THE EFFECT OF GOOD CORPORATE GOVERNANCE, LEVERAGE, FIRM SIZE ON EARNING MANAGEMENT EVIDENCE FROM INDONESIA

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Abstract

The purpose of this study is to analyze the effect of Good Corporate Governance, Leverage and Firm Size on Earning Management in manufacturing companies listed on the Indonesia Stock Exchange for the period 2015 to 2019. The study involves secondary data in the form of annual financial reports from 66 companies that meet the criteria obtained from the IDX website and the research object is Good Corporate Governance, Leverage, Firm Size as the independent variable and Earning Management as the Dependent variable. The analysis uses regression with E-views version 11.0. The results showed that all independent variables represented by Good Corporate Governance, Leverage and Firm Size had a weak effect on Earning Management and partially, only Leverage had a significantly negative effect on Earning Management. The implication of this research, is that the parties who concern with the limitation of Earning Management activities supposed to consider Leverage in their decision making.

Keywords: *Good Corporate Governance, Leverage, Firm Size, Earning Management.*

1. Introduction

The main task of management is to make the owner more prosperous, therefore management carries out various strategies to achieve these goals, including Earning Management. Ronen and Yaari (2008) defines Earning Management (EM) as an activity related to 1) simply taking advantage of the flexibility of choosing accounting treatment, 2) with the aim of maximizing management utility or economic efficiency, 3) or as 'tricks' to misrepresent financial statements. From this understanding, EM has the potential to influence the achievement of management goals in the form of performance, both positively (Rahma et al., 2019; Hung at el, 2020 and Aguguom at al. (2018) and negatively. (Shiguang, 2017; Kabiru & Aliyu, 2019). The positive effect of EM on company performance will affect industry performance and, of course, will contribute to increasing national development, and vice versa.

David Trainer (2017) states 4 reasons for doing EM: 1) bonuses, 2) achieving targets, 3) everyone does it and 4) limited responsibility from the CEO. From these reasons, the most competent party to EM is the Board of Directors or the agent. Regarding to agency problems, the Good Corporate Governance mechanism will monitor the actions of agents in EM activities so that they are not counterproductive to performance achievements that will harm shareholders (principals). Good Corporate Governance (GCG) is a mechanism to reduce agency costs as a consequence of a conflict of interest between agent and principal (Uwuigbe & Oyeniyi, 2014, p. 161) which is carried out through internal and external supervision (Iskander & Chamlou, 2000). Internal control mechanisms can be carried out through the Independent Board, Management ownership or number of board meetings. There are inconsistent results on the effect of these variables on EM in previous studies.

Independent Boards have a significant negative effect on EM found in Hosam & Roekhudin (2019), Mohd Fazrin et al (2015), Rahnamay & Nabavi (2010), Sirine (2012), Aminul et al (2017), Abu Siam et al (2014), Ogbodo (2015) and Ebraheem (2014), had a positive effect on Hemathilake et al (2019), Garven (2015) and Lara & Mark (2019) results had no effect on Nugroho & Eko (2011), Jessie & Jeyaraj (2019), Nikki & Herlina (2019), Marzieh et al (2017), Yayan & Dwi (2019), Suzan Abed et al (2012) and Mathew & Stephen (2016).

Management ownership has a significantly negative effect on EM found in Rahnamay & Nabavi (2010) and Lara & Mark (2019) and has no effect on Nugroho & Eko (2011), Sirine (2012), Yayan & Dwi (2019) and Suzan Abed et. al (2012). Kankamage (2015) stated that the Number of Board Meetings had a significantly negative effect on EM, but a significantly positive effect was found in studies by Imoleayo et al (2016), Wasukarn (2015), and Aminul et al (2017), no effect was found in Jessie and Jeyaraj (2019).

Hussaini Shuaibu (2018) and Kankamage (2015) states that Number of Board Meeting has negative significant effect on Earning Management, while positive significant effect found on Imoleayo et al (2016), Wasukarn (2015), and Aminul (2017), no effect result appear in research by Jessie and Jeyaraj (2019).

The inconsistency of the results of studies related to the influence of Leverage (Lev) on EM is seen in the study of Rusdiyanto & I Made Narsa (2020) states that Lev had a significant effect on EM but opposite result found on Ghoffir and Yusuf (2020), meanwhile studies of Acep and Asyari (2020), Aysha and Aisha (2019), Origiarki and Iweias (2019) had a significantly positive effect, while significantly negative effect found on Zamri & Noor (2013).

While Firm Size (FS) has a significant effect on EM, it was found in the study by Acep and Asyari (2020), while the study of Ghoffir and Yusuf (2020) Rusdiyanto & I Made Narsa FS did not have a significant effect on EM.

Based on the importance of EM and the inconsistencies in the study, this research is entitled Good Corporate Governance, Leverage, Firm Size and Earning Management, a study on manufacturing companies in Indonesia. Manufacturing companies were chosen as objects considering the proportion of this sector as the largest on the IDX so that EM activities will have a large economic domino effect as well.

2. Literature Review

2.1. Agency Theory

Agency theory explains the emergence of agency problems as a result of the separation between company owners (principals) and management (agents) and how to overcome these agency problems. The appointment of agents is to carry out the mission of making the principal more prosperous in the form of high performance (Brigham and Houston, 2012).), therefore management performs various strategies, including Earning Management activities.

2.2. Earning Management

Earning Management is the process of taking actions that are still within the limits that are still permitted by Generally Accepted Accounting Principles (GAAP) Davidson et al. in Schipper (1989). EM occurs when management uses judgment to change financial statements to obscure the company's economic performance (Healy and Wahlen (1999) which is done in 3 ways, namely compiling certain revenue or expense transactions, changing accounting procedures and or accruals management (Rahnamay & Nabavi (2010)). Majority of researchers detect the existence of EM with Accruals Management.

Some of the reasons for EM activities include influencing investor perceptions in the capital market to increase compensation, to reduce the possibility of violating credit agreements or to avoid legal problems (Healy & Wahlen, 1999; Teoh, Welch & Wong, 1998) EM will affect the company's prospects in the future where the majority of studies show that EM has a negative effect on long-term company performance; therefore, studies related to the variables that affect Earning Management activities are important to conduct. To measure EM, Jones's modification is using as of studies by Rahnamay & SANabavi (2019), Hosam (2019), Jessie & Jeyaraj (2019).

2.3. Good Corporate Governance

Good Corporate Governance (GCG) is a system that regulates and controls the company in an effort to create added value for all stakeholders based on the principles of transparency, accountability, responsibility, independence and fairness (Amirudin el all., 2017); (Abu Siam et al, 2012), (Monks and Minow, 2003),(Marwa, (2012. The mechanism of the GCG system that is running well will become a control tool for company stakeholders who will ensure that management will carry out its activities in accordance with the company's vision and mission (Mohammad (2018, Roodposihti & Chashmi (2011), Uwuighe et al (2014)). Technically, the party implementing these principles is the management of the company; therefore supervision is a must which can be indicated by the presence of an Independent Board, Board Size, Management Ownership, Board Composition, Audit Committee or Number of Board Meetings. GCG is expected to improve performance; therefore GCG affects performance and EM (Mathew & Stephen, 2016).

2.3.1. Independent Board(IB)

One of the best practices of GCG principles is that the board of directors should be an independent party from management. As an independent party, the IB will work in accordance with the principles of transparency, accountability, responsibility, independence and fairness; therefore, the presence of an independent director on the board of directors which usually measured as board proportion (Hosam (2019), Doratalbi et al(2015), Hemathilake & Meegaswatte (2019)) will limit the activities of EM (Iskander & Chamlou, 2000). **Independent Board has a negative effect on EM (Hypotheses 1).**

2.3.2. Management Ownership (MO)

Management Ownership is related to the proportion of share ownership by management (Lara and Mark (2019), managers are also owners where agency theory explains that share ownership by management is a strategy to overcome agency problems. When the board of management own the shares of the company they manage, automatically, the management will not make managerial activities that are counterproductive to company's performance because they will directly harm management as well. Considering that the executor of EM activities is management, when

management also acts as owner, EM activities are automatically limited voluntarily. **Management Ownership has a negative effect on EM (Hypotheses 2).**

2.3.3.   Board Meeting (BM)

Another characteristic of the board of directors is the existence of board meetings usually in 1 year (Aminul (2017), Hussaini Shuaibu (2018), Innoleayo et al (2016) , where board members interact and coordinate with each other in supervising management and one measure of the effectiveness of the board of directors is how often they hold board meetings in a certain period of time. The more frequent the board meeting, the more problems that can be solved, and vice versa. The more often the Board Meeting allows the resolution of various issues including Earning Management activities, so the more frequent Board Meetings will limit EM activities, and vice versa (Mathew & Stephen, 2016).. **Board Meeting has a negative effect on Earning Management (Hypotheses 3).**

2.4. Leverage (Lev)

Leverage is the use of external funds which are fixed costs/expenses for the company in an effort to increase returns for shareholders who can be measured as a portion of Debt on Equity or Debt on Total Assets (Titman, Keown, Martin, 2014). The proportion of leverage of a company describes the strength of creditor control over the company, the greater the proportion of leverage, the greater the control of creditors on management activities including earnings management, and vice versa. Companies with large debts are encouraged to regulate earnings to avoid potential bankruptcy, and vice versa (Titman et al,2014), Nikki & Herlina (2019), Rahnamay (2010). **Leverage effects on Earning Management. (Hypotheses 4).**

2.5. Firm Size (FS)

Firm Size is related to the size/scale of the company; the larger the company is, the bigger opportunity to earn large earnings, so that companies with large sizes translate to high performance (Frank & Dang, 2015). In accounting, one measure of Firm Size is Ln Total Assets (Oghodo (2015), Rahnamay (2010). The size of the company is always related to the opportunity to increase revenue, the larger the size of the company, the greater the opportunity to earn large income, and vice versa, including opportunities to carry out Earning Management activities (Ronen and Yaari, 2008). The larger the Firm Size is, the more opportunity to increase Earning Management activities. **Firm Size has a positive effect on Earning Management. (Hypotheses 5).**

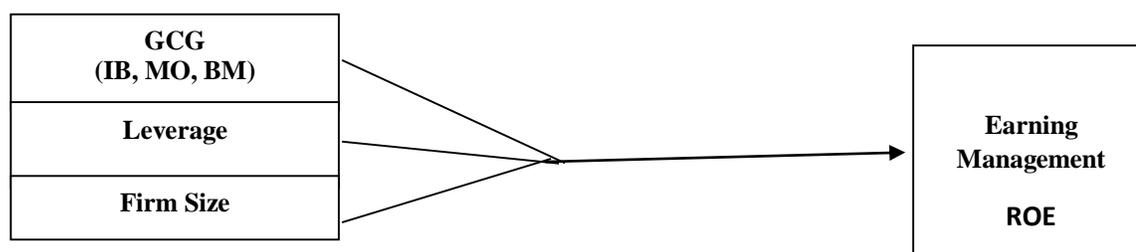The relationship between variables will be shown in Figure 1 below:

Figure 1: Framework of Thinking

3. Methodology

The type of this research is explanatory research (Gendro, 2011) which aims to test the hypothesis about the independent variables consisting of Good Corporate Governance, Leverage and Firm Size on the dependent variable, namely Earning Management.

The research population is a manufacturing company listed on the Indonesia Stock Exchange, the sample used is purposive sampling with criteria:

a) consistently publishes its Financial Report, b) The Financial Report denominated in Rupiah currency and c) having profit, during observation time. Of the 185 companies that meet the criteria, 66 companies with an observation period of 5 years so that the total unit of observation is 330.

The research uses panel data, consequently regression used in analysis supported by 11.0 version E-views through 5 stages as follows:

a) Descriptive Statistic Analysis, b) model estimation, c) model selection, d) classical Assumption Test and e) hypotheses test, comprises: Determination Coefficient Analysis (R2), Statistical F Test, t-Test and multiple linear regression analysis

4. Results and Discussion

4.1. Results

4.1.1. Descriptive statistics

Table 2. Descriptive Statistics Test Results

	EM	IB	MO	BM	LEV	FS
Mean	-0.009385	0.407630	0.052933	22.66667	0.473439	28.59279
Median	-0.010287	0.375000	2.28E-05	18.00000	0.255240	28.39524
Maximum	0.336573	0.800000	0.816561	80.00000	16.37320	33.49453
Minimum	-0.375553	0.200000	0.000000	1.000000	0.004855	25.21557
Std. Dev.	0.078268	0.103565	0.119548	13.78794	1.213545	1.607663
Skewness	0.237047	1.384916	3.182467	1.580600	9.371443	0.662435
Kurtosis	6.883897	5.206703	15.12008	5.865213	106.0912	3.214060
Jarque-Bera	210.5046	172.4457	2576.869	250.2862	150962.6	24.76514
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000004
Sum	-3.096893	134.5177	17.46781	7480.000	156.2349	9435.621
Sum Sq. Dev.	2.015396	3.528756	4.701988	62545.33	484.5153	850.3269
Observations	330	330	330	330	330	330

Source: Output E-Viewsversion 11.0

Table 2 explains that the sample consists of 66 companies for 5 years from 2015 to 2019 so that it becomes 330 units of observation which is explained by the variables Earning Management (EM), Independent Board (IB), Management Ownership (MO), Board Meeting (BM), Leverage (LEV) and Firm Size (FM).

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EM has a minimum value of -0.375553 owned by PT. Primarindo Asia Infrastructure Tbk. In 2015, and a maximum of -0.009385 owned by PT. H.M. Sampoerna Tbk in 2015 and the average value (mean) -0.009385 and standard deviation 0.078268. With a relatively small mean value, it shows that EM is not a strategy that is often used by manufacturing companies in Indonesia.

IB has a minimum value of 0.200000 in PT. Kimia Farma Tbk. 2016 and PT. Semen Baturaja (Persero) Tbk. In 2017 and a maximum of 0.800000 is owned by PT. Unilever Indonesia Tbk. From 2015 to 2019, the average value (mean) is 0.407630 and the standard deviation is 0.103565. The mean value of 40% with a standard deviation of 10% shows that on average the portion of IB is relatively large in every manufacturing company in Indonesia.

The minimum MO value of 0.0000 is owned by 39 companies varies in observation time, while the maximum value of 0.816561 is owned by PT. Sido Muncul Herbal and Pharmaceutical Industry Tbk. in 2016. The average value (mean) is 0.052933 and the standard deviation is 0.119548. With a standard deviation of 10%, on average, only about 5% of manufacturing companies in Indonesia implement the provision of shares to management.

BM has a minimum value of 1.0000 owned by PT. Budi Starch & Sweetener Tbk. in 2017 and 2018, PT. Tempo Scan Pacific Tbk. 2015 to 2019, while the maximum value of 80 is at PT. Semen Indonesia (Persero) Tbk. in 2016, the mean (mean) was 22.66667 and the standard deviation was 13.78794. On average, BM is carried out 22 times in 1 year LEV has a minimum value of 0.004855 PT. Nusantara Inti Corpora Tbk. in 2017 and the maximum value of 16, 37320 is at PT. Primarindo Asia Infrastructure Tbk. in 2015, with an average value (mean), 0.473439 and a standard deviation, 1.213545. On average, the proportion of debt from total assets in manufacturing companies is almost close to 50%.
The minimum FS value of 25,21557 (equivalent: 89,327,328,853) is owned by PT. Primarindo Asia Infrastructure Tbk. In 2017 and a maximum value of 33,49453 (equivalent: 351,958,000,000) owned by PT. Astra International Tbk. in 2019, with an average value (mean) of 28,59279 (equivalent: 3,893,690,444,799) and a standard deviation of 1.213545 (in logarithms) about 4% of the average.

4.1.1. *Model Estimation*
The panel data regression results from the processed data show the estimated models, namely the Common Effect Model, Fixed Effect Model and Random Effect Model.

4.1.2. Model Selection

To obtain a suitable model of the 3 models it can be done with the Chow test, Hausman and Lagrange Multiplier.

4.1.2.1. Chow Test (Fixed Effect Model Test)

To get the best model, the Chow test compares the Common Effect and Fixed Effect models, with the following hypothesis:

H0: Common Effect Model

H1: Fixed Effect Model

With the provision that H0 will be rejected if the probability of the Chi-Square Cross Section (P-value) < (α = 5%) and will be accepted if the probability of the Chi-Square Cross Section (P-value) > 0.05 and from the data from the Chow test it appears that Table 3 shows that the Cross Section Chi-square Probability is 0.0002 < 0.05, therefore the model chosen is the Fixed Effect Model.

Table 3. Chow Test Results

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.645405	(65,259)	0.0035
Cross-section Chi-square	114.071838	65	0.0002

Source: Output E-views version 11.0

4.1.2.2. *Hausman Test (Random Effect Test)*

The Hausman test compares the Fixed Effect and Random Effect Models to get the best model with the following hypothesis:

H0: Random Effect Model
H1: Fixed Effect Model

Provided that if the probability of the Chi-Square Cross Section (P-value) < 0.05, Ho is rejected and if the probability of the Chi-Square Cross Section (P-value) is > 0.05, H0 is accepted. The Hausman test results are shown in table 4 where it could be seen that the probability of the Cross Section Chi-square Probability (P-value) is $0.0094 < 0.05$, therefore the Fixed Effect model is the chosen model.

Table 4. Hausman Test Results

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	15.234956	5	0.0094

Source: Output E-views version 11.0

Given that the Chow test which compares the Common Effect and Fixed Effect models produces Fixed Effect as the selected model, meanwhile the Hausman test which compares the Fixed Effect and Random Effect models and produces Fixed Effect as the selected model, therefore there is no need for further Lagrange Multiplier test.

4.1.3. Classic assumption test

In panel data regression to meet the BLUE (Best Linear Unbiased Estimation) assumption, the classical assumption test must be tested at least for Multicollinearity, Heteroscedasticity and Auto Correlation (Ekananda, M, 2016). The results of the multicollinearity test are shown in table 5 below:

Table 5. Multicollinearity Test Results

	IB	MO	BM	LEV	FS
IB	1	-0.115	0.063	0.239	-0.071
MO	-0.115	1	-0.156	-0.070	-0.155
BM	0.063	-0.156	1	0.255	0.150
LEV	0.239	-0.070	0.255	1	-0.181
FS	-0.071	-0.155	0.150	-0.181	1

Source: Output E-views version 11.0

From table 5 it could be seen that the correlation coefficient between variables is < 0.80, so it can be concluded that there are no symptoms of multicollinearity.

4.1.3.1. Heteroscedasticity Test

The common Effect and Fixed effect panel data regression models are suspected of having heteroscedasticity problems considering the underlying assumption is Ordinary Least Square (OLS), where this does not occur in the Random Effect model which is Generalized Least Square. Therefore, if the selected model selection is the Common Effect or Fixed Effect model, to avoid the problem of heteroscedasticity, it is suggested to give weight to the selected model as shown in table 6.

Table 6. Weighted Fixed Effect Model

Dependent Variable: EM		
Method: Panel EGLS (Cross-section weights)		
Date: 08/11/21 Time: 17:18		
Sample: 2015 2019		
Periods included: 5		
Cross-sections included: 66		

Total panel (balanced) observations: 330				
Linear estimation after one-step weighting matrix				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.521941	0.335252	-1.556862	0.1207
IB	0.079145	0.049483	1.599429	0.1109
MO	0.049030	0.027363	1.791814	0.0743
BM	0.000451	0.000439	1.027548	0.3051
LEV	-0.020702	0.007974	-2.596234	0.0100
FS	0.016692	0.011689	1.428004	0.1545
	Weighted Statistics			
Root MSE	0.064467	R-squared		0.394055
Mean dependent var	-0.020639	Adjusted R-squared		0.230286
S.D. dependent var	0.083942	S.E. of regression		0.072769
Sum squared resid	1.371485	F-statistic		2.406162
Durbin-Watson stat	2.387411	Prob(F-statistic)		0.000000
	Unweighted Statistics			
R-squared	0.295659	Mean dependent var		-0.009385
Sum squared resid	1.419526	Durbin-Watson stat		2.204086

Source: Output E-views version 11.0

To analyze whether the selected Fixed Effect model is affected by heteroscedasticity problems or not, it is necessary to compare the Fixed Effect model without weights or weights by comparing the 3 parameters as shown in table 7 below:

Table 7. Comparison of Fixed Effect Models without and with weights

Parameter	Unweighted Fixed Effect Model	Weighted Fixed Effect Model
Statistic t probability	1 variable < 0,05	1 variable < 0,05
R-Squared	0,303298/0,115001	0,394055/0,230286
F-Statistic Probability	0,004096	0,00000

Source: Output E-views version 11.0

The significant difference between the two models is in the R-Square score, where the fixed effect model with weights is better than without weight, therefore the final model chosen is the Fixed Effect model with weights as shown in table 6. Thus the next analysis will be based on this table.

4.1.3.2. Autocorrelation Test

The autocorrelation test was carried out to identify the existence of a correlation between observations in the form of time series and cross sections, it will remain the same because the characteristics of panel data are naturally characterized by time series and cross sections, and therefore the issue of correlation in such data is ignored. (Ekananda, M, 2016).

4.1.4. Hypothesis Test

Based on the model selection, the final model chosen is the Fixed Effect model with weights as shown in table 6.

4.1.4.1. Coefficient of Determination (Adjusted R-Square)

The value of Adjusted R-Square is 0.230296, meaning that all independent variables consisting of GCG, Leverage and Firm Size are able to explain the dependent variable, namely Earning Management as much as 23.02 %. Given that the score is below 50%, then the influence of GCG, Leverage and Firm Size on Earning Management is weak.

4.1.4.2. F Statistic Test (Together)

Because the F value is 2.406162 with a probability of 0.000000 < 0.05, it can be concluded that all independent variables, namely GCG, Leverage and Firm Size together affect Earning Management so that the model is declared 'fit'.

4.1.4.3. Statistics t Test (partial)

It appears that only Leverage has a negative effect (t-statistic -2.596234) on Earning Management because the probability is 0.0100 < 0.05, while the GCG variable with IB proxy (0.1109), MO (0.0743), BM (0.3051) and FS (0.1645) are all more likely than 0.05.

4.1.5. Multiple Regression Analysis

Based on table 12, the regression equation formed is as follows:

Earning Management (Y) = -0.521941 + 0.079145(IB) + 0.049030 (MO)+ 0.000451 (BM)-0.020702 (Lev) + 0.016692 (FS) The equation can be explained as follows:

The constant value is -0.521941, when the Independent Board, Management Ownership, Board Meeting, Leverage and Firm Size do not change (value 0), then the Earning Management value is –0.521941.

The positive IB coefficient is 0.079145, meaning that when the other independent variables are constant; an increase in IB of 1 unit will increase Earning Management by 0.079145, and vice versa.

The Management Ownership coefficient is positive, meaning that when the other independent variables are constant, an increase in MO of 1 unit will increase Earning Management by 0.049030, and vice versa.

The Board Meeting coefficient is positive, meaning that when the other independent variables are constant, an increase of 1 unit of BM will increase Earning Management by 0.049030, and vice versa.

The Leverage coefficient is negative, meaning that when the other independent variables are constant, an increase in Leverage of 1 unit will decrease Earning Management by 0.020702, and vice versa.

Firm Size coefficient is positive, meaning that when the other independent variables are constant, an increase in FS of 1 unit will increase Earning Management by 0.016692, and vice versa.

4.2. Discussion

4.2.1. Effect of Independent Board, Management Ownership and Board Meeting on Earning Management.

The statistical test results conclude that IB, MO and BM have no significant effect on Earning Management. From table 2, descriptive statistics obtained information that the data do not vary, the dispersion of the data from the average

is very small so it is not strong enough to encourage Earning Management to vary, so that IB, MO and BM in manufacturing companies are not variables that significantly affect Earning Management. The presence of the board couldn't limit EM activities, it might be caused of the EM's nature as uncommon strategy made the board lost their attention on it. While the proportion of MO is too small on average made it does not affect EM, at the other hand the quantity of BM does not make the board to pay attention on EM activities due its nature as un-common strategy. This result in line with studies by Nugroho & Eko (2011, Jessie & Jeyaraj (2019), Nikki & Herlina (2019), Marzieh et al (2017), Yayan & Dwi (2019), Suzan Abed et al (2012) and Mathew & Stephen (2016) for Independent Board, in line with Jessie and Jeyaraj (2019) for Management Ownership and number of Board Meeting.

4.2.2. Effect of Leverage on Earning Management

Leverage has a significant effect on Earning Management, but negatively, this supports a statement that Leverage limits Earning Management. The proportion of leverage of a company describes the strength of creditor control over the company, the greater the proportion of leverage, the greater the control of creditors on management activities including earnings management, and vice versaLeverage existence controlling Earning Management activities as work by Zamri et al (2013).

4.2.3. Effect of Firm Size on Earning Management

From table 2, descriptive statistics it is obtained information that the data do not vary, the dispersion of the data from the average is very small so it is not strong enough to encourage Earning Management to vary as well, so Firm Size in manufacturing companies is not a significant variable affecting Earning Management. The firm size of the sample is not vary, that is why is does not affect EM. The study of Ghoffir and Yusuf (2020) Rusdiyanto & I Made Narsa (2020) in line with this result.

5. Conclusions and Recommendations

Taken together, all the independent variables represented by Good Corporate Governance (with Independent Board, Management Ownership and Board Meeting proxies), Leverage and Firm Size have a weak effect on Earning Management and partially, only Leverage is significantly negative due to there are companies with very far above average Leverage. The partially insignificant effect of GCG and Firm Size is most likely caused by the insufficient number of samples of 66 companies, in which the use of E-views in the analysis tool requires a large sample, therefore it is recommended that the next researcher re-examine with a larger sample size or saturated sample to obtain better results. This result in line with studies by Nugroho & Eko (2011, Jessie & Jeyaraj (2019), Nikki & Herlina (2019),

Marzieh et al (2017), Yayan & Dwi (2019), Suzan Abed et al (2012) and Mathew & Stephen (2016) for Independent Board, in line with Jessie and Jeyaraj (2019) for Management Ownership and number of Board Meeting. The only variable that has a significant negative effect on earnings management is Leverage. This is in line with the study by Zamri et al (2013). This means that Leverage can be a control over management in carrying out Earning Management activities; therefore, parties with an interest in limiting accounting management activities must consider Leverage in their decision making.

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