Corporate Governance Mechanism and Earning Management in Indonesian Islamic Bank

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doi: 10.51505/ijebmr.2022.6510 URL: http://dx.doi.org/10.51505/ijebmr.2022.6510

Abstract

This study aims to determine how the influence of the board of directors, board of commissioners, sharia supervisory board, audit committee, and risk management committee on earnings management of Islamic banking in Indonesia. The independent variables in this study are the board of directors, the board of commissioners, the sharia supervisory board, the audit committee, and the risk management committee. The dependent variable in this study is earnings management. The sample used in this study is Islamic commercial banks in Indonesia in 2016-2020. The results of this study indicate that the board of directors, audit committee, and risk management committee have no significant effect on earnings management. The sharia supervisory board has no effect on earnings management. Then, the board of commissioners has a positive effect on earnings management.

Keywords: board of directors, board of commissioners, sharia supervisory board, audit committee, risk management committee, and earnings management.

1. Introduction

The banking industry is one of the important supports for a country. Conventional banks are currently very dominant compared to Islamic banks in Indonesia. Even so, Islamic banks have shown a lot of progress. This is evidenced by the many Islamic banks that began to stand in Indonesia with many customers. Most people in Indonesia are Also Muslim. The competition of the financial services industry is getting tighter due to the presence of ASEAN Economic Community Banking in 2020 which requires Islamic banks to continue to grow (Siswanti, et al., 2017).

According to Tutik (2016), Islamic banks are financial institutions whose core business is to provide credit and payment services and money circulation where in their operations based on Islamic sharia principles. According to Sutrisno (2015), since the enactment of Law No.7 of 1992 on banking, Islamic banking in Indonesia has shown excellent progress. Islamic banks must be able to create trust from stakeholders in order to continue to survive. In its operations, Islamic banks need to implement good corporate governance to manage the company as well as possible to avoid things that can harm the company and the parties involved.

Good corporate governance itself began to develop since the banking sector crisis in 1997 until 2000. This crisis occurs because the banking industry in Indonesia has not implemented good corporate governance that should be applied to maintain the survival of the banking industry. Since the onset of this crisis, the Indonesian banking industry has begun to show a desire to implement good corporate governance. Good corporate governance will help Islamic banks to show performance and strengthen their position.

According to PBI No. 11/33/PBI/2009 concerning the Implementation of Good Corporate Governance for Islamic commercial banks and Sharia business units, Good Corporate Governance is a bank governance that applies the principles of transparency, accountability, accountability, accountability, professional (professional) and fairness (fairness). In addition, Islamic banks in implementing good corporate governance must pay attention to the provisions of Sharia principles which are the basic provisions in managing Islamic banks. The Company has an obligation to share information about the company in the form of reports, including financial statements to stakeholders. Sulistyanto (2008) stated that managers can manage the company with their discretion because shareholders are not completely easy to control and supervise managers. This can be an opportunity for managers to achieve their own profits by doing Earning Management.

According to Sulistyanto (2008), one of the efforts to minimize Earning Management in managing the business world is to realize good corporate governance. According to Kumaat (2013), several studies show that the possibility of management intervening in financial statements is also through estimates and accounting methods used, not only through operational decisions. Earning Management is an act of lying that is prohibited in the Islamic religion. The manager is not the only interested party in the company which in this study is a Islamic bank.

The good corporate governance indicators in this study include the board of directors, the size of the board of commissioners, the Sharia supervisory board, the audit committee, and the risk management committee. Managers will be encouraged to provide genuine and unmade information with the existence of the board of directors. Paying attention responsibly (oversight function) to the implementation of corporate governance to achieve company goals is the main function of the board of directors (Warsono, et al., 2010 in Taco & Ilat, (2016). The existence of the board of directors is key in how the company implements corporate governance.

Corporate governance is one of the responsibilities of the board of commissioners. The quality of financial statements that become a benchmark for the level of financial design by managers is influenced by the existence of the board of commissioners in the company (Sulistyanto, 2008). Earning Management will be minimized with the presence of a competent board of commissioners and with the right amount.

The Sharia Supervisory Board must be on banks that conduct business activities based on sharia principles in the form of independent bodies (Suryanto, 2014). The Sharia Supervisory Board referred to here is an independent body whose duties include directing, providing consultation (consulting), evaluation (evaluating), and supervision (supervision) to ensure that sharia principles determined by fatwas and Islamic sharia are adhered to and applied to the business activities of Islamic banks. Supposedly, the existence of the Sharia Supervisory Board can be a concern for management and can supervise the company's activities. The existence of the Sharia Supervisory Board will encourage managers to behave well and not violate the Islamic religious sharia. The practice of Earning Management is one of the actions that violate the islamic religious sharia.

According to Sulistyanto (2008), there are four factors that can improve the quality of reports, namely fairness, transparency, accountability, and responsibility. The audit committee has the responsibility to create these factors through supervision and control. Increased supervision of the company's management due to the obligation of public companies to form audit committees in order to implement corporate governance will be able to reduce the existence of Earning Management activities through discretionary accruals (Kumaat, 2013).

The company can assess the risks that the company may experience in the future. According to Djatu & Yuyetta (2013), the calculation of ratios that can be used to assess the risks faced and taken by companies is influenced by Earning Management. If this happens, then the possibility of the company's error in estimating the risk to be received will be higher. The company is unable to form strategies in the face of these risks. The risk management committee is expected to be an effective mechanism in encouraging the board to be more responsible in carrying out its duties to conduct risk supervision, internal control, and risk management. This will be an important point for the company to improve the performance of the board so that it can prevent and minimize Earning Management practices by managers.

Based on the facts above, good corporate governance is an important aspect in maintaining and reducing Earning Management in the company. The results of the study shown between one study and the study are also still different. Therefore, researchers are interested and try to make research with the title "The Influence of Good Corporate Governance on Earning Management in Islamic Banking".

2. Theoretical Framework and Hypothesis Development

Agency Theory

According to Jensen & Meckling (1976), agency relations are agreements between one or more and more of the involvement of others (agents) in providing services on their behalf with the surrender of some authority for the taking of decisions from the owner to the agent. There is a strong possibility that the agent will always behave appropriately i.e., by not behaving in the best interests of the owner if the relationship between the two parties is a utility entanglement.

Good Corporate Governance

According to The Institute Indonesia of Corporate Governance (IICG, 2006), corporate governance is a series of mechanisms to direct and control a company so that the company's operations are in accordance with the expectations of stakeholders. In Islamic banks, the provisions that must be lived are not only limited to legal provisions, but also sharia principles. The company must be well controlled so as not to deviate and harm stakeholders. The company will more easily ensure its goals can be achieved by corporate governance to control and direct the company. Corporate governance will make it easier for companies to provide accountability to stakeholders.

According to Maradita (2014), Islamic banking that implements GCG is expected to increase added value for all interested parties with several objectives, namely contributing to creating the

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welfare of shareholders, employees, and other stakeholders by improving organizational efficiency, effectiveness, and sustainability and is a good solution to face future challenges for organizations; fairly, openly and responsibly; protect and recognize the obligations and rights of stakeholers; an integrated approach based on democratic rules, the legitimate management and participation of the organization; controlling the possibility of conflicts of interest between principal parties and agents; minimizing capital costs by signaling to the parties providing capital.

The main purpose of corporate governance is the transparency of share ownership (Man & Ciurea, 2016). The need for transparency of the shareholding structure is so that shareholders can evaluate how far they can affect the decision-making process and crack down on injustices in transactions so that market integrity can be protected. Good corporate governance through management based on the principles of transparency, accountability, responsibility, independence and fairness and equality is needed to maintain the survival of the company (Siswanti et al., 2017). According to Murhadi (2021), the good of corporate governance depends on the information provided by the company and complaints that may come from stakeholders. Good corporate governance will result in good corporate performance and strive to protect the interests of stakeholders. Thus, no interests will be ignored so that no party is harmed by the fraudulent actions of managers who only think about their own interests.

Earning Management

According to Scott (2009) in Isbanah (2013), Earning Management is interpreted as an opportunistic behavior of managers in the face of compensation contracts, debt contracts and political costs (opportunistic earnings) to maximize the utility he has. Earning Management according to Schipper (1989) in Sulistyanto (2008) is the interference in the process of preparing external financial statements whose purpose is for personal gain (this attempts to facilitate the impartial operation of a process according to the disapproving party). In the perspective of efficient contracting (efficient earnings management), managers get flexibility from earning management for the protection of themselves and the company in order to anticipate unexpected things for the benefit of parties who have involvement in the contract.

There are three types of earning management (Sulistyanto, 2008), namely income increase (income increasing), decreasing profit (income decreasing), and profit leveling (income smoothing). According to Sulistyanto (2008), there are three approaches to identifying and detecting earning management. These three approaches include models based on aggregate accrual, specific accruals, and distribution of earnings after management. In general, the model that is generally accepted as the model that provides the strongest results in detecting earning management is simply an aggregate accrual model. The reason why this happens is because this model is aligned with the accrual accounting base that has been widely used so far and this model uses all components of financial finance in detecting financial engineering.

The company does not need to pay attention to the time and expenditure of cash to recognize costs that are already a liability. Although cash expenditures have occurred in the previous period, costs can be recognized in a certain period. In addition, even if the cash has been received, the method of recording accruals allows the company to delay the current period's

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income to the income of the next period. Revenue can be recognized by the company in a certain period although new cash will be received in the coming period. Companies can manage the amount of profit in a certain period just by tinkering with the accrual components. The accounting model is accrual-based, conceptually using cash and accrual components in financial statements.

Effect of board of directors' size on earning management

The board of directors has an important role in the implementation of corporate governance in the company. Paying attention responsibly (oversight function) to the implementation of corporate governance to achieve company goals is the main function of the board of directors (Warsono et al., 2010). The duties and responsibilities of the board of directors are to review the implementation of the strategic plan, set strategic goals, ensure the running of the internal control system, and monitor the management of the company (Wallace and Zinkin, 2005 in Warsono et al., 2010).

The board of directors is fully responsible for the implementation of corporate governance in the company. Ensuring the running of the internal control system and monitoring the management of the company are some of the duties and responsibilities of the board of directors. These duties and responsibilities can prevent managers from carrying out earning management practices that harm many parties. Good monitoring of the board of directors will be able to have a good impact on the company's processes to prevent earning management practices. The board of directors becomes an important part in the implementation of corporate governance in the company. The board of directors as the most responsible party in the implementation of earning management should be able to show its performance in monitoring and controlling the performance of managers in the company. Taco & Ilat research (2016) states that the board of directors has a significant effect on earning management. Research Oktaviani et al. (2015) showed the results that the board of directors affects earning management, but not significantly.

H1: The size of the board of directors negatively affects earning management

Effect of board of commissioners' size on earning management

The existence of the board of commissioners facilitates the right of shareholders to get quality information, because the board of commissioners can guarantee transparency and informative financial statements (Mahiswari & Nugroho, 2014). Providing reliable financial statements is an important role of the board of commissioners and audit committee (Sulistyanto, 2008). Thus, the quality of financial statements is influenced by the existence of the board of commissioners and becomes a benchmark for the level of financial engineering by managers. The duties and responsibilities of the board of commissioners are to supervise the quality of information contained in the financial statements. The board of commissioners gets information related to the company through the board of directors, because they have no authority in the company.

The board of commissioners has an important role in the quality of the reports that the company makes for shareholders. The existence of the board of commissioners helps the creation of financial statements that are what they are and can be accounted for. This will avoid the occurrence of lies committed by managers in making financial statements, thus preventing earning management practices within the company. Laily (2017) in his research showed the results that the board of commissioners is concerned about earning management. Isbanah's research (2012) shows that the board of directors negatively affects earning management where the number of board commissioners is the main factor that determines the effectiveness of supervision of management in the company.

H2: board of commissioners negatively affects earning management

Effect of sharia supervisory board size on earning management

Every Islamic bank is required to have a Sharia supervisory board. According to Suryanto (2014), the Sharia supervisory board is an independent body whose duties include briefing, consulting, evaluating, and supervising the activities of Islamic banks to ensure that their activities have complied with sharia principles that have been established by fatwas and Islamic sharia.

The Sharia Supervisory Board helps the company to oversee its performance in religious aspects. The matters supervised by the Sharia Supervisory Board are matters related to Islamic sharia. Earning management practices are one of the actions that violate Islamic sharia. The Sharia Supervisory Board will supervise the actions taken by managers in the company, whether against violations of Islamic sharia or not. The Sharia Supervisory Board must ensure that the company works in a lawful manner. Earning management practices are one of the fraudulent practices, both against shareholders, and against other parties concerned. The Sharia Supervisory Board is present to prevent practices that violate Islamic sharia and earning management is one of them. According to Hamdi and Zarai (2014) in their research mentioned that the Sharia Supervisory Board is influential in reducing earning management practices. Supervision by the internal Sharia Supervisory Board will be more effective in conducting supervision of the company.

H3: Sharia Supervisory Board negatively affects earning management

Effect of audit committee size on earning management

According to Hamdi and Zarai (2014), the audit committee has several responsibilities, namely providing proposals in hiring or dismissing external auditors, monitoring the company's internal control system and its implementation, regulating communication between external and internal auditors, verifying the company's financial information and disclosure, and evaluating the company's internal control system. Helping the board of commissioners supervise the company's performance, including the review system, internal control of the company, improving the effectiveness of the audit function and ensuring the quality of financial statements is the task of the audit committee.

The board of commissioners is the party that forms and is responsible for the audit committee (Chowindra, 2015). The audit committee helps the board of commissioners carry out its functions and duties in the company. The board of commissioners can work more optimally and better with the help of the audit committee. The audit committee has an important role in the supervision of the company's performance. With the existence of an audit committee, everything the manager does will be monitored and known. The manager will be more careful in working and show his best performance. Responsible for the supervision of outside reporting of the

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company, monitoring risks and control processes both external and internal audit functions is the duty of the audit committee (Single 2013: 242 in Taco & Ilat, 2016). The board of directors together with the audit committee will create transparency of the company's financial statements. According to Oktaviani et al. (2015) in its research, the audit committee has a negative influence on earning management. Audit committees that act as part of corporate governance mechanisms are proven to reduce earning management practices carried out by management.

H4: Audit committee negatively affects earning management

The influence of the risk management committee on earning management

According to Restuningdiah (2010), considering the company's risk management strategy, evaluating the company's management operations, estimating the company's financial statements, and ensuring that applicable laws and regulations are practiced in the company is the duty and authority of the risk management committee in general. The board of commissioners will be encouraged to better carry out the responsibilities of risk supervision and internal control management with the existence of a risk management committee as an effective mechanism.

The risk management committee is an important part for the company as a risk supervisory mechanism (Subramaniam et al., 2009 in Restuningdiah, 2012). The ratios used by the company in assessing the risks that the company will face can be influenced by the existence of earning management. Misinterpretation of risk causes the company to experience obstacles in strategizing and facing the risks that occur. The existence of a risk management committee that is not united with the audit committee will further pour effort and time to unify the risks faced by the company and conduct an evaluation. related supervision (Restuningdiah, 2012). The risk management committee as an effective mechanism is expected to encourage the board of commissioners to carry out its responsibilities in conducting risk supervision and internal control management. The results of research Djatu & Yuyetta (2013) showed that the existence of a risk management committee has a significant negative effect on earning management. The existence of a risk management committee can suppress earning management practices by managers in the company.

H5: Risk management committee negatively affects earning management

3. Method

Population and Sample

The population in this study is all Islamic commercial banks registered with the Financial Service Authority. There are 10 Islamic commercial banks registered with the Financial Services Authority in 2021. This research sample is a Sharia commercial bank registered with the Financial Services Authority in 2016-2020. Shariah generals registered with the Financial Services Authority were sampled in this study.

Research variables

Earning management

In this study, earning management was projected with discrectionary accrual. The model used to calculate discretionary accrual is the Modified Jones Model. The Modified Jones Model is a

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Jones model that has been modified to eliminate using estimates that may be incorrect to determine accrual discretionary when discretion exceeds capital (Taco & Ilat, 2016). The calculation model is as follows (Sulistyanto, 2008):

Calculates the total accruals value using the equation:

TAit = NIti - CFOs

Calculates the estimated accruals value with the Ordinary Least Squares (OLS) regression equation:

$TAit/Ait\text{-}1 = \alpha 1\ (1/Ait\text{-}1) + \beta 1(\Delta Salesit\ /\ Ait\text{-}1) + \beta 2(PPEit\ /\ Ait\text{-}1) + e$

Calculates the value of non-discretionary accruals (NDA) with the regression coefficient equation above through the equation:

$NDAit = \alpha 1\ (1/Ait\text{-}1) + \beta 1(\Delta Salesit - \Delta Recit\ /\ Ait\text{-}1) + \beta 2(PPEit\ /\ Ait\text{-}1)$

Calculate discretionary accrual (DA) with the equation:

DAit = TAit / Ait-1 – NDAit

Information:

TA_{it}	= Total company accrual i in period t
NI_{it}	=Net income before corporate tax i in period t
CFOit	= Operating cash flow of the company i in the period t
Ai_{t-1}	= Total assets in the period t-1
$\Delta Sales_{it}$	= Difference in sales of company i in period t
PPE_{it}	= The value of the company's fixed assets i in the period t
ΔRec_{it}	= Difference in i company's accounts receivable in the period t
NDA_{it}	= Non-Discretionary Accruals of the company i in the period t
DA_{it}	= Discretionay Accrual company I in the period t
a_1	= Constant
b_1, b_2….	= Coefficient of Regression
e	= error

Board of directors

Paying attention responsibly (oversight function) to the implementation of corporate governance to achieve company goals is the main function of the board of directors (Warsono et al., 2010). The variables of the board of directors are calculated from the number of boards of directors contained in the company.

Board of commissioners

The board of commissioners is the body in charge of ensuring the implementation of the company's strategy. conducting supervision of management in managing the company, as well as requiring accountability to be implemented (Egon Zehnder, 2000 in Isbanah, 2012). The variable

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of the board of commissioners is calculated from the number of board of commissioners contained in the company.

Sharia supervisory board

According to Suryanto (2014), the Sharia supervisory board is an independent body whose duties include briefing, consulting, evaluating, and supervising the activities of Islamic banks to ensure that their activities have complied with sharia principles that have been established by fatwas and Islamic sharia. The variables of the Sharia Supervisory Board in this study were measured by the number of meetings conducted by the Sharia Supervisory Board. Members of the Sharia Supervisory Board of each company tend to have the same number from year to year, so the variables of the Sharia Supervisory Board will be represented by the number of meetings held by the Sharia Supervisory Board in a given period.

Audit committee

According to the decree of the Chairman of the Capital Market Supervisory Board (BAPEPAM) number Kep-29/PM/2004 in Nadirsyah & Muharram (2015), the audit committee is a committee tasked with helping the board of commissioners carry out their own duties and functions. Audit committee variables are measured by the number of audit committees contained in the company.

Risk management committee

According to Restuningdiah (2011), the risk management committee is the existence of a risk management committee that is not combined with other committees. A risk management committee separate from other committees is expected to be an effective mechanism focused on risk issues that can encourage the board of commissioners to be more responsible for the task of risk supervision and internal control management. Risk management committee variables are measured using dummy variables. Companies that disclose risk management committees on annual reports are given a number 1, while those that are not given a number 0.

Data Analysys

The equation of the panel data regression model is as follows.

$MLi = \alpha - \beta\, 1DDi - \beta\, 2DKi - \beta\, 3DPSi - \beta\, 4KIi - \beta\, 5KMi + e$

Information:

a	= Constant
b1, b2, ….	= Coefficient of Regression
MLi	= Earning management in i companies
DDi	= The size of the board of directors in the company i
DKi	= The size of the board of commissioners in the company i
DPSi	= The size of the sharia supervisory board on the company i
KIi	= Institutional ownership of the company i
KMi	= Managerial ownership of the company i
e	= error

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4. Results

Descriptive Statistics

Hypothesis testing with deskriptive statistical analysis can explain the picture of the data used by the researcher. Averages, minimum values, maximum values, and variable standard deviations will be able to be patched through descriptive statistical analysis.

Table1: Descriptive Statistics

Variable	Mean	Maximum	Minimum	SD
ML	-0.063423	0.461022	-0.768710	0.172155
DD	4.080.000	8.000.000	3.000.000	1.139.996
DK	3.500.000	5.000.000	2.000.000	0.735402
DPS	1.376.000	2.700.000	9.000.000	3.341.514
KA	3.700.000	6.000.000	3.000.000	0.863075
KMR	0.700000	0.000000	0.000000	0.462910

Source: Data processed

Earning Management has a mean value of -0.063423, a maximum value of 0.461022, a minimum value of -0.768710, and a standard deviation value of 0.172155. The data above shows that the average Islamic banking in Indonesia conducts earning management practices by lowering profits (income decreasing).

The first independent variable, namely DD or board of directors has a mean value of 4.08, a maximum value of 8.00, a minimum value of 3.00, and a standard value of 8.00 deviation of 1.139996. This shows that the average Islamic banking in Indonesia has a board of directors of 4 people. The second independent variable, namely DK or board of commissioners has a mean value of 3.5000000, a maximum value of 5.00, and the standard deviation value of 0.735402. This shows that the average Islamic banking in Indonesia has a board of commissioners of 4 people.

The third independent variable, namely DPS or sharia supervisory board has a mean value of 13.760, a maximum value of 27.00, a minimum value of 9.00, and the standard deviation value is 3.341514. This shows that the average Islamic banking in Indonesia has the number of sharia supervisory board meetings 14 times. The fourth independent variable, namely ka or audit committee has a mean value of 3.700, a maximum value of 6.000, a minimum value of 3.000, and the standard deviation value is 0.863075. This shows that the average Islamic banking has an audit committee of 4 people. The last independent variable, kmr or risk management committee has a mean value of 0.7000, a maximum value of 1.000, a minimum value 0, and the standard deviation value is 0.462910. This shows that the average Islamic banking in Indonesia has a risk management committee that is disclosed separately in its annual report.

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Hypothesis Test Results

In this study, tests have been conducted with chow test, hausman test, and lagrange multiplier test to determine the model that is best in testing hypotheses. After a series of tests, it can be concluded that the best model for this study is the common effect model.

Table 2: Result of Common Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.188832	0.204551	-0.923156	0.3610
DD	-0.035939	0.026428	-1.359.910	0.1808
DK	0.088198	0.040847	2.159.242	0.0363
DPS	0.001717	0.007654	0.224283	0.8236
KA	-0.001279	0.028673	-0.044609	0.9646
KMR	-0.079342	0.056191	-1.412.011	0.1650
R-squared	0.142595	Mean dependent var		-0.063423
Adjusted R-squared	0.045163	S.D. dependent var		0.172155
S.E. of regression	0.168223	Akaike info criterion		-0.614886
Sum squared resid	1.245.155	Schwarz criterion		-0.385443
Log likelihood	2.137.215	Hannan-Quinn criter.		-0.527513
F-statistic	1.463.530	Durbin-Watson stat		2.143.233
Prob(F-statistic)	0.221084			

Source: Data processed

The probability value of the board of directors is 0.1808> 0.05 which means the board of directors has no significant effect on earning management. Thus, it can be concluded that this result does not fit the first hypothesis stating that the board of directors has a negative effect on earning management, so H1 is rejected. The probability value of the board of commissioners is 0.0363< 0.05 which means that the board of commissioners has a positive influence on earning management. Thus, it can be concluded that this result does not correspond to the second hypothesis stating that the board of commissioners has a negative effect on earning management, so H2 is rejected. The probability value of the Sharia supervisory board is 0.8236> 0.05 which means that the sharia supervisory board has no effect on earning management. Thus, it can be concluded that this result does not correspond to the third hypothesis which states that the sharia supervisory board has a negative effect on earning management, so H3 is rejected.

The probability value of the audit committee is 0.9646> 0.05 which means that the audit committee has no significant effect on earning management. Thus, it can be concluded that this result does not correspond to the third hypothesis stating that the audit committee has a negative effect on earning management, so H4 is rejected. The probability value of the risk management committee is 0.1650> 0.05 which means that the risk management committee has no significant effect on earning management. Thus, it can be concluded that this result does not correspond to

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the third hypothesis stating that the risk management committee has a negative effect on earning management, so H5 is rejected.

5. Discussion

Board of Directors and Earning Management

Based on tests that have been conducted with the results in table 4.8 shows that the board of directors has an insignificant effect on earning management. This result does not correspond to the first hypothesis that the board of directors has a negative effect on earning management. The existence of the board of directors is key in how the company implements corporate governance. The policies to be taken and the company's short- and short-term strategy are determined by the board of directors (Taco & Ilat, 2016). Good monitoring of the board of directors will be able to have a good impact on the company's processes to prevent earning management practices.

The results of this study contradict taco & Ilat research (2016) which states that the board of directors has a significant effect on earning management. The size of the board of directors is considered to influence earning management. The results of this study are in line with the research of Oktaviani et al. (2015) which shows that the board of directors has an insignificant effect on earning management. This happens possible because the supervision that occurs in the company is just to fulfill the duties and obligations of the board of directors in the company. Other factors derived from the ability of the board of directors also have the possibility of affecting the reason why the board of directors does not have a significant effect on earning management.

Board of Commissioners and Earning Management

Based on tests that have been conducted with the results in table 4.8 shows that the board of directors has a positive effect on earning management. This result does not correspond to the second hypothesis which states that the board of commissioners has a negative effect on earning management. The board of commissioners has an important role in the quality of the reports that the company makes for shareholders. The existence of the board of commissioners helps the creation of financial statements that are what they are and can be accounted for. The results of this study contradict the research of Isbanah (2012) which shows that the board of directors negatively affects earning management where the number of board of commissioners becomes the main factor that determines the effectiveness of supervision of management in the company The board of commissioners plays an important role in the supervision of management performance in the company. The results of this study are in line with Arnaboldi's research (2019) which showed the results that the board of directors had a positive effect on earning management. This is due to the function of monitoring, advising, and providing resources which is the ability of the board of directors depending on external environmental conditions and the complexity of the bank's operational structure.

Sharia Supervisory Board and Earning Management

Based on tests that have been conducted with the results in table 4.8 shows that the sharia supervisory board has no effect on earning management. This result does not match the third

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hypothesis which states that sharia supervisory boards have a negative effect on earning management. Supposedly, the existence of the Sharia Supervisory Board can be a concern for management and can supervise the activities of the company. The practice of earning management is an example of actions that violate the islamic religious sharia. The results of this study are not in line with Hamdi & Zarai's research (2014) which states that the Sharia Supervisory Board can reduce earning management practices in Islamic banks. The results of this study are in line with Suryanto's research (2014) which shows that the Sharia Supervisory Board cannot reduce the existence of earning management practices in Islamic banks. The cause of this occurrence is possible because the company convenes a Sharia Supervisory Board only to meet the rules of Bank Indonesia.

Audit Committee and Earning Management

Based on tests that have been conducted with the results in table 4.8 shows that the audit committee has no effect on earning management. This result does not correspond to the fourth hypothesis which states that the audit committee has a negative effect on earning management. The audit committee helps the board of commissioners carry out its functions and duties in the company. The board of commissioners can work more optimally and better with the help of the audit committee. The audit committee has an important role in the supervision of the company's performance. With the existence of an audit committee, everything the manager does will be monitored and known. The results of this study are not in accordance with the research of Oktaviani et al. (2015) which states that the audit committee has a negative effect on earning management. Audit committees that act as part of corporate governance mechanisms are proven to reduce earning management practices carried out by management. The results of this study are in accordance with the results of taco & Ilat research (2016) which states that the audit committee has no significant effect on earning management. This is possible because the audit committee does not carry out its duties actively in the company so that the supervision carried out does not run properly so that it does not work. can minimize the occurrence of earning management practices.

Effect of the Risk Management Committee on Earning Management

Based on tests that have been conducted with the results on table 4.8 shows that the risk management committee has no significant effect on earning management. This result does not correspond to the fourth hypothesis which states that the risk management committee has a negative effect on earning management. This is not in accordance with the statement of Subramaniam, et al. (2009) in Restuningdiah (2011) which states that the risk management committee as an active mechanism can encourage the board of commissioners to take full responsibility for the task of risk supervision and internal control management. The results of this study do not match the research of Djatu and Yuyetta (2013) which showed that the existence of a risk management committee has a negative effect on earning management. The results of this study are in accordance with restuningdiah research (2011) which shows that the existence of a risk management committee that is not combined with other committees has no effect. earning management. An important factor that is more influential in earning management is the expertise of the committee members themselves. The existence of a separate risk management committee does not guarantee that management will be able to reduce risk management practices. The expertise of committee members must be paid more attention to in order to work optimally to reduce earning management practices.

6. Conclusions and Contributions

Based on the results of the study, several passes can be obtained. The board of directors has no significant effect on the management of Islamic banking earnings in Indonesia. The board of commissioners has a positive effect on the management of Islamic banking earnings in Indonesia. Sharia supervisory board has no effect on the management of Islamic banking profits in Indonesia. The audit committee has no significant effect on the management of Islamic banking profits in Indonesia. The risk management committee has no significant effect on the management of Islamic banking profits in Indonesia.

The advice for Islamic banking in Indonesia should improve the performance of the board of directors, board of commissioners, Sharia supervisory board, audit committee, and risk management committee. The capabilities of the board and committee may have an effect on earning management practices in the company. Islamic banking needs to improve the supervisory functions of each board and committee in accordance with their duties and obligations that should be so as to minimize risk management. Researchers can further explore other aspects that may have an effect on earning management. For further researchers, it is expected to add other variables that affect earning management. In addition, it is expected that many researchers who use Islamic banking objects while the research is still small.

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ISSN: 2456-7760

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