823	.417	.765	1.307
	Audit Committee Meetinngs	-.564	1.408	-.071	-.401	.692	.227	4.409

a. Dependent Variable: Earnings Management
b. Linear Regression through the Origin

The Effect of the Number of Commissioners on Earnings Management

The t-test calculation findings show that the number of commissioners has a beneficial effect on earnings management. This is well-becoming with the research of Savitri et al. (2020) that the size of the BoC has a subtantial positive impact on EM acts carried out in banking companies, meaning that companies that have a large number of commissioners have more EM actions carried out by the company.

The Effect of the Board of Commissioners Expertise on Earnings Management

Furthermore, the board of commissioners' knowledge also has a considerable favorable impact on EM. This shows that the expertise of the board of commissioners in the field of accounting has not been able to reduce earnings management but can not be proven. The results of this study are in line with research conducted by previous research conducted by Mardjono and Chen (2020) showing that the financial EBOC has a positive but not significant effect and states that expertise in accounting and finance on the BoC is only a form of applicable regulation, where this is also supported by the function of the BoC as supervisors and advisors, not as decision makers.

The Effect of Board of Directors on Earnings Management

Earnings management is significantly harmed by the BoD. The BoD has functioned optimally because it suppresses earnings management. According to the provisions of the CG Code, the composition of the BoD allows for effective, precise, and timely decision making, and can act independently, as well as having an adequate size in accordance with the complexity of the company's business by taking decision making effectiveness into account (Khotiawan & Luthfiansyah, 2017).

The Effect of Board of Commissioners Meetings on Earnings Management

The BoCM has no subtantial impact on earnings management. This shows that whether or not the BOCM are often held cannot intervene in the management in reducing EM practices in accordance with beforehand research conducted by Ichsany and Husain, it shows that the number of BOCM is not able to evaluate the existence of EM practices. As a result, the number of BOCM has no effect on the company's profits management procedures.

The Effect of Independent Commissioners on Earnings Management

EM is unaffected by the number of Independent Commissioners. This shows that the number of independent commissioners has no impact on EM practices, according to research did by Meini and Siregar (2014) which found that the proportion of independent commissioners had no effect on earnings management.

The Effect of Number of Audit Committee, Audit Committee Expertise and Audit Committee Meetings on Earnings Mamagement

Because the number of AC has a large negative impact on EM, more AC can decrease EM. Meanwhile, the ACE and ACM have no substantial impact on EM. This demonstrates that the audit committee's financial competence and audit committee meetings have no influence as a party that monitors the company's earnings management. Alam, Ramachandran, and Nahomy (2020) also in his research shows that the AC and ACM have no significant effect on EM in Indonesian banking companies.

Coefficient of Determination Test

Judging from the results RSquare has a value of 0.724. It can be interpreted that the independent variable in influencing earnings management is 72.4%, the rest is caused by other factors outside the independent variables studied.

Tab. 2
R Square
Model Summary[c,d]

Model	R	R Square[b]	Adjus R Square	Std. Error of the Estimate
1	.884[a]	.781	.724	63.10785862

F Test Results

Tab.^38
F Test Results
ANOVA[a,b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	439370.419	8	54921.302	13.790	.000[c]
	Residual	123460.656	31	3982.602		
	Total	562831.075[d]	39			

The criteria for testing the hypothesis using the F statistic is if the significance value of F <0.05, then the alternative hypothesis is accepted, which states that all independent variables simultaneously and significantly affect the dependent variable (Firnanti & Pirzada, 2019). Based on the F test calculation results, it can be demonstrated that Good Corporate Governance has an effect on Earnings Management at the same time.

Conclusions and Suggestions

Based on hypothesis testing, it has been demonstrated that the BoD and AC has a substantial negative effect on EM, implying that the proper number of BOD and AC can lower EM numbers. This research cannot prove that the EBOC will reduce earnings management practices, when viewed from the results of the study which show a significant positive value. Meanwhile, the factors BOCM, Number of Independent Commissioners, ACE, and ACM do not appear to have a substantial effect on EM.
Suggestions that can be given to further researches are to increase the nubmer of years of observation, and add other good corporate governance mechanisms such as the Nomination and Remuneration Committee. In addition, other earning management calculations can be used according to the sector.

Reference

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