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THE EFFECT OF CORPORATE GOVERNANCE, COMPANY SIZE AND LEVERAGE ON PROFIT MANAGEMENT AND FINANCIAL PERFORMANCE IN THE REGISTERED MINING SECTOR ON BEI 2012-2016

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Abstract

The purpose of this study was to determine and analyze the effect of institutional ownership on earnings management. To find out and analyze the effect of managerial ownership on earnings management. To find out and analyze the effect of the size of the board of commissioners on earnings management. To find out and analyze the effect of the proportion of independent commissioners on earnings management. To find out and analyze the effect of the size of the audit committee on earnings management. To find out and analyze the effect of firm size on earnings management. To find out and analyze the effect of leverage on earnings management. To determine and analyze the effect of institutional ownership on financial performance. To find out and analyze the effect of managerial ownership on financial performance. To find out and analyze the effect of the size of the board of commissioners on financial performance. To find out and analyze the effect of the proportion of independent commissioners on financial performance. To determine and analyze the effect of the size of the audit committee on financial performance. To find out and analyze the effect of firm size on financial performance. To find out and analyze the effect of leverage on financial performance. To determine the effect and analyze the effect of earnings management on financial performance.

The result of this research is that institutional ownership has no effect on earnings management. This explains that the occurrence of earnings management has no influence on the institutions that have shares in the company concerned. Managerial ownership has no effect on earnings management. This explains that the occurrence of earnings management has no influence from the directors or managers who have shares in the company concerned.

The size of the board of commissioners has no effect on earnings management. This explains that the occurrence of earnings management has no effect on the number of commissioners in the company concerned. The proportion of independent commissioners has no effect on earnings management. This explains that the occurrence of earnings management has no effect on the proportion of independent commissioners owned by the company concerned.

The size of the audit committee has no effect on earnings management. This explains that the occurrence of earnings management has no effect on the number of audit committees in the company concerned. Firm size has no effect on earnings management. This explains that the occurrence of earnings management has no effect on the size of the company in the company concerned. Leverage has no effect on earnings management. This explains that the occurrence of earnings management has no effect on the debt owned by the company concerned. Institutional ownership has no effect on financial performance. This explains that institutional ownership does not have any effect on the financial performance of a company. Managerial ownership has an influence on financial performance. This explains that share ownership owned by directors and managers has an influence on the company's financial performance.

The size of the board of commissioners has no effect on financial performance. This explains that the size or number of commissioners does not affect the financial performance of a company. The proportion of independent commissioners has no effect on financial performance. This explains that the number of independent commissioners does not affect the financial performance of a company.

The size of the audit committee has no effect on financial performance. This explains that the number of audit committees has no effect on the financial performance of a company. Company size has no effect on financial performance. This explains that the size of a company does not affect the good or bad financial performance of a company. Leverage has an influence on financial performance. This explains that the good or bad financial performance of a company, one of which is influenced by leverage. Earnings management has no effect on financial performance. Whether or not earnings management is applied to a company will not have an effect on financial performance.

INTRODUCTION

Indonesia's unstable economic conditions trigger inflation and price increases. The price increase that occurs makes companies in Indonesia think and work harder to maintain the viability of their company. To achieve this, the company needs investors to help strengthen the company's capital. This also applies to companies engaged in the mining sector. Mining is an activity to extract minerals and other mining materials from the earth. Mining can also be interpreted as a series of activities in an effort to search, mining, processing, utilizing and selling these minerals. So a mining company is a company engaged in the extraction and excavation of other mining materials originating from the earth. Before investing, investors first look at the performance of a company. The performance of a company can be seen from the financial statements presented by the company in each period. Financial reports are information media that summarizes all company activities (Syofyan Syafri Harahap, 2006:1). The financial statements depict the profits earned by the company in the period concerned. However, the profits reflected in the financial statements are not always in accordance with the profits earned by the company. This is because company management tends to manage earnings according to their interests. Company managers have their own reasons for managing their earnings, the main reason being to provide welfare for their shareholders. This tendency is also caused by the company's management having the freedom to determine the accounting method they use, thus opening up opportunities for earnings management.

Earnings management occurs because the implementation of corporate governance is not good and to overcome this problem good corporate governance is needed. In implementing good corporate governance, managers are expected to be able to prepare their financial reports in accordance with the Financial Accounting Standards Board (FASB). According to research by Shehu Usman Hassan, Abubakar Ahmed (2014), corporate governance has an influence on earnings management. This is also in line with research conducted by Indra Satya Prasavita Amertha, I Gusti Ketut Agung Ulupui, I Gusti Ayu Made Asri Dwija Putri (2014), Dwi Lusi Tyasing Swastika (2013), Shehu Usman Hassan, Abubakar Ahmed (2012). However, this is inversely proportional to research conducted by Dian Agustia (2013) that corporate governance has no effect on earnings management. Meanwhile, research conducted by Sinan S. Abdadi (2016) says that corporate has a negative influence on earnings management. In addition to corporate governance, other factors that influence earnings management are leverage and firm size. Leverage is a fixed cost incurred by the company in each period. According to research conducted by Indra Satya Prasavita Amertha, I Gusti Ketut Agung Ulupui and I Gusti Ayu Made Asri Dwija Putri (2014) leverage has no or no significant effect on earnings management. This research is in line with research conducted by Wiyadi, Rina Trisnawati, Noer Sasongko and Ichwani Fauzi (2015). While research conducted by Dian Agustia (2013) leverage has a significant effect on earnings management. Another study also conducted by Sri Suranta, Bandi, Eko Arief Sudaryono and Doddy Setiawan (2004) stated that leverage has a positive influence on earnings management and this research is also supported by research conducted by Sara W Bassiouny, Mohamed Moustafa Soliman and Aiman Ragab (2016). This research is in contrast to research conducted by Raras Mahiswari and Easter Ika Nugraha (2014) which says that leverage has a significant negative effect on earnings management. Another factor that influences earnings management is firm size. Earnings management is more likely to be carried out by small-scale companies than by large-scale companies. This is because large companies are more likely to be observed and paid attention to by economic actors, while small-scale companies are more likely to be ignored by the public. According to research conducted by Indra Satya Prasavita Amertha, I Gusti Ketut Agung Ulupui, I Gusti Ayu Made Asri Dwija Putri (2014), Sinan S. Abbadi (2016) company size has a significant influence on earnings management. Meanwhile, according to research conducted by Wiyadi, Rina Trisnawati, Noer Sasongko and Ichwani Fauzi (2015), Sara W Bassiouny, Mohamed Moustafa Soliman and Aiman Ragab (2016), Sri Suranta, Bandi, Eko Arief Sudaryono and Doddy Setiawan (2004), Seyedeh Maryam Babanejad Bagheri, Milad Emaggholipour, Meysam Bagheri and Esmail Abedi Rekabdarkolaei (2013) and Teuta Llukani, MSc (2013) firm size has no effect on earnings management. According to research conducted by Shehu Usman Hassan (2014), Pria Juni Prasetya and Gayatri (2016) company size has a significant negative effect on earnings management. This research is in line with research conducted by Shehu Usman Hassan (2014). Meanwhile, according to research conducted by Hasan Farpour Behrghani and Mohammad Reza

Pajoohi (2013) company size has a significant positive effect on earnings management. Earnings management usually occurs in companies that have an accrual basis of recording. By using the accrual basis, managers have many opportunities to manipulate the company's profits. Cases of earnings management in Indonesia, among others, occurred at PT. Indofarma Tbk in 2001, PT. Lippo Tbk and PT. Kimia Farma Tbk (2001). Apart from Indonesia, earnings management cases that have attracted attention are Enron, Merck and WordCom. The latest case that occurred was the case of PT. Mrs. Mener was declared bankrupt by the Semarang District Court because she was unable to pay off her debts.

In addition, this study also examines the influence of corporate governance on financial performance. Good corporate governance is expected to improve the company's financial performance. This is in line with the research of Gadi Dung Paul (2015), Priyanka Aggarwal (2013). This is in contrast to research conducted by Mugisha Shema Xavier (2015), which says that corporate governance has no effect on the financial performance of a company. Another thing that is examined is the effect of firm size on financial performance. According to research conducted by Raras Mahiswari and Easter Ika Nugraha (2014), firm size has no effect on financial performance. In addition, this study also examines the effect of leverage on financial performance. A study by Endah Tri Wahyuningtyas (2014) which says that leverage can affect financial performance.

The formulation and purpose of this research is whether there is an effect of institutional ownership on earnings management? Is there any effect of managerial ownership on earnings management? Is there an effect of the size of the board of commissioners on earnings management? Is there an effect of the proportion of independent commissioners on earnings management? Is there an effect of the size of the audit committee on earnings management? Is there an effect of firm size on earnings management? Is there any effect of leverage on earnings management? Is there an effect of institutional ownership on financial performance? Is there any influence of managerial ownership on financial performance? Is there any effect of the size of the board of commissioners on financial performance? Is there an effect of the proportion of the board of commissioners on financial performance? Is there an effect of the size of the audit committee on financial performance? Is there an effect of company size on financial performance? Is there an effect of leverage on financial performance?, Is there an effect of earnings management on financial performance?

While the purpose of this study is to determine and analyze the effect of institutional ownership on earnings management. To find out and analyze the effect of managerial ownership on earnings management. To find out and analyze the effect of the size of the board of commissioners on earnings management. To find out and analyze the effect of the proportion of independent commissioners on earnings management. To find out and analyze the effect of the size of the audit committee on earnings management. To find out and analyze the effect of firm size on earnings management. To find out and analyze the effect of leverage on earnings management. To determine and analyze the effect of institutional ownership on financial performance. To find out and analyze the effect of managerial ownership on financial performance. To find out and analyze the effect of the size of the board of commissioners on financial performance. To find out and analyze the effect of the proportion of independent commissioners on financial performance. To determine and analyze the effect of the size of the audit committee on financial performance. To find out and analyze the effect of firm size on financial performance. To find out and analyze the effect of leverage on financial performance. To determine the effect and analyze the effect of earnings management on financial performance.

METHODS

The population used in this study are mining companies listed on the Indonesia Stock Exchange (IDX). The research method was carried out from 2012-2016. Companies that are taken as samples are companies selected based on certain criteria (purposive sampling). The criteria taken are companies listed on the Indonesia Stock Exchange, publishing financial statements from 2012-2016, and having data on managerial ownership, institutional ownership, board of commissioners size, proportion of independent commissioners, audit committee size, company size and leverage.

To perform data analysis will use path analysis. To perform the path analysis test, the prerequisite tests that must be carried out are:

1. Normality Test

Normality test is used to determine whether the dependent variable, independent or both are normally distributed, close to normal or not. To detect residual variables that are normally distributed or not, that is by using graphic analysis, by looking at the normal probability plot that compares the cumulative distribution of the normal distribution.

Normality can be detected by looking at the spread of data (points) on the diagonal axis of the graph or by looking at the histogram of the residuals. Decision making basis:

- If the data spreads around the diagonal line and follows the direction of the diagonal line or the histogram graph shows a normal distribution pattern, so that the model meets the assumption of normality.
- If the data spreads far from the diagonal and/or does not follow the direction of the diagonal line or histogram graph, it does not show a normal distribution pattern, so the model does not meet the assumption of normality.

Normality statistical test can be used using the Kolmogorov-Smirnov technique. Kolmogorov-Smirnov is to compare the distribution of data (which will be tested for normality) with the standard normal distribution. Standard normal distribution is data that has been transformed into Z-Score (Kolmogorov-Smirnov Z value) and is assumed to be normal.

The basis for decision making on the Kolmogorov-Smirnov normality test:

- If the significance value is > 0.05 then the data distribution is declared to meet the assumption of normality (data is normally distributed)
- If the significance value is < 0.05, then the data distribution is declared not to meet the normality assumption (data is not normally distributed)

2. Multicollinearity Test

The multicollinearity test aims to test whether there is a correlation between the independent variables in the model. A good model should not have a correlation between the independent variables. If the independent variables are correlated with each other, then these variables are not orthogonal. Orthogonal variables are independent variables whose correlation value between independent variables is equal to zero.

To detect the presence or absence of multicollinearity in the model is as follows:

1) The value of R2 generated by an empirical model estimation is very high, but individually many independent variables do not significantly affect the dependent variable.
2) Generate correlation matrix of independent variables. If there is a fairly high correlation between independent variables (generally above 0.90), then this is an indication of multicollinearity.
3) Multicollinearity can also be seen from (1) the tolerance value and its opposite (2) the variance inflation factor (VIF). The value that is commonly used to indicate the presence of multicollinearity is the tolerance value < 0.10 or the same as the VIF value > 10.

3. Linearity Test

The linearity test aims to determine whether 2 variables have a linear relationship or not. This test has a significance level of 0.05. Two variables are said to have a linear relationship if the significance is less than 0.05

4. Autocorrelation Test

The autocorrelation test can be ignored if the data is a cross section. The autocorrelation test aims to test whether in the linear model there is a correlation between the confounding error in period t and the confounding error in period t-1 (previous). If there is a correlation, it is called an autocorrelation problem. A good model is one that is free from autocorrelation. The method used to detect the presence or absence of autocorrelation can be done with the Durbin – Watson test (DW test). The hypotheses to be tested are:

- H0 : no autocorrelation ($r = 0$)
- HA : there is autocorrelation (r 0)

Decision making whether or not there is a correlation with the following provisions:
1. If 0 < d < dl then Reject, the null hypothesis has no autocorrelation +
2. If dl d du then there is no decision, the null hypothesis has no autocorrelation +
3. If 4-dl < d < 4 then Reject, the null hypothesis has no correlation –
4. If 4-du d 4-dl then there is no decision, the null hypothesis has no correlation –
5. If du < d < 4-du then it is not rejected, null hypothesis No autocorrelation + or –

e. Hypothesis Statistical Test Design

The equation method used in this research is path analysis. Path analysis was used to examine the effect of institutional ownership, managerial ownership, board of commissioners size, proportion of independent commissioners, audit committee size, firm size, and leverage on earnings management and financial performance. Here are the equations obtained by the equations obtained:

$Y_1 = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + E$

$Y_2 = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + E$

Dimana :

Y_1 = Profit management
Y_2 = Financial performance
β_1 = Coefficient 1
β_2 = Coefficient 2
β_3 = Coefficient 3
β_4 = Coefficient 4
β_5 = Coefficient 5
β_6 = Coefficient 6
β_7 = Coefficient 7
X_1 = Institutional Ownership
X_2 = Managerial ownership
X_3 = Board of Commissioners Size
X_4 = Proportion of Independent Commissioners
X_5 = Audit Committee Size
X_6 = Company Size
X_7 = Leverage
e = Interrupting variable/error

HASIL DAN PEMABAHASAN

The tests and analyzes carried out to see how big the relationship between the variables studied were as follows:

1. Multicollinearity Test

Multicollinearity test to test whether the regression model found a correlation between independent variables (independent), To test multicollinearity, using PATH PLS with the following results:

Tabel 4.10. Uji Multikolinieritas

Variabel	Financial performance	Profit management
board of Commissioners	1.739	1.738
Institutional	1.541	1.540
Financial performance		
Independent Commissioner	1.027	1.027
Audit Committee	1.077	1.072
Leverage	1.385	1.384
Profit management	1.009	
Managerial	1.339	1.339
Size	1.937	1.933

Based on Table 4.2.1, it is known that there is no correlation between the independent variables (independent) because the value of the Variance Inflation Factor (VIF) < 10 so that the data does not have multicollinearity. If the independent variables are correlated, then the variable is not orthogonal or in the sense that the independent variables have a correlation value of zero.

2. The Coefficient of Determination (R2)

The coefficient of determination (R2) essentially measures how far the model's ability to explain variations in the dependent variable is. The value of the coefficient of determination is between zero and one. To test the Coefficient of Determination (R2), use PATH PLS with the following results:

Picture 1
The Coefficient of Determination

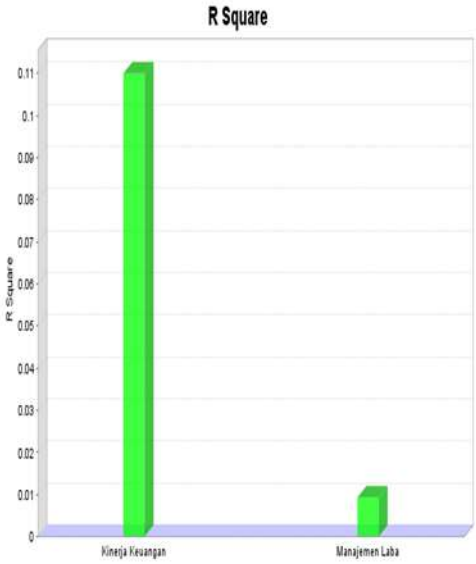


Table 1
The Coefficient of Determination

Dependent Variabel	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics	P Values
Finance	0.110	0.162	0.057	1.921	0.055
Profit management	0.009	0.040	0.042	0.221	0.825

Based on Figure 1 and table 1, it is known that the factors that affect financial performance are only 0.110 of all the factors studied. This shows that good corporate governance, leverage and firm size have an effect on financial performance of 11%. As for earnings management, the implementation of good corporate governance, firm size and leverage also do not have a significant effect, only 0.9%.

3. Discussion of Hypothesis Testing Results

The discussion of the results of the hypothesis testing above is as follows :

Institutional ownership has no effect on earnings management

In testing institutional ownership on earnings management, it is found that institutional ownership has no effect on earnings management. Institutional ownership is measured by comparing the number of shares owned by the institution with the total shares of the company. From the test results, it can be concluded that the size of institutional ownership does not affect earnings management in a company.

The results of this study are also in line with Dian Agustia (2013) that institutional ownership has no effect on earnings management.

Managerial ownership has no effect on earnings management

In testing managerial ownership on earnings management, it shows that managerial ownership has no effect on earnings management. Managerial ownership is seen from the comparison of shares owned by directors and managers with the total shares of the company. The size of the managerial ownership value does not affect the earnings management practice of a company. The results of this study are also in line with Dian Agustia (2013) that managerial ownership has no effect on earnings management.

The size of the board of commissioners has no effect on earnings management

In testing the size of the board of commissioners on earnings management, it is found that the size of the board of commissioners has no effect on earnings management. The size of the board of commissioners can be seen from the number of the board of commissioners, both from internal and external parties of the company. The size of the board of commissioners does not affect the earnings management practice of a company. The results of this study are also in line with Dian Agustia (2013) that the size of the board of commissioners has no effect on earnings management.

The proportion of independent commissioners has no effect on earnings management

In testing the proportion of independent commissioners on earnings management, it resulted that the proportion of independent commissioners had no effect on earnings management. The proportion of independent commissioners can be seen from the number of independent commissioners compared to the total number of commissioners owned by the company. The size of the proportion of independent commissioners does not affect the earnings management practice of a company. The results of this study are also in line with Dian Agustia (2013) that the proportion of independent commissioners has no effect on earnings management.

The size of the audit committee has no effect on earnings management

In testing the size of the audit committee on earnings management, it is found that the size of the audit committee has no effect on earnings management. The size of the audit committee can be seen from the number of audit committees owned by a company. The large or small number of audit committees formed by the commissioners to oversee the running of the company does not affect the earnings management practice of a company. The results of this study are also in line with Dian Agustia (2013) that the size of the audit committee has no effect on earnings management.

Leverage has no effect on earnings management

In testing leverage on earnings management, it shows that leverage has no effect on earnings management. Leverage can be seen by comparing the amount of debt with assets owned by a company. In this study it can be seen that the level of debt does not affect earnings management. The results of this study are also in line with Wiyadi et al (2015) that leverage has no effect on earnings management.

Firm size has no effect on earnings management

In testing the size of the company on earnings management, it shows that the size of the company has no effect on earnings management. Company size can be calculated using Ln Asset. In this study, it can be seen that firm size does not affect earnings management. The results of this study are also in line with Wiyadi et al (2015), Raras Mahiswari and Easter Ika Nugraha (2014) which state that leverage has no effect on earnings management.

Institutional Ownership has no effect on financial performance

In testing institutional ownership on financial performance, it is found that institutional ownership has no effect on financial performance. Institutional ownership is measured by comparing the number of shares owned by the institution with the total shares of the company. From the test results, it can be concluded that the size of institutional ownership does not affect the financial performance of a company. The results of this study are also in line with Mugisha Shema Xavie et al (2015) that institutional ownership has no effect on financial performance.

Managerial ownership has a significant positive effect on financial performance
In testing managerial ownership on financial performance, it is found that managerial ownership has a significant positive effect on financial performance. This means that the greater the managerial ownership in a company, the better the company's financial performance will be. Managerial ownership is seen from the comparison of shares owned by directors and managers with the total shares owned by the company. The results of this study are also in line with Priyanka Aggarwal et al (2013) which states that managerial ownership has a significant influence on financial performance.

The size of the board of commissioners has no effect on financial performance
Pada In testing the size of the board of commissioners on financial performance, it is found that the size of the board of commissioners has no effect on financial performance. The size of the board of commissioners can be seen from the number of the board of commissioners, both from internal and external parties of the company. The size of the board of commissioners does not affect the financial performance of a company.
The results of this study are also in line with Mugisha Shema Xavie et al (2015) that the size of the board of commissioners has no effect on financial performance.

The proportion of independent commissioners has no effect on financial performance
In testing the proportion of independent commissioners on financial performance, it is found that the proportion of independent commissioners has no effect on financial performance. The proportion of independent commissioners can be seen from the number of independent commissioners compared to the total number of commissioners owned by the company. The size of the proportion of independent commissioners does not affect the financial performance of a company.
The results of this study are also in line with Mugisha Shema Xavie et al (2015) that the proportion of independent commissioners has no effect on financial performance.

The size of the audit committee has no effect on performance
In testing the size of the audit committee on financial performance, it is found that the size of the audit committee has no effect on financial performance. The size of the audit committee can be seen from the number of audit committees owned by a company. The large or small number of audit committees formed by the commissioners to oversee the running of the company does not affect the financial performance of a company. The results of this study are also in line with Mugisha Shema Xavie et al (2015) that the size of the audit committee has no effect on financial performance.

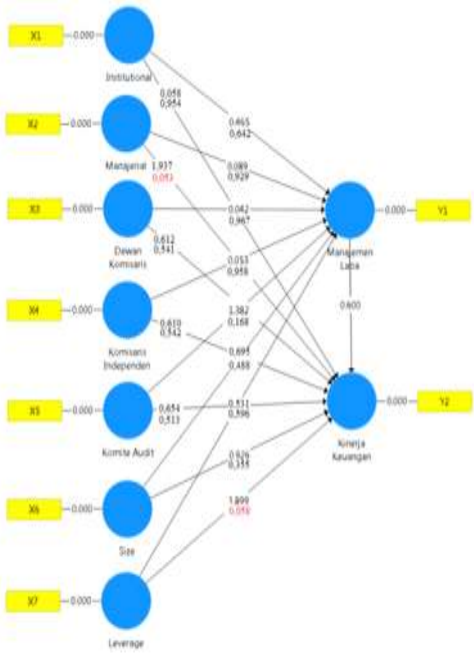
Company size has no effect on financial performance
In testing company size on financial performance, it is found that company size has no effect on financial performance. Company size can be seen by using Ln Asset. The results of this study are also in line with Mugisha Shema Xavie et al (2015) that the size of the audit committee has no effect on financial performance.

Leverage has a significant negative effect on financial performance
In testing leverage on financial performance, it is found that leverage has a significant negative effect on financial performance. This means that the greater the debt ratio of a company, the company's financial performance will also get worse, and conversely the smaller the debt ratio of a company, the better its financial performance. Leverage can be seen by comparing the amount of debt with assets owned by a company. The size of a company's leverage affects the financial performance of a company. This is in line with research conducted by Endah Tri Wahyuningtyas (2014) which says that leverage can affect financial performance.

Earnings management affects financial performance
In testing earnings management on financial performance, it was found that earnings management had no effect on financial performance. This is in line with research conducted by Andika Pratama and I G.N. Agung Suaryana2 (2016) which states that earnings management has no effect on financial performance.

Hypothesis Statistical Testing
The regression hypothesis testing using PATH PLS can be seen in Figure 4.2 and Table 4.12 as follows:

Picture 2
Image of Hypothesis Results With PATH PLS



CONCLUSIONS AND SUGGESTIONS

The conclusions in this study are :

1. Institutional ownership has no effect on earnings management. This explains that the occurrence of earnings management has no influence from the institutions that have shares in the company concerned.
2. Managerial ownership has no effect on earnings management. This explains that the occurrence of earnings management has no influence from the directors or managers who have shares in the company concerned.
3. The size of the board of commissioners has no effect on earnings management. This explains that the occurrence of earnings management has no effect on the number of commissioners in the company concerned.
4. The proportion of independent commissioners has no effect on earnings management. This explains that the occurrence of earnings management has no effect on the proportion of independent commissioners owned by the company concerned.
5. The size of the audit committee has no effect on earnings management. This explains that the occurrence of earnings management has no effect on the number of audit committees in the company concerned.
6. Company size has no effect on earnings management. This explains that the occurrence of earnings management has no effect on the size of the company in the company concerned.
7. Leverage has no effect on earnings management. This explains that the occurrence of earnings management has no effect on the debt owned by the company concerned.

8. Institutional ownership has no effect on financial performance. This explains that institutional ownership does not have any effect on the financial performance of a company.
9. Managerial ownership has an influence on financial performance. This explains that share ownership owned by directors and managers has an influence on the company's financial performance.
10. The size of the board of commissioners has no effect on financial performance. This explains that the size or number of commissioners does not affect the financial performance of a company.
11. The proportion of independent commissioners has no effect on financial performance. This explains that the number of independent commissioners does not affect the financial performance of a company.
12. The size of the audit committee has no effect on financial performance. This explains that the number of audit committees has no effect on the financial performance of a company.
13. Company size has no effect on financial performance. This explains that the size of a company does not affect the good or bad financial performance of a company.
14. Leverage has an influence on financial performance. This explains that the good or bad financial performance of a company, one of which is influenced by leverage.
15. Earnings management has no influence on financial performance. Whether or not earnings management is applied to a company will not have an effect on financial performance.

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