



THE EFFECT OF ASYMMETRIC INFORMATION, BOARD OF COMMISSIONERS SIZE, AND INDEPENDENT BOARD OF COMMISSIONERS, ON EARNINGS MANAGEMENT WITH MANAGERIAL OWNERSHIP AS A MODERATING VARIABLE

Diah Ajeng Pratiwi*

Faculty Economics and Business
Islamic University of Riau, Pekanbaru 28289
Indonesia
diahajengpratiwi291@gmail.com

Dian Saputra

Faculty Economics and Business
Islamic University of Riau, Pekanbaru 28289
Indonesia
saputradian@eco.uir.ac.id

*Corresponding Author email: diahajengpratiwi291@gmail.com

Submitted: 17 January 2024

Revised: 19 March 2024

Accepted: 24 March 2024

Peer-review under responsibility of 9th ASIA International Conference (Langkawi, Malaysia) Scientific Committee

<http://connectingasia.org/scientific-committee/>

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Office # 6, First Floor, A & K Plaza, Near D Watson, F-10 Markaz, Islamabad, Pakistan,

editor@readersinsight.net

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ABSTRACT

This research aims to explore and provide empirical evidence regarding the influence of asymmetric information, board of commissioners size, and the presence of independent board members on earnings management in real estate and related companies listed on the Indonesian Stock Exchange from 2020 to 2022. Managerial ownership is introduced as a moderating variable in this investigation. Utilizing Structural Equation Modeling - Partial Least Square (SEM-PLS) for data analysis, the study revealed that asymmetric information, board of commissioners size, and independent board members did not significantly impact earnings management. However, when considering managerial ownership as a moderating factor, the presence of independent board members exhibited an influence on earnings management. This highlights the intricate relationship between corporate governance factors, specifically the board composition, and earnings management, with managerial ownership playing a moderating role. These findings provide valuable insights for stakeholders and policymakers, offering a nuanced understanding of corporate dynamics within the Indonesian real estate and related sectors.

Keywords: *Asymmetric Information; Board of Commissioners Size; Independent Board of Commissioners; Earnings Management; Managerial Ownership*

RESEARCH HIGHLIGHTS

Significance of Profit in Corporate Success: Profitability serves as a critical determinant of a company's success, influencing managerial decisions and business continuity. The imperative to showcase profits in financial statements underscores its pivotal role in decision-making and performance evaluation (Anggraeni & Noviyanti, 2022).

Earnings Management in Indonesian Context: The study delves into the intriguing realm of earnings management, particularly pertinent in the Indonesian context with notable cases involving companies like PT Waskita Karya and PT Wijaya Karya. These cases underscore the urgency of understanding the causes and techniques behind earnings management.

Diverse Factors Impacting Earnings Management: Research findings challenge existing hypotheses regarding the impact of asymmetric information, board size, and independence of commissioners on earnings management in property and real estate companies. Notably, even though according to Candra et al., (2021) and Minarti & Syahzuni, (2022) information asymmetry and board composition exist, they may not strongly drive earnings management practices.

Managerial Ownership as a Moderating Factor: The study introduces managerial ownership as novel moderating variable. While it does not significantly impact asymmetric information and board size, it demonstrates a significant moderating effect on the relationship between independent commissioners and earnings management. This suggests that managerial ownership influences the actions of independent commissioners in managing earnings, highlighting the interplay of personal interests in financial performance improvement (Nurleni et al., 2018).

Research Objectives

The research aims to explore the significance of profit as a determinant of corporate success and its pivotal role in decision-making for business continuity. With a focus on earnings management, particularly evident in recent cases involving Indonesian companies like PT Waskita Karya and PT Wijaya Karya, the study seeks to uncover the causes and techniques behind such practices.

Objectives include investigating the impact of asymmetry information, board size, and commissioners' independence on earnings management. By examining contrasting findings in existing studies, the research aims to clarify these factors' roles in shaping financial reporting decisions.

A distinctive contribution lies in introducing the managerial ownership variable as a moderating factor. The objective is to understand its influence on the relationship between various indicators and earnings management practices, providing insights into the nuanced interplay of corporate governance structures and managerial ownership.

In summary, the research objectives encompass a comprehensive examination of profit's significance, the intricacies of earnings management, and the impact of diverse indicators, within the context of Indonesian companies, all while considering managerial ownership as a moderating influence.

Methodology

This research uses a quantitative approach. The population of this study consists of companies in the property and real estate companies are listed on the IDX. Information (financial statement and company annual reports) was obtained from the official website of the Indonesia Stock Exchange (<https://www.idx.co.id>), and several reports obtained from the company's official website. To determine the sample in this study, we used purposive sampling technique.

Regarding data analysis, this study uses the PLS-SEM method with the help of the smartPLS v3.0 application. The testing stages are outer model test (reliability and validity) and inner model test.

Results

The structural model analysis involves checking collinearity, path analysis, and hypothesis testing (Hair et al., 2020). The results indicate no significant multicollinearity issues in the model. However, hypotheses testing reveals that asymmetric information, the size of the board of commissioners, and the independence of commissioners do not significantly impact earnings management in property and real estate companies.

Furthermore, the moderating effect of managerial ownership is found to be inconclusive for asymmetric information and the size of the board of commissioners. However, in the case of independent commissioners, managerial ownership significantly influences earnings management. The R-squared value of 27.5% suggests a moderate predictive

power of the model, while the Q-squared value of 0.152 indicates a relatively low predictive value.

In conclusion, the research provides nuanced insights into the dynamics of earnings management in the real estate and property sector, shedding light on the impact of various factors and the moderating role of managerial ownership.

Findings

The findings of the research present a comprehensive analysis of earnings management practices in property and real estate companies, focusing on asymmetric information, the size of the board of commissioners, and the independence of commissioners. The descriptive statistics reveal that, on average, companies in this sector engage in earnings management of 0.3% on their financial statements.

The measurement model analysis ensures the reliability and validity of the data, with outer loading values indicating a well-constructed model. The validity and dependability tests, including Cronbach's alpha and composite reliability, affirm the reliability of the data used in the study. Discriminant testing confirms the absence of collinearity issues between independent variables.

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Author's Biography



Diah Ajeng Pratiwi, is a diligent accounting student at Universitas Islam Riau. Actively participating in seminars and extracurriculars, Diah showcases a deep interest in financial intricacies. She is particularly drawn to contemporary issues like profit management and ethical business practices. Diah, representing a new wave of proactive accountants, aspires to contribute significantly to the field, reflecting both academic excellence and a passion for real-world applications.



Dian Saputra is a Lecturer and also an internal auditor at Universitas Islam Riau. Dian holds several accounting certifications, including Asean Chartered Professional Accountant (ACPA), Certified Accountant (CA), and Accountant (Ak). Dian has worked as an external auditor in a leading accounting firm. As an expert in his field, Dian Saputra conducts research on accounting, auditing, and behavioral issues. He has written several academic papers and publications in national and international journals and participated in various international conferences.