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THE IMPACT OF GOOD CORPORATE GOVERNANCE, DIVIDEND POLICY, FIRM SIZE, PROFITABILITY, AND LEVERAGE TOWARDS EARNINGS MANAGEMENT IN STATE-OWNED ENTERPRISES LISTED AT INDONESIA STOCK EXCHANGE

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ABSTRACT

Earning profits is one of the objectives for company to look good in the eyes of public and potential investors which become an opportunity for the management to intervene in the preparation of financial statement through earnings management due to the different interests between the principals and the agents. The objective of this research is to analyze the impact of good corporate governance, dividend policy, firm size, profitability, and leverage toward earnings management in state-owned enterprises listed at Indonesia Stock Exchange (IDX) during the period 2016-2020. The population of this research is the state-owned enterprises listed in Indonesia Stock Exchange during 2016-2020. Further, with the employed purposive sampling and determined criteria, 11 companies are chosen as the samples. The data analysis method applied is multiple linear regression which processed through SPSS 25. The result of this research shows that good corporate governance and firm size have an insignificant positive impact toward earnings management partially, dividend policy and profitability have a significant negative impact toward earnings management partially, and leverage has an insignificant negative impact toward earnings management partially. On the other hand, good corporate governance, dividend policy, firm size, profitability, and leverage have significant simultaneous impact toward earnings management.

Kata kunci: Good Corporate Governance, Dividend Policy, Firm Size, Profitability, Earnings Management

1. INTRODUCTION

Earning more profits is one of the objectives for every company especially for-profit oriented company including state-owned enterprises, to look good in the public as well as in the eyes of potential shareholders and investors, which made every company will have to compete to perform and present better performance in the financial statement (Halim et al., 2020).

Financial statements provide a comprehensive and reliable supply of data. Financial statements are used by many people and businesses to help them make better business decisions (Subramanyam & Wild, 2014). Hence, by the explanation of financial statement previously, we may conclude that financial statement plays an important role, which make the management try to manipulate in order to look good and attain their goals. This kind of act is called as the earning management.

According to Gunawan (2016) in Fitriyah (2020), earnings management is a purposeful process to report direct earnings to a given level, within the restrictions of financial accounting standards. According to Kurniawansyah (2018), changing the standard assumptions of accounting standards is a strategy often employed in earnings management. This situation is caused mostly by the permitted flexibility in generally accepted accounting standards. Therefore, it can be said that earnings management is legal. However, there are some opportunistic managements who take advantages about this practice so that they can fulfill their own goals and desire (Nurfatimah et al., 2020)

The aggregate accrual-based model has been widely regarded as the model that produces the best results in identifying earnings management. The reason for this is that this model is consistent with the commonly used accrual basis of accounting, which makes the accrual component look relatively easy to manipulate. Furthermore, the aggregate accrual model detects financial engineering by utilizing all components of financial statements. This is consistent with the accounting foundation, as accrual accounts are present in all components of the financial statements without exception (Sulistyanto, 2018).

One of the most well-known methods for calculating accrual earnings management is the Jones model (1991). However, the Jones model came with a range of shortcomings (Ronen & Yaari, 2008; Diri, 2017). Therefore, several studies attempted to modify the Jones model to address some of its previous shortcomings, such as adding omitted variables, controlling for performance, accounting for the dynamic nature of accruals and cash flows, eliminating extreme observations, or using different estimators to solve the model which eventually created a new model based on the Jones model (1991), known as the modified Jones model (Dechow et al., 1995; Diri, 2017).

Discretionary accruals are accruals that come from managerial engineering by employing the flexibility and discretion in calculating and applying accounting rules. Thus, based on the concept that the accrual component that may be freely influenced by managerial policy is discretionary accruals, most earnings management models quantify or proxy this activity using the discretionary accruals (Sulistyanto, 2018).

According to Law no 19 Year 2003 article 1, State-owned Enterprises (BUMN) is a business entity in which the state owns all or most of the capital through direct participation derived from segregated state assets (Presiden Republik Indonesia, 2003). Since Indonesia is a country built on people's sovereignty, it may be argued that the state's control over business entities is the same as the people's control, therefore State-owned Enterprises must also account to the people for their activities. The existence of these duties imposes a high level of sensitivity on all corporate actions and reporting. This results in a high level of control in the company, particularly in its operations and reporting, so that the evaluation of earnings management activity becomes stricter (Wiratama & Budiwitjaksono, 2021).

Based on the preliminary research conducted by the writer, it is found that there are some earnings management issues happened in State-owned Enterprises (BUMN) in Indonesia. One of the issues is such as what happened in year 2019, was the case of Garuda Indonesia (Persero) Tbk which had made an advance recognition of revenue totaling US$239,94 billion from PT. Mahata Aero Teknologi. As the result, the financial statement which previously indicating a suffered loss by the amount of $216,58 billion, had been transformed to indicate a gained profit circumstance by the amount of US$809,84 thousand or equivalent to Rp11,33 billion (CNN Indonesia, 2019). On the other hand, in year 2020 five former officials of PT. Waskita Karya (Persero) Tbk had manipulated the data in the financial statements and performed 41 fictitious projects to fulfill their desire to do corruption which is detrimental to the country by Rp 202 billion (CNN Indonesia, 2021). As a result of understanding how essential earning management is, as well as a few issues of earning management discovered in State-owned Enterprises (BUMN), the writer proposes selecting State-owned Enterprises (BUMN) as the research object.

Corporate governance can be characterized as the concept of improving management performance by supervising or controlling management performance while ensuring management accountability to shareholders through the use of a regulatory structure (Muda et al., 2018). The principles of good corporate governance, which include fairness, openness, accountability, and responsibility, should be followed by companies that have established excellent corporate governance (Nurmaida, 2014; Istikhomah & Widyawati, 2019). Attempts to conceal fraud with additional frauds through earnings management make it hard to achieve aspects of fairness, openness, accountability, and responsibility in a company's management (Sulistyanto, 2018). According to the previous research conducted by Fitriyah (2020), Halim et al. (2020), and Abdillah et al. (2016), corporate governance has significant impact towards the earnings management of a company.

Dividends are annual payments made to shareholders from a company's profits. Typically, the dividends to be paid may be forecasted based on the profits made by the company in the year before the dividends were given, assuming that other factors remain stable or events that will occur during the calculation year are known (Nabilah & Hapsari, 2019). In general, a portion of the profit is paid as dividends, while the rest is reinvested or maintained as retained earnings, implying that a choice must be taken on the amount of profit to be distributed as dividends to shareholders. Dividend policy refers to choices made concerning the amount of dividends to be given and whether they should be maintained as retained earnings for future reinvestment by the company (Jeradu, 2021). Further, according to Wijayanti & Subardjo (2018), dividend payments are regarded onerous for certain companies because they must constantly deliver cash to pay dividends to investors which triggering earnings management strategies. The main reason to do so is that to maximize the manager's own profit (Padmini & Ratnadi, 2020). In the research conducted by Wijayanti & Subardjo (2018) and Nabilah & Hapsari (2019), it was elaborated that dividend policy has significant impact towards the earnings management of a company.

Meanwhile, according to Aorora (2018), small company is more likely to exercise earnings management compared to the larger companies. This is because small businesses often try to portray themselves as organizations that consistently perform well so that investors will be interested in investing in them. Because large organizations are more accessible to the public, they will be more cautious in their financial reporting, resulting in more accurate financial reporting. Firm size has significant impact towards the earnings management of a company (Halim et al., 2020; Hendra et al., 2018; Istikhomah & Widyawati, 2019; Panjaitan & Muslih, 2019; Santi & Wardani, 2018).
Profitability is the capacity of a company's performance to generate a profit from the assets utilized at specific levels of sales, assets, and equity (Sari et al., 2019). By the efficacy of the company in generating profits via the operation of owned assets serves as a measurement for corporate performance and may also trigger earnings management activities inside the organization. According to Ayem & Setyadi (2019) in Angin (2020), Return on assets (ROA) is a type of

profitability ratio that is used to assess a company's ability to generate profits during a given period at a given level of sales, assets, and share capital, as well as to assess the company's ability to generate profits using total assets that exist after capital costs are deducted from analysis. Therefore, higher value of ROA will result in higher the net profit of the company as well increases in the profitability which eventually may drive management to implement earnings management. In accordance with Angin (2020), Aissyah et al. (2020), Sari et al. (2019), and Indracahya & Faisol (2017), profitability is indicated to have significant impact towards the earnings management.

Leverage is a ratio seen in financial statements that can reveal how much a business is financed by debt compared to its capital capabilities, or it can also disclose some of the assets used to guarantee the loan. Companies with high leverage ratios have an impact on earnings management techniques since the firm is in default, that is, it is unable to meet its loan commitments on time (Hendra et al., 2018). According to the previous research conducted by Fitriyah (2020), Istikhomah & Widyawati (2019), Puspitasari et al. (2019), and Hendra et al. (2018)leverage was tested to have significant impact towards the earnings management. Hence, based on this background of study described above, therefore, the writer is interested to conduct a research with the title of **"The Impact of Corporate Governance, Dividend Policy, Firm Size, Profitability, and Leverage towards Earning Management in State-owned Enterprises Listed at Indonesia Stock Exchange".**

2. LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

2.1 Agency Theory

The agency theory is the contract between one or more principals (investors or owners) and agents (managements). The agency's relationships are implemented through the implementation of a contractual relationship in which decisions approved by the agent are taken by the principal delegates which aims to harmonize the interest between both and to avoid conflicts of interest, such than the information obtained by the agent, such as the divergence in the information received by the principal (Jensen & Meckling, 1976; Panjaitan & Muslih, 2019). Furthermore, the agency theory aims to comprehend the issues produced when one party, the agent, works and acts on behalf of another, the principal. Agents usually confront a range of issues when working for their principals, and principals have several challenges to ensure that their agents' activities fulfill the interests for the principal. As a result, the agency and the agency theory built to support agency behavior has two sides: Activities and issues of identify and offer "action for" services (the agent side), as well as activities and problems of supervising and regulating agent actions agents (the principal side) (Mitnick, 2015).

Principals and agents have divergent interests, which is the cornerstone of agency theory. After all, the principal can restrict divergence from his/her own interests by proper incentives for the agent, as well as monitoring costs meant to prevent opportunistic behavior by the agent. If the agent does specific activities that might harm the principal, it may pay the agent to spend resources (bonding costs) to guarantee that he/she won't do so. If he/she does, the principal will be compensated accordingly. Agents might incur ex-ante bonding costs if they want the privilege of managing a principal's assets. The agent's activities and the principal's interests may nevertheless differ, notwithstanding these devices. When this divergence affects the wellbeing of the principals, it might be considered a residual loss (Mayasari et al., 2019).

As a result, the conception of a desire to conduct earnings management measures may be described by agency theory, where agent has more information than the principals, or there is an imbalance of information acquired by shareholders (principals) and management (agent). More information available to agent provides chances for management to falsify financial statements in order to enrich or benefit themselves (Palestin, 2008; Panjaitan & Muslih, 2019).

2.2 Earnings Management

According to Diri (2017), Earnings management is defined as the use of within-GAAP management discretion over external financial reporting by exploiting contracting weaknesses, stakeholders' bounded rationalities, and market information asymmetry through economic decisions, a change in accounting treatment, or other sophisticated methods. Management's objective is to report earnings in a way that is different (up or down) from what is known to them in order to obtain private benefits while misleading stakeholders; nevertheless, such discretion is not necessarily damaging to them. Further, according to Sulistyanto (2018), there are two major perspectives that may be utilized to explain why earnings management is carried out by a manager: the information perspective and the opportunist perspective. The information perspective believes that earnings management is a managerial policy used to communicate the manager's own expectations about the company's future cash flows. While the opportunist perspective believes that earnings management is an opportunistic action of managers to deceive investors and enhance their welfare since they control more information than other parties.

2.3 Good Corporate Governance

According to the Organization for Economic Co-operation and Development (OECD) in Internal Finance Corporation (2018), corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. The principles of good corporate governance, which include fairness, openness, accountability, and responsibility, should be followed by companies that have established excellent corporate governance (Nurmaida, 2014; Istikhomah & Widyawati, 2019). Among Sall of the corporate governance mechanisms, this research will use audit committee to measure corporate governance.

The audit committee is a committee (or equivalent body) established by and among the issuer's board of directors for the purpose of supervising the issuer's accounting and financial reporting procedures, as well as audits of the issuer's financial statements; or, in the absence of such a committee, the issuer's entire board of directors (Sarbanes-Oxley Act, 2002; Braiotta et al., 2010). Audit committees are important in helping the Board of Commissioners in carrying out its oversight responsibilities for risk management, financial reporting, control, and governance in an appropriate and effective manner (Internal Finance Corporation, 2018).

Furthermore, according to Financial Services Authority (OJK) through its Regulation Number 55/POJK.04/2015 concerning Establishment and Guidelines of Implementation for the Works of Audit Committee, one of the duties and responsibilities of audit committee is to assess possible conflicts of interest and provide suggestions to the Board of Commissioners. This indicates that the higher number of audit committee in a company, earnings management activities may be minimized. This is supported with the research conducted by V. Puspitasari & Sapari (2019), Halim et al. (2020), and Abdillah et al. (2016), which stated that audit committee had significant impact on earnings management. Based on this, the first hypothesis of this research is:

H_1: Corporate Governance has a significant impact on Earnings Management in State-Owned Enterprises listed at Indonesia Stock Exchange partially.

2.4 Dividend Policy

The dividend policy of a company determines whether profits generated by a company will be paid to shareholders as dividends or preserved in the form of retained earnings to finance future investment (Jeradu, 2021). Moreover, if the company decides to distribute profits as dividends, retained earnings will be reduced. The consequence is that it reduces the ability of internal sources of funds, but it can also benefit shareholders because these investors demand dividend returns. If the company decides to withhold earnings, it will reinforce or expand its internal sources of funds.

The payment of high dividends rezduces the company's ability to invest, which has a negative influence on stock values (Wijayanti & Subardjo, 2018).
In addition, according to Wijayanti & Subardjo (2018), dividend payments are regarded onerous for certain companies because they must constantly deliver cash to pay dividends to investors which triggering earnings management strategies. The main reason to do so is that to maximize the manager's own profit (Padmini & Ratnadi, 2020).
This is supported with the research conducted by Wijayanti & Subardjo (2018) stated dividend policy showed positive significant impact on earnings management while research conducted by Dahayani et al. (2017) stated dividend policy showed negative significant impact on earnings management. Thus, based on this, the second hypothesis of this research is:
H_2: Dividend Policy has a significant impact on Earnings Management in State-Owned Enterprises listed at Indonesia Stock Exchange partially.

2.5 Firm Size

According to Uwuigbe & Bernard (2016) in (Aissyah et al., 2020), firm size is a method of determining a company's size. A firm size is a company structure that demonstrates the scope of a company. The size of the firm represents the amount of expertise and ability to expand a company, which implies the ability and level of risk in managing assets provided by investors to improve their prosperity (Apriyani, 2013; Mayasari et al., 2019). Thus, we may conclude, the larger or bigger the size of a company, the lesser the occurrence of earnings management.
This is supported with the research conducted by Panjaitan & Muslih (2019), Halim et al. (2020), and Hendra et al. (2018), that stated Firm Size showed negative significant impact on earnings management. However, on the contrary Istikhomah & Widyawati (2019) stated that Firm Size had positive significant impact on earnings management. Thus, based on this, the third hypothesis of this research is:
H_3: Firm Size has a significant impact on Earnings Management in State-Owned Enterprises listed at Indonesia Stock Exchange partially.

2.6 Profitability

Profitability is the capacity of a company's performance to generate a profit from the assets utilized at specific levels of sales, assets, and equity (Sari et al., 2019). Consistency in generating profits will be a positive signal for the company to be able to compete and survive in its business by obtaining a decent income (return) compared to the risks that must be borne (Sudarti, 2013; Indracahya & Faisol, 2017). In this research, return on assets (ROA) will be used to measure profitability.

Return on Assets (ROA) demonstrates the company's ability to generate profits from the assets it utilizes. The amount of the computation of the return on assets reveals how much of the company's ability to make profits is available to ordinary shareholders with all of the assets it possesses (Aissyah et al., 2020). Companies with high profits will keep their profits at a set level in order to influence investor confidence; this is why management is compelled to conduct out earnings management so that reported earnings do not fluctuate (Angin, 2020).
This is supported with the research conducted by Angin (2020) and Indracahya & Faisol (2017), which stated Profitability (ROA) showed positive significant impact on earnings management. Thus, based on this, the fourth hypothesis of this research is:
H_4: Profitability has a significant impact on Earnings Management in State-Owned Enterprises listed at Indonesia Stock Exchange partially.

2.7 Leverage

The ability of a company to cover long-term debts while also generating future revenues is referred to as its leverage ratios (Wild & Shaw, 2019). As an additional, debt has two distinguishing characteristics that we have not adequately considered. First, debt interest is tax deductible which is

beneficial to the company, and it may be an added benefit to debt funding. Second, inability to pay debts on time might lead to bankruptcy which is not beneficial for the company, and it could be an additional cost of debt financing (Ross et al., 2019). In this research, Debt Ratio or Debt to Asset Ratio (DAR) will be used to measure leverage.

Debt to Asset Ratio (DAR) is used to measure how much a company relies on debt to finance its assets. Companies with high leverage ratios have an impact on earnings management techniques since the firm is in default, that is, it is unable to meet its loan commitments on time (Hendra et al., 2018). Companies that employ leverage aim to maximize profits while minimizing fixed expenditures. If the company is going through tough times and its operating profits are insufficient to pay interest expenses, shareholders are required to make up the difference. Thus, one of the motivating factors for earnings management is the quantity of debt in the organization.

This is supported with the research conducted by Fitriyah (2020), Istikhomah & Widyawati (2019), and E. P. Puspitasari et al. (2019), that stated Leverage (DAR) showed positive significant impact on earnings management. Thus, based on this, the fifth hypothesis of this research is:
H_5: Leverage has a significant impact on Earnings Management in State-Owned Enterprises listed at Indonesia Stock Exchange partially.

2.8 Corporate Governance, Dividend Policy, Firm Size, Profitability, and Leverage toward Earnings Management

Audit committees are important in helping the Board of Commissioners in carrying out its oversight responsibilities for risk management, financial reporting, control, and governance in an appropriate and effective manner (Internal Finance Corporation, 2018). Furthermore, according to Financial Services Authority (OJK) through its Regulation Number 55/POJK.04/2015 concerning Establishment and Guidelines of Implementation for the Works of Audit Committee, one of the duties and responsibilities of audit committee is to assess possible conflicts of interest and provide suggestions to the Board of Commissioners.

The dividend policy of a company determines whether profits generated by a company will be paid to shareholders as dividends or preserved in the form of retained earnings to finance future investment (Jeradu, 2021) According to Wijayanti & Subardjo (2018), dividend payments are regarded onerous for certain companies because they must constantly deliver cash to pay dividends to investors which triggering earnings management strategies. The main reason to do so is that to maximize the manager's own profit (Padmini & Ratnadi, 2020). The size of the firm represents the amount of expertise and ability to expand a company, which implies the ability and level of risk in managing assets provided by investors to improve their prosperity (Apriyani, 2013; Mayasari et al., 2019).

The amount of the computation of the return on assets reveals how much of the company's ability to make profits is available to ordinary shareholders with all of the assets it possesses (Aissyah et al., 2020). Companies with high profits will keep their profits at a set level in order to influence investor confidence; this is why management is compelled to conduct out earnings management so that reported earnings do not fluctuate (Angin, 2020).

The ability of a company to cover long-term debts while also generating future revenues is referred to as its leverage ratios (Wild & Shaw, 2019). Debt to Asset Ratio (DAR) is used to measure how much a company relies on debt to finance its assets. Companies with high leverage ratios have an impact on earnings management techniques since the firm is in default, that is, it is unable to meet its loan commitments on time (Hendra et al., 2018). In consequence, the last hypothesis of this research is:

H_6: Corporate Governance, Dividend Policy, Firm Size, Profitability, and Leverage have significant impacts on Earnings Management in State-Owned Enterprises listed at Indonesia Stock Exchange simultaneously.

3. RESEARCH METHODOLOGY

In this research, the writer is using the quantitative method and causal research design, in which the influence of one variable on another variable is empirically demonstrated using data and facts acquired. Causal studies investigate whether one variable can influence the other (Sekaran & Bougie, 2016). The purpose of writer to perform causal research is to determine whether the independent variable which include corporate governance, dividend policy, firm size, profitability, and leverage impact the dependent variable which is earnings management on state-owned enterprises listed in Indonesia Stock Exchange for the year 2016-2020.

In this research, the population is state-owned enterprises that listed in Indonesia Stock Exchange from the year 2016-2020 with the total of 20 companies. The sampling method used in this research is purposive sampling method, in which is relied on the assumption that locating the best instances for the study generates the best data, and research findings are a direct outcome of the cases sampled.

Table 3.1 Determination of Sample

No	Benchmark	Amount
1	State-owned Enterprises that listed in Indonesia Stock Exchange during the period 2016-2020	20
2	State-owned Enterprises that do not consistently published annual report during the period 2016-2020	(2)
3	State-owned Enterprises that do not generate profit during the period 2016-2020	(5)
4	State-owned Enterprises that do not distribute dividend to its shareholders during the period 2016-2020	(2)
Amount of State-Owned Enterprises chosen as research sample		11
Total Samples		55

Under this research, the writer is using the financial statements of stated-owned enterprises that published in the website of Indonesia Stock Exchange or the respective companies' websites during the period 2016-2020 in choosing the samples where this method of collecting the data is called as secondary data, and the data will be processed through IBM SPSS 25.0. In addition, multiple linear regression analysis is implemented as the statistical data analysis method in this research to evaluate the developed hypothesis. Furthermore, to adequately prove its hypothesis, this research will utilize descriptive statistical analysis, the classical assumption test, multiple linear regression, and hypothesis testing.

4. RESEARCH RESULT AND DISCUSSION

Descriptive Statistics involve organizing and summarizing data with frequency distributions and displaying frequency distributions with charts and graphs that covers minimum, maximum, mean, and standard deviation. In this study, 11 companies were chosen as samples, with a total of 55 samples collected from 2016 to 2020. The descriptive statistics for each variable are shown in the table below:

Table 4.1 Descriptive Statistics

Descriptive Statistics					
	N	Min	Max	Mean	Std. Dev
GCG	55	2.00	8.00	4.4909	1.51380
DPR	55	1.31	280.06	55.4329	56.49744
FS	55	29.11	34.95	32.3482	1.73077

ROA	55	.06	21.19	4.6191	5.39253
DAR	55	28.57	94.47	65.8049	21.83280
EM	55	-1.74	1.21	-.1352	.75927
Valid N (listwise)	55				

Based on table 4.1, N represents the number of samples observed in this research with the data obtained include minimum, maximum, mean, and standard deviation for the independent variables (Good Corporate Governance, Dividend Policy, Firm Size, Profitability, and Leverage) and dependent variable (Earnings Management) which will be discussed further below:

Good Corporate Governance shows the minimum value of 2.00 that belongs to PT. Adhi Karya (Persero) Tbk in the year 2017 and PT. Bank Tabungan Negara (Persero) Tbk in year 2019. The maximum value is 8.00 which belongs to PT. Bank Rakyat Indonesia (Persero) Tbk in year 2020. The average value for Good Corporate Governance is 4.4909 with the standard deviation of 1.51380.

Dividend Policy shows the minimum value of 1.31 that belongs to PT. Bank Tabungan Negara (Persero) Tbk in year 2020. The maximum value is 280.06 which belongs to PT. Adhi Karya (Persero) Tbk in year 2020. The average value for Dividend Policy is 55.4329 with the standard deviation of 55.49744.

Firm Size shows the minimum value of 29.11 that belongs to PT. Semen Baturaja (Persero) Tbk in the year 2016 and PT. Bank Tabungan Negara (Persero) Tbk in year 2019. The maximum value is 34.95 which belongs to PT. Bank Rakyat Indonesia (Persero) Tbk in year 2020. The average value for Firm Size is 32.3482 with the standard deviation of 1.73077.

Profitability shows the minimum value of 0.06 that belongs to PT. Adhi Karya (Persero) Tbk in the year 2020. The maximum value is 21.19 which belongs to PT. Bukit Asam (Persero) Tbk in year 2018. The average value for Profitability is 4.6191 with the standard deviation of 5.39253.

Leverage shows the minimum value of 28.57 that belongs to PT. Semen Baturaja (Persero) Tbk in the year 2016. The maximum value is 94.47 which belongs to PT. Bank Tabungan Negara (Persero) Tbk in year 2020. The average value for Leverage is 65.8049 with the standard deviation of 21.83280.

Earnings Management shows the minimum value of -1.74 that belongs to PT. Bukit Asam (Persero) Tbk in the year 2020. The maximum value is 1.21 which belongs to PT. Bank Mandiri (Persero) Tbk in year 2020. The average value for Leverage is -0.1352 with the standard deviation of 0.75927.

Table 4.2 Normality Test through One-Sample Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		55
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.37658244
Most Extreme Differences	Absolute	.073
	Positive	.072
	Negative	-.073
Test Statistic		.073
Asymp. Sig. (2-tailed)		**.200[c,d]**

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Table 4.2 shows that the data is normally distributed. This conclusion is confirmed by the significance value of 0.2 (more than 0.05). As a result, because the significance value met the normality test testing requirements, this data is considered normally distributed and passed the statistical analysis.

Table 4.3 Heteroscedasticity Test – Glejser Test

Coefficients[a]						
		Unstandardized Coeff		Std. Coeff		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	-.593	.914		-.649	.519
	GCG	.021	.028	.139	.733	**.467**
	DPR	-3.092E-5	.001	-.008	-.060	**.953**
	FS	.022	.035	.167	.620	**.538**
	ROA	.015	.008	.359	1.818	**.075**
	DAR	.000	.003	.040	.144	**.886**
a. Dependent Variable: ABS_RES						

Table 4.3 shows that all data are spread above and below the 0 on the Y axis which can be determine that there is no heteroscedasticity. Further, according to table 4.3 it is shown that all independent variables' significant value is above 0.05 as highlighted and presented above. This indicates that the data has no heteroscedasticity and have passed the heteroscedasticity test.

Table 4.4 Multicollinearity Test

Coefficients[a]								
		Unstandardized Coeff		Std. Coeff			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Const)	-1.278	1.686		-.758	.452		
	GCG	-.008	.052	-.016	-.158	.875	**.468**	**2.135**
	DPR	-.003	.001	-.211	-2.958	.005	**.988**	**1.012**
	FS	.072	.065	.165	1.117	.270	**.230**	**4.345**
	ROA	-.130	.015	-.921	-8.527	.000	**.430**	**2.323**
	DAR	-.006	.005	-.177	-1.169	.248	**.219**	**4.562**
a. Dependent Variable: EM								

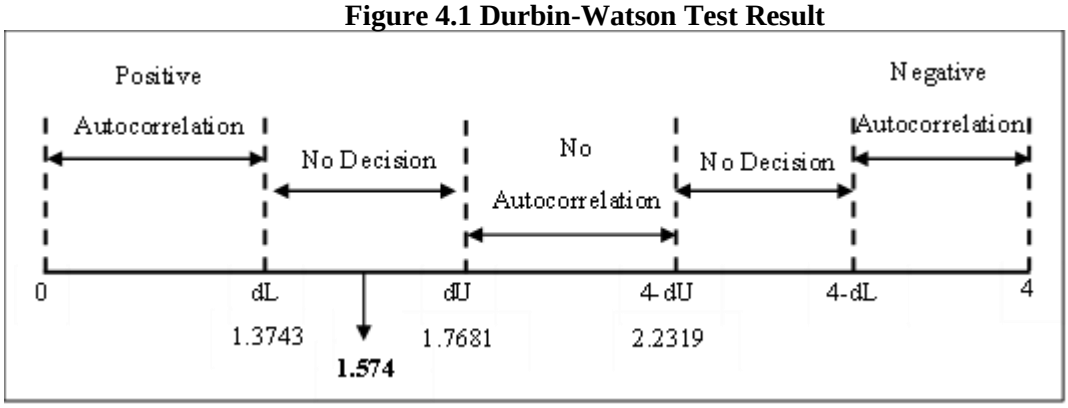
Based on the data shown in table 4.4, the tolerance value of the independent variables are as follows:
Good Corporate Governance (X1) has tolerance value of 0.468 (0.468>0.1) and variance inflation factor (VIF) of 2.135 (2.135 < 10). As a result, it determines that there is no multicollinearity between Good Corporate Governance and other independent variables.
Dividend Policy (X2) has tolerance value of 0.988 (0.988 > 0.1) and variance inflation factor (VIF) of 1.012 (1.012 < 10). As a result, it determines that there is no multicollinearity between Dividend Policy and other independent variables.
Firm Size (X3) has tolerance value of 0.230 (0.230 > 0.1) and variance inflation factor (VIF) of 4.345 (4.345 < 10). As a result, it determines that there is no multicollinearity between Firm Size and other independent variables.
Profitability (X4) has tolerance value of 0.430 (0.430 > 0.1) and variance inflation factor (VIF) of 2.323 (2.323 < 10). As a result, it determines that there is no multicollinearity between Profitability and other independent variables.
Leverage (X5) has tolerance value of 0.219 (0.219 > 0.1) and variance inflation factor (VIF) of 4.562 (4.562 < 10). As a result, it determines that there is no multicollinearity between Leverage and other independent variables

Table 4.5 Autocorrelation Test – Durbin-Watson Test

Model Summary[b]					
Model	R	R^2	Adj R^2	Std. Error of the Estimate	Durbin-Watson
1	.868[a]	.754	.729	.39533	**1.574**
a. Predictors: (Constant), DAR, DPR, GCG, ROA, FS					
b. Dependent Variable: EM					

Based on table 4.5, the value of Durbin-Watson is 1.574. With the significance level (α) of 0.05 or 5%, total number of independent variables (k) are five (5) and total samples (n) are 55, referring to the Durbin-Watson table (α=5%; k=5; n=55), the lower bound (dL) obtained is 1.3743 while the upper bound (dU) obtained is 1.7681.

Figure 4.1 Durbin-Watson Test Result



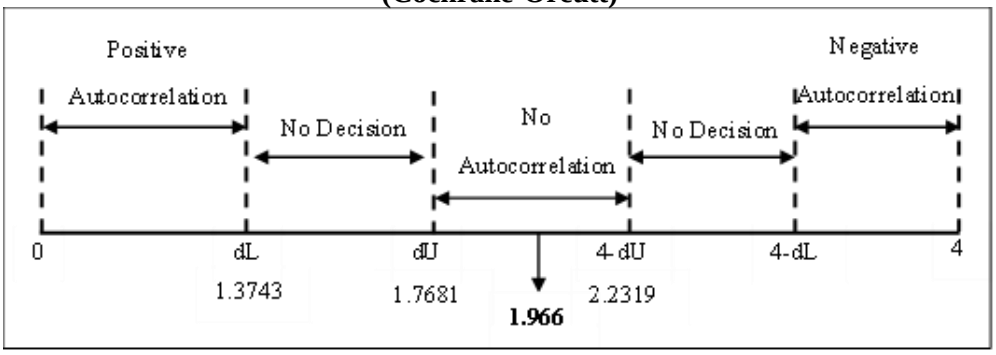
Based on figure 4.4, the result of the Durbin-Watson test previously falls on the dl ≤d ≤ du region which shows no decision. Thus, autocorrelation symptom can not be concluded by only performing the Durbin-Watson test. Therefore, in order to fix the autocorrelation test, further test (Cochrane-Orcutt Test) must be performed by transforming the data.

Table 4.6 Autocorrelation Test – Cochrane-Orcutt Test

Model Summary[b]					
Model	R	R^2	Adj R^2	Std. Error of the Estimate	Durbin-Watson
1	.834[a]	.695	.664	.38726	**1.966**

a. Predictors: (Constant), LAG_X5, LAG_X2, LAG_X1, LAG_X4, LAG_X3
b. Dependent Variable: LAG_Y

Figure 4.2 Durbin-Watson Test Result (Cochrane-Orcutt)



Based on the table 4.6 and figure 4.5, it is shown that after performing the Cochrane-Orcutt test, the Durbin-Watson value is 1.966 which falls on the du ≤d ≤ 4-du region which shows no autocorrelation and passed the autocorrelation test.

Table 4.7 Multiple Linear Regression Analysis

Coefficients[a]						
		Unstandardized Coefficients		Std. Coeff		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.856	1.523		-.562	.577
	LAG_X1	.001	.057	.003	.024	.981
	LAG_X2	-.002	.001	-.220	-2.739	.009
	LAG_X3	.058	.073	.125	.795	.431
	LAG_X4	-.122	.017	-.851	-7.073	.000
	LAG_X5	-.004	.006	-.099	-.593	.556

a. Dependent Variable: LAG_Y

Table 4.7 shows the result of multiple linear regression analysis after performing transformation data through Cochrane-Orcutt test. The variable LAG_X1 represents good corporate governance, LAG_X2 represents dividend policy, LAG_X3 represents firm size, LAG_X4 represents profitability, LAG_X5 represents leverage, and LAG_Y represents earnings management. Hence, based on the unstandardized coefficients shows in the table 4.7, the multiple linear regression equation may be summarized as follows:

Y = -0.856 + 0.001X1 – 0.002X2 + 0.058X3 – 0.122X4 – 0.004X5 + ε

Table 4.8 Partial Hypothesis Testing (T-Test)

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Std. Coeff Beta	t	Sig.
1	(Constant)	-.856	1.523		**-.562**	**.577**
	LAG_X1	.001	.057	.003	**.024**	**.981**
	LAG_X2	-.002	.001	-.220	**-2.739**	**.009**
	LAG_X3	.058	.073	.125	**.795**	**.431**
	LAG_X4	-.122	.017	-.851	**-7.073**	**.000**
	LAG_X5	-.004	.006	-.099	**-.593**	**.556**

a. Dependent Variable: LAG_Y

In this research, the Ttable value is 2.00958. Based on table 4.9, the partial hypothesis testing can be interpreted as follows:

Good Corporate Governance variable (X1) has a Tcount of 0.024 which is less than 2.00958, significance value of 0.981 that is more than 0.05, and coefficient of 0.001. Therefore, with the t value of 0.024 < 2.00958 (Tcount < Ttable), significance level of 0.981 > 0.05, and a positive coefficient, it shows that Good Corporate Governance has a positive insignificant impact toward Earnings Management. Thus, H_0 is accepted and H_1 is rejected.

Dividend Policy variable (X2) has a Tcount of -2.739 which is less than -2.00958, significance value of 0.009 that is less than 0.05, and coefficient of -0.002. Therefore, with the t value of -2.379 < -2.00958 (- Tcount < - Ttable), significance level of 0.009 < 0.05, and a negative coefficient, it shows that Dividend Policy has a negative significant impact toward Earnings Management. Thus, H_2 is accepted and H_0 is rejected.

Firm Size variable (X3) has a Tcount of 0.795 which is less than 2.00958, significance value of 0.431 that is more than 0.05, and coefficient of 0.058. Therefore, with the t value of 0.795 < 2.00958 (Tcount < Ttable), significance level of 0.431 > 0.05, and a positive coefficient, it shows that Firm Size has a positive insignificant impact toward Earnings Management, Thus, H_0 is accepted and H3 is rejected.

Profitability variable (X4) has a Tcount of -7.073 which is less than -2.00958, significance value of 0.000 that is less than 0.05, and coefficient of -0.122. Therefore, with the t value of -7.073 < -2.00958 (-Tcount < -Ttable), significance level of 0.000 < 0.05, and a negative coefficient, it shows that Profitability has a negative significant impact toward Earnings Management, Thus, H_4 is accepted and H_0 is rejected.

Leverage variable (X5) has a Tcount of -0.593 which is more than -2.00958, significance value of 0.556 that is more than 0.05, and coefficient of -0.004. Therefore, with the t value of -0.593 > -2.00958 (-Tcount > -Ttable), significance level of 0.556 > 0.05, and a negative coefficient, it shows that Firm Size has a negative insignificant impact toward Earnings Management, Thus, H_0 is accepted and H_5 is rejected.

Table 4.9 Simultaneous Hypothesis Testing (F-Test)

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16.433	5	3.287	**21.914**	**.000[b]**
	Residual	7.199	48	.150		

Total	23.631	53				

a. Dependent Variable: LAG_Y
b. Predictors: (Constant), LAG_X5, LAG_X2, LAG_X1, LAG_X4, LAG_X3

In this research the Ftable value is 2.56. Table 4.10 shows a Fcount value of 21.914 which is greater than 2.56 and significance value of 0.000 which is less than 0.05. Therefore, with the F value of 21.914 > 2.56 (Fcount > Ftable) and a significance level 0.000<0.05, it shows that corporate governance, dividend policy, firm size, profitability, and leverage have significant simultaneous impact toward earnings management which in consequences, H_0 is rejected and H_6 is accepted.

Table 4.11 Coefficient of Determination (Adjusted R^2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.834[a]	.695	.664	.38726

a. Predictors: (Constant), LAG_X5, LAG_X2, LAG_X1, LAG_X4, LAG_X3

Table 4.10 shows that the value of adjusted R^2 is 0.664 or equals to 66.4% which implies that the multiple linear regression model explains for 66.4% of the total variance. This indicates that the independent variables, namely good corporate governance, dividend policy, firm size, profitability, and leverage, impact 66.4% of the dependent variable, earnings management, while the remaining 33.6% is impacted by additional variables not discussed in this study.

5. CONCLUSION

1. Good Corporate Governance proxied by audit committee does not have significant partial impact toward earnings management on state-owned enterprises listed at Indonesia Stock Exchange during the period 2016 to 2020. Therefore, H_1 is rejected.
2. Dividend Policy has significant partial impact toward earnings management on state-owned enterprises listed at Indonesia Stock Exchange during the period 2016 to 2020. Therefore, H_2 is accepted.
3. Firm Size does not have significant partial impact toward earnings management on state-owned enterprises listed at Indonesia Stock Exchange during the period 2016 to 2020. Therefore, H_3 is rejected.
4. Profitability has significant partial impact toward earnings management on state-owned enterprises listed at Indonesia Stock Exchange during the period 2016 to 2020. Therefore, H_4 is accepted.
5. Leverage does not have significant partial impact toward earnings management on state-owned enterprises listed at Indonesia Stock Exchange during the period 2016 to 2020. Therefore, H_5 is rejected.
6. Good Corporate Governance, Dividend Policy, Firm Size, Profitability, and Leverage has a significant simultaneous impact toward earnings management on state-owned enterprises listed at Indonesia Stock Exchange during the period 2016 to 2020. Therefore, H_6 is accepted.

In addition, adjusted R^2 (adjusted coefficient of determination) is amounted 0.664 or equals to 66.4% which implies that the multiple linear regression model explains for 66.4% of the total variance. This indicates that the independent variables, namely good corporate governance, dividend policy, firm size, profitability, and leverage, impact 66.4% of the dependent variable, earnings management in state-owned enterprises listed in Indonesia Stock Exchange during the period 2016-2020, while the remaining 33.6% is impacted by additional variables not discussed in this study.

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