Factors Affecting Earnings Management Islamic Banking Companies at The Indonesia Stock Exchange Publication Year 2013-2019

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Abstract

This research was conducted on Islamic banking listed on the Indonesia Stock Exchange from 2013-2019 using secondary data. A saturated data analysis is used in this research. The sample is all Sharia banking companies as many as 12 companies. The results show that Institutional Ownership, Managerial Ownership, Individual Ownership, Foreign Ownership, and the Board of Commissioners have an effect on Earnings Management. Meanwhile, State Ownership, Family Ownership, Public Ownership, Public Accountants, Audit Committee, and Board of Directors have no effect on Earnings Management. Simultaneously all independent variables have an effect on Earnings Management. Given their findings, the authors propose that the practical implication of this research is that earnings management does not occur much in Islamic banks listed on the Indonesian Stock Exchange Earnings Management in the study of Islamic Business Ethics is in the form of deliberate fraud or fraud to achieve certain interests and its nature is not for the benefit of the people or society so it is not allowed because it will have an impact on the survival of the company. But interests that are in a precarious condition that endanger the interests of the public or the state, such as a pandemic outbreak, are allowed because the country is experiencing an economic downturn.

Keywords: Audit Committee; Board of Commissioners; Board of Directors; Family Ownership; Foreign Ownership; Individual Ownership; Institutional Ownership; Managerial Ownership; Public Accountant; Public Ownership; State Ownership.

INTRODUCTION

One branch of conventional economics and Islamic economics is accounting. The book A Statement of Basic Accounting Theory (ASOBAT) defines that accounting is the process of identifying, measuring and conveying economic information as information material in terms of considering various alternatives in drawing conclusions by users.

Islamic banking is well known in Indonesia, but if we look further, the brand name in Islamic banking is only a name change, but the operational approach still refers to conventional banking. This is due to the fact that its operations still use some employees and capital from conventional banking but for reporting, it uses Islamic accounting standards issued by IAI Syariah. This situation makes it difficult for Islamic banking to operate in terms of capital and daily activities because it is still tied to conventional banks. The marketing of existing Islamic banks is still not able to provide satisfaction to customers, especially Muslims as the majority of potential customers. So that there is an image of an Islamic banking product development approach that is carried out only to promote conventional products.

According to Law No. 21 of 2008 regulates sharia principles and adheres to economic democracy and the principle of prudence. This law provides provisions regarding the types and business activities of Islamic banks and sharia business units, as well as provisions regarding the feasibility of disbursing funds.

In 2017 there was a fraud case at the West Java Syariah Bank that had not been resolved. All of these internal fraud cases involved permanent employees of the company (Finansial, 2019). In addition to internal fraud, there is also a condition of exceeding the maximum limit for disbursement of funds (MLDF) so that this company must report an action plan to improve company compliance in accordance with Bank Indonesia regulations No.: 13/5/PBI/2011 concerning the Maximum Limit for Disbursement of Funds for Sharia Rural Banks. In addition, at Bank Syariah Mandiri Tbk (BSM), there was a distribution of fictitious credit financing worth Rp. 102 billion. Potential loss to the state whose shares are 99 percent of BSM's shares are owned by State-Owned Enterprises (BUMN). If BSM makes a loss, then its shareholders must inject additional capital as a backup. This is in accordance with the rules of the Financial Services Authority (OJK), so that capital injections from SOEs to their subsidiaries can be categorized as state losses.

The results of calculations by Indonesian Corruption World using various primary data, including audited financial reports, show that the report on sales of agricultural products during 2003-2008 was US$ 1.06 billion lower than the actual one. As a result, during that time, it is estimated that the state's loss from the lack of revenue from coal production funds (royals) is US$ 143.29 million (Holief dan Belgiawan, 2018)

In other countries, Earnings Management cases are widely known, including Enron, Merck, World Com and the majority of other companies in the United States. According to Law No. 21 of 2008 concerning Islamic Banking which was issued on July 16, 2008, the development of the national Islamic banking industry is increasingly having an adequate legal basis and will encourage even faster growth. With the impressive development progress, which has reached an average asset growth of more than 65% per year in the last five years, it is hoped that the role of the Islamic banking industry in supporting the national economy will be increasingly significant (Ermiati et al., 2020).

Financial ratio analysis is a tool to measure financial performance which is also used by Islamic banking and conventional banking which uses a comparison of the previous year's financial statements with the current financial statements. One of the ratios used as a reference for banking is the leverage ratio used, namely CAR. In this study, it is proxied by the Capital Adequacy Ratio (CAR). CAR is a ratio used to measure the adequacy of capital owned by a bank to support assets that contain or generate risk (RWA) such as credit, investment in securities and claims on other banks. While the bank capital used consists of core capital and complementary capital owned by the bank. The relatively high CAR of banking indicates that the banking company has sufficient capital, so that public confidence will increase. However, a CAR that is too high can also indicate an idle fund, which means that there are many idle funds that cannot be utilized by bank management. The bank's financial performance can be seen from the CAR ratio. CAR can evaluate a bank's ability to maintain adequate capital and manage risks that impact the amount of capital (Ermiati et al., 2020).

According to Bank Indonesia Regulation 15/2/PBI/2013, the amount of CAR that must be achieved by a bank is at least 8%. This figure is an adjustment to the provisions that apply internationally based on the standards of the Bank for International Settlement (BIS). Profitability ratio is a ratio to assess the company's ability to seek profit in a certain period, in addition to providing a measure of the level of management effectiveness of a company which is indicated by the profit generated from sales or investment income. In addition, the profitability ratio is proxied by Return On Assets (ROA). According to research (Iqbal, 2012), Islamic Bank ROA is lower than conventional banking ROA. However, the ROA value in Islamic banks is still above the ROA value required by Bank Indonesia Circular Letter No. 13/24 DPNP On October 25, 2011, which is above 1.21%, it is stated that the bank has an assessment of the healthy category. So one of the assessments of the company's financial performance is through ROA which can measure the company's performance to generate profits by utilizing existing resources (Azib et al., 2020).

Earnings Management is a profit engineering carried out by directors through internal accountants for certain purposes such as bonuses, avoiding or reducing the amount of tax payable and to convince the banking sector that the company's finances are still in good condition. Earnings Management practices or lying in stating the amount of profit according to Islamic teachings is a practice that is contrary to Islamic ethical values and moral values. Such fraudulent behavior should be eliminated and any practice of manipulating financial statements should be limited.

Mersni & Ben Othman (2016) show the effectiveness of the work of the audit committee in supervising and controlling management so as to reduce earnings management behavior. Ramachandran et al. (2015) which states that the board of commissioners with a total of greatly improve earnings management behavior. Kolsi & Grassa (2017) who obtained the results that the proportion independent commissioners have a negative effect on earnings management. As far as researchers know, only a few have been interested in examining the effect of corporate governance on Earnings Management in Islamic banks. As far as researchers know, only a few have been interested in examining the effect of corporate governance on Earnings Management in Islamic banks. This study focuses on the effect of corporate governance mechanisms on the reporting of Loan Loss Provisions

(PKP) at Islamic banks listed on the Indonesia Stock Exchange (IDX) for the 2013-2019 period. In this regard,

reporting of loan loss provisions (PKP) for Islamic banks in Indonesia.

The benefit of this research is to add to the literature on governance of Islamic Banks in Indonesia, to add to the repertoire of knowledge about the effect of corporate governance on Earnings Management in Islamic Banks, useful for the compilers of Islamic Financial Accounting Standards, regulators and shareholders. Standard setters and regulators will be able to provide good Financial Accounting Standards regarding Provision for Loan Loss at Islamic Banks in Indonesia and the world, provide additional knowledge about the importance of additional disclosure of banking corporate governance so that managers' discretionary behavior can be reduced so as to prevent Earnings from occurring. Management, helps shareholders to assess the manager's risk when doing discretionary and is expected to find a way out how to prevent managers from doing this opportunistic behavior. Corporate governance mechanism will be able to prevent the emergence of earnings management. Xie.et.al (2001) found that earnings management will be reduced in companies whose directors the purpose of this study is to examine the effect of corporate governance mechanisms on the include independent directors from outside parties and directors who have corporate experience.

Literature Review

Agency Theory

Agency theory is a theory that arises because of a conflict of interest between the agent and the principal (Panda & Leepsa, 2017).

Information Asymmetry Theory

Information asymmetry is a condition in which managers have access to information on company prospects that is not owned by outsiders. Agency theory implies the existence of information asymmetry between managers (agents) and owners (principals).

Stewardship Theory

Stewardship theory is a theory that describes a situation where managers do not have motivation for individual interests but are more directed to the interests of the organization. Stewardship theory is harmonization between capital owners (principles) and capital managers (stewards) in achieving common goals, but it implicitly reflects how accounting builds a construct of leadership patterns and communication relationships between shareholders and management, or it can also occur between top management and other management levels. under him in a corporate organization with situational mechanisms that include management philosophy and differences in organizational culture, and leadership in achieving common goals without hindering the interests of each party.

Resource Dependence Theory

Humans as social beings cannot be separated from interdependence and help each other. Even though they already have superior resources, humans must have advantages and disadvantages, except that Allah SWT is the most perfect substance.

From a resource dependence view, the board of directors acts to coopt external organizations with which the firm is interdependent. Cooptation refers to the inclusion of outside constituents for diffusing external threats and garnering support essential for organizational survival (Michael,2007).

Transaction Cost Theory

Transaction cost theory is the cost that arises because of an agreement between other parties and the board of directors to raise new costs for certain interests. Chingtah (2016) microeconomics and traditional theory have not placed much emphasis on trading behavior when describing economic activity, and viewed trading behavior as having very limited influence on the functions of the overall market and mostly ignored it. They believed that in the ideals and operations of the market mechanisms, transactions were natural. Extra costs and expenditures were unnecessary when the market was used to perform economic behaviors or gain market related information.

Coase (1937) suggested a different perspective. Coase stated that the uncertainty and complexity of the environment increased costs during the trading operations process. The costs of transactions in the market must be considered. Coase held that so-called transactions refer to technology-independent buyers and sellers from a self-interested perspective, establishing a fixed contractual relationship based on conditions that both sides can accept for their desired products or services and completing exchange activities.

Sharia Banking Governance

If we apply Sharia regulations in Islamic banks, then we will focus more on ethical values and moral values in the Islamic banking industry compared to non-Islamic banks. Good governance is the basic principles of sharia that apply ethical values and moral values in the Islamic banking industry. Prohibited transaction activities include: all investment and trading activities on goods and services that are forbidden by Allah, usury, fraud, gambling, transactions containing uncertainty, hoarding of goods, monopoly, engineering requests, bribes, Ta'alluq, repurchase by sellers from the buyer, Tallaqi al-Rukban, prohibits investing in things that are prohibited by religion such as investing in alcohol, investing in illegal drugs and other underhand and illegal transactions. Another basic principle of sharia is the risk of profit or loss sharing which is used as an alternative to banking based on bank interest. All of these are the basic principles that underlie the differences between Islamic banks and conventional banks.

Earnings Management can cause users of financial statements to be inaccurate in predicting the bank's future prospects. Earnings Management can also hinder communication between banks and investors and can also reduce the stability of the financial sector. In fact, if the bank's performance is not good and bank managers cover up this ugliness, then in the future this situation can cause the bank to collapse. A collapsing bank can cause other banks to collapse. Through the snowball effect, all of this can also cause a collapse for the economy as a whole (Lidyah, 2018).

Corporate Governance Mechanism

Earnings Management is caused by irregular governance and causes an assessment of financial performance or financial statements to deteriorate, causing managers to try to cover up financial statements by conducting earnings management or earnings management (Azim, 2012).

Institutional Ownership

Most organizations, companies and institutions seek to improve efficiency. They also improve the ability to analyze better information, provide technology and capital and create better thinking outside the corporate governance system. Efficiency can be continuously reduced by controlling the company and has a different goal from profit maximization (Chung& Zhang, 2011). The first hypothesis, therefore, can be formulated as follows:

H_1: Institutional ownership has an influence on earning management.

Managerial Ownership

Ownership can be concentrated or spread among many owners. The level of concentration and composition of ownership determines the distribution of company power between managers and shareholders, which in itself will affect the nature of decision making that affects the development of the company (Adrian, 2012). The existence of a concentration of ownership in the company will make shareholders strong position. This shows that the holder Stockholders have control over management to demand that they report financial statements accurately. Similar to the role of the board of commissioners in carrying out the supervisory function, the composition of the board can influence the parties management in preparing financial reports so that a quality earnings report can be obtained (Boediono, 2005).

Ownership of a manager will determine the policy and decision making on the accounting methods applied to the companies they manage. In other words, a certain percentage of share ownership by management tends to affect earnings management actions. Based on research from (Ferdawati, 2010), it produces that managerial ownership reduces real earnings management. Based on the research of (Pujiningsih, 2011), results that the ownership structure has a negative effect to earnings management.

So, it can be concluded that when a company has concentration of managerial ownership will also determine the policies and decision-making that are applied, so that expected to influence the practice of real earnings management. Based on the theory of managerial ownership structure and previous research, the hypothesis can be formulated as follows:

H_2: Managerial ownership has an influence on earning management.

Individual Ownership

Individual ownership is share ownership by individual investors and majority share ownership of the company's capital of at least 5%. In companies listed on the Stock Exchange, institutional investors are the largest shareholders because they have pension funds and mutual funds. The majority shareholder who is a high level concentration of ownership has great power to monitor management decisions because of the authority given by the shareholders as a whole to protect and secure their assets (Jussila et al., 2015).

H_3: Individual ownership has an influence on earning management.

Foreign Ownership

Foreign Ownership is the number of shares owned by foreign or foreign parties against company shares in Indonesia. Foreign Ownership in a company is a party that is considered concerned with improving Good Corporate Governance (Douma et. al, 2011).

H_4: Foreign ownership has an influence on earning management.

State of Ownership

(Deng et al., 2015) stated that state ownership or the private sector will affect the relationship between dividend policy and earnings quality. A minimum of 20% controlling share ownership for the government opens the opportunity for the government to control company policy (Hartini, 2017). One of them is the dividend policy which is believed to be a factor in earnings quality as mentioned in the principle of positive signals for investors in the signaling theory.

Further, according to (Mousa & Desoky, 2019), there are several arguments from the study which reveal that companies with state ownership use dividends as an instrument to explore company resources. Research shows that state shareholders prefer cash dividends over stock dividends. Thus, dividend payments made by the company affect the quality of earnings in the company's financial years. The implication is that the power of dividends to influence earnings quality is different in companies with state ownership status (Deng et al., 2015).

H_5: State of ownership has an influence on earning management.

Family Ownership

Ownership structure is very important in Good Corporate Governance because different ownership structures provide different incentives for managers, including influencing the motivation of Earnings Management (Achmad, 2008).

H_6: Family ownership has an influence on earning management.

Public Ownership

Public Ownership is the ownership of shares owned by other people who invest capital in the institution. Public Ownership is obtained from shares that are widely traded through securities companies in Indonesia. Public Ownership reduces agency conflicts, because Public Ownership can monitor the performance of directors.

H_7: Public ownership has an influence on earning management.

Public Accountant

The financial statements of each company need to be audited before being published and used by users of these financial statements. An audit of the company's financial statements can be carried out by a Public Accountant or a Public Accountant (KAP).

H_8: Public accountant has an influence on earning management.

Board of Commissioners

The Board of Commissioners is elected through the Shareholders' Meeting so that the Board of Commissioners functions to oversee the board of directors.

H_9: Board of commissioners t has an influence on earning management.

Audit Committee

Characteristics of the Audit Committee The audit committee holds an important role in realizing good corporate governance (GCG) because it is the “eyes” and “ears” of the board of commissioners in order to oversee the running of the company. The existence of an effective audit committee is one aspect assessment in the implementation of GCG (Effendi & Daljono, 2013). (Pearce & Zahra, 2007), state that the resource dependence theory argues that the creation of an effective audit committee supervisory function is related to the number of resources owned by the audit committee. The larger the size of the audit committee, the company will have sufficient resources to oversee the company's overall operational activities.

The effective monitoring role of the audit committee can prevent management from presenting low quality financial reports. The characteristics of a good audit committee can affect the effectiveness of the audit committee in carrying out its monitoring role. As a result, management or agents will act more carefully and more transparent in carrying out the company's business activities so that expropriation actions carried out by management on principals carried out through financial statements can be avoided. In Indonesia, the guidelines for the formation of an effective audit committee (KNKG, 2002), explain that the members of the audit committee owned by the company consist of at least three people, chaired by an independent commissioner of the company with two independent external persons.

Research on the size of the audit committee has been conducted by (Aryani & Raharja, 2011), which is to produce the size of the audit committee has no effect on real earningsmanagement. Based on research from (Pujiningsih, 2011), shows the audit committee has a significant effect on earnings management. In addition, (Pratiwi & Meiranto, 2013), the size of the audit committee has a significant effect on real earnings manipulation.

So, it can be concluded that when a company has characteristics of a good audit committee in accordance with existing regulations and can carry out the monitoring function properly in supervise the company's business activities, then it is expected to reduce the practice of real earnings management. Based on the theory about the characteristics of the audit committee and previous research, the hypothesis can be formulated as follows:

H_{10}: Audit committee has an influence on earning management.

Board of Directors

The Board of Directors is considered a pillar of corporate governance, upholding the interests of shareholders and the company. Its role consists of ensuring compliance with accounting principles, preventing the publication of fraudulent financial statements and limiting Earnings Management practices that may occur in the company (Nicholson, Gavin & Newton, 2010).

H_{11}: Board of directors has an influence on earning management

METHOD

Types of research

This research is included in causal research. This research was conducted on the Indonesia Stock Exchange (IDX), namely www.idx.co.id and islamicmarkets.com.

Operational Definition and Measurement of Research Variables

The operational definition and measurement of research variables are presented in Table 2.

Population and Research Sample

The population of the study is all Islamic Banking companies listed on the Indonesia Stock Exchange from 2010 to 2019, they are 12 Islamic Banking. This study is used a

Table 1. The Review of Previous Study

No.	Researcher Name	Research Variable	Research Result
1.	Lisna Christiani dan Vina Herawaty (2019)	Independent Variables: Managerial Ownership, Audit Committee. Dependent Variable: Earnings Management	(1) Managerial Ownership has an effect on reducing Earnings Management (2) The Audit Committee does not have the effect of reducing Earnings Management
2.	Najmi Roid, Yeasy Darmayanti, Herawati (2020)	Independent Variables: Family Ownership and Foreign Ownership. Dependent Variable: Earnings Management	(1) Family Ownership has a significant effect on Earnings Management (2) Foreign Ownership has no significant effect on Earnings Management
3.	Retna Safriliana dan Wiwik Rahani (2019)	Independent Variable: Public Accountant Auditor Industry Specialization, Audit Capacity Stress. Dependent Variable: Earnings Management	The size of the Public Accountant which is proxied based on the presence or absence of affiliation with the International Public Accountant shows that the International Affiliated Public Accountant and the International Non-affiliated Public Accountant have no effect on Earnings Management through manipulation of real activities.
4.	Gunawan (2016)	Independent Variables: Board of Commissionaires, Managerial Ownership, Audit Committee. Dependent Variable: Earnings Management	(1) Independent Board of Commissionaires has no effect on Earnings Management (2) Managerial Ownership has the effect of reducing Management Earnings (3) Audit Committee proved to have no effect on Earnings Management
5.	Rini Kumala and Sylvia Veronica Siregar (2016)	Independent Variables: Social Responsibility, Disclosure, Family Ownership. Dependent Variable: Earnings Management	The results of the study stated that Social Responsibility had a negative effect on Earnings Management, while Family Ownership had a positive effect on Earnings Management.

No.	Researcher Name	Research Variable	Research Result
6.	Wisnu Arwindo Irawan (2013)	Independent Variables: Institutional Ownership, Leverage, Firm Size, Profitability. Dependent Variable: Earnings Management	Institutional Ownership has been proven to have a significant negative effect on Earnings Management
7.	Yousef Ibrahim Suleiman Abu Siam, Nur Hidayah Binti Laili, Khairil Faizal Bin Khair (2014)	Independent Variable: Board of Directors. Dependent Variable: Earnings Management	The results showed that the Board of Directors had a negative effect on Earnings Management.
8.	Restu Agusti dan Tyas Pramesti (2008)	Independent Variables: Information Asymmetry, Firm Size, Managerial Ownership. Dependent Variable: Earnings Management	Managerial Ownership has a positive and significant effect on Earnings Management in manufacturing companies listed on the Indonesian stock exchange for the 2005-2007observation period
9.	Saputra et al (2014)	Independent variables: state ownership, Family Ownership. Dependent variable: Earnings Management	Government (state) ownership has a positive but not significant impact on Earnings Management
10.	Yuan Ding, Hua Zhang, Junxi Zhang (2007)	Independent Variables: Individual Ownership, State of Ownership. Dependent Variable: Earnings Management	The results of this study indicate that Individual ownership has a more significant positive effect on Earnings Management compared to State of Ownership
11.	Dan Givoly, Carla Hayn, Sharon P. Katz (2008)	Independent Variable: Public Ownership Dependent Variable: Earnings Quality	The results of this study indicate that Public Ownership has a positive effect on the practice of Earnings Management by managers

Sources: processed by researchers, 2020

Table 2. Operational Definition and Measurement Scale of Islamic Bank Variables

Variable	Variable Definition	Measurement	Measurement Scale
Earnings Management (Y)	Manager's efforts to influence the information in the financial statements so that it is no longer objective.	$DA_t = TAC_t/A_{t-1} - NDA_t$	Ratio

Variable	Variable Definition	Measurement	Measurement Scale
Institutional Ownership (X_1)	The ownership of company shares by other institutions	(Institutional ownership/Total shares) × 100%	Ratio
Managerial Ownership (X_2)	The level of share ownership by management who is actively involved in decision making	(Managerial ownership/total shares) × 100%	Ratio
Individual Ownership (X_3)	Minority share ownership by outsiders or the public other than shares owned by managers.	(Individual ownership/total shares) × 100%	Ratio
Foreign Ownership (X_4)	Foreign Ownership adalah persentase kepemilikan saham perusahaan oleh investor asing.	(Foreign ownership/total shares) × 100%	Ratio
State of Ownership (X_5)	State of Ownership is the ownership of company shares owned by government.	(State of ownership/total shares) × 100%	Ratio
Family Ownership (X_6)	Companies whose family-owned ownership is more than 20% of the voting rights	(Number of shares owned by the family/ Number of outstanding shares) × 100%	Ratio
Public Ownership (X_7)	Share ownership by other people who invest capital into the institution.	(Public ownership/total shares) × 100%	Ratio
Public Accountant (X_8)	Public Accountants have a role in assessing the quality the company's financial statements for a period.	Public Accountants who are part of the Big Four Public Accountants.	Nominal
Board of Commisionairs (X_9)	The Board of Commissionairs is tasked with conducting general and specific supervision in accordance with the articles of association	Number of Members of the Company's Board Of Commissionairs	Nominal

Variable	Variable Definition	Measurement	Measurement Scale
	and providing advice to the Board of Directors		
Audit Committee (X_{10})	The committee formed by the Board of Commissionairs aims to help carry out the functions and duties of the board of commissioners	Number of members of the Audit Committee	Nominal
Board of Directors (X_{11})	Number of Board of Directors which is owned by the company in running the operations of the company	Number of members of the Board of Directors	Nominal

saturated data analysis. So, the sample is all Sharia Banking companies.

Types of Islamic Banking Data

The type of data used in this study is secondary data or research data obtained indirectly through intermediary media, namely the annual reports of banking companies, both sharia and private sectors that have been audited and published through www.idx.co.id from islamicmarket.com

Data Analysis

The software program used in this study is Eviews 10. According to (Ghozali, 2018) the regression analysis of Islamic Bank panel data with the panel data regression model developed aims to test the hypotheses that have been formulated in this study:

$$\mathbf{Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_8 + \beta_9X_9 + \beta_{10}X_{10} + \beta_{11}X_{11} + \epsilon}$$

RESULT AND DISCUSSION

Results

The descriptive statistical analysis of Islamic Banks is presented in Table 3. The mean, median, maximum and minimum values of Institutional Ownership, Managerial Ownership, Individual Ownership, Foreign Ownership, State of Ownership, Family Ownership, Public Ownership, Board of Commissioners, Public Accountant, Audit Committee and Board of Directors can be seen from the descriptive statistical test on Table 3 and Table 4.

Precise Panel Data Regression

Chow test

Chow test is a tool to test the equality of coefficients. This test is performed to determine whether the selected model is Common Effect Model or Fixed Effect Model.

Sharia Bank Chow Test

The results of the Chow test in this study can be seen in Table 5. Based on Table 5 for the results of the Chow test, it is concluded that the probability cross section F is 0.0000. This means that H_0 is rejected with probability cross section F <0.05 and H_1 is accepted. So, in this Chow test, the model chosen is the Common Effect Model.

Table 3. Descriptive Statistics of Islamic Banks

	MNJ_LABA_Y	*KEP_INSTITUSIONAL_X1*	*KEP_MANAJERIAL_X2*	*KEP_INDIVIDUAL_X3*	*KEP_ASING_X4*	*KEP_NEGARA_X5*
Mean	2.225.876	1.054.988	4.388.520	1.170.607	5.257.800	1.205.213
Median	2.099.000	0.000000	3.196.000	0.000000	0.000000	0.000000
Maximum	6.881.000	6.241.700	2.226.300	6.241.700	2.673.300	7.605.000
Minimum	1.884.000	0.000000	0.800000	0.000000	0.000000	0.000000
Std. Dev.	1.702.497	1.885.230	4.182.433	1.991.075	8.909.068	2.447.913
Skewness	0.852267	1.355.415	1.712.302	1.180.907	1.155.307	1.568.480
Kurtosis	2.878.039	3.158.736	7.051.468	2.586.433	2.487.253	3.585.279
Jarque-Bera	9.125.974	2.304.310	8.794.469	1.796.627	1.750.576	3.182.209
Probability	0.010431	0.000000	0.000000	0.000126	0.000158	0.000000
Sum	16694.07	79124.10	32913.90	87795.50	39433.50	9.039.100
Sum Sq. Dev.	2144886.	2.63E+08	12944633	2.93E+08	58734906	4434284.
Observations	75	75	75	75	75	75

Sources: processed by researchers, 2020

The Panel Data Regression Equation Analysis

The results of data processing shown in Table 6 produce the following panel data equations:

Y = 205.2252-0.043180 (X_1)- 0.124009 (X_2) -0.041960 (X_3) -0.055226 (X_4)- 0.223555 (X_5) + 0.037592 (X_6) - 0.077786 (X_7) --0.039493 (X_8)- 0.314316 (X_9) + 0.523433 (X_{10}) – 0.020932 (X_{11}) + ε

The panel data equation above explained as follows: The constant value (C) of 205,2252 indicates a constant value, which means that if all the independent variables, namely Institutional Ownership, Foreign

Table 4. Descriptive Statistics of Islamic Banks

	KEP_KELUARGA_X6	*KEP_MASYARAKAT_X7*	*KAP_ X8*	*DEKOM_DPS_X9*	*K_AUDIT_X10*	*D_DIREKSI_X11*
Mean	1.532.267	1.175.027	1.729.160	7.994.800	1.216.800	2.210.517
Median	0.000000	0.000000	0.000000	0.000000	0.000000	2.015.800
Maximum	9.224.000	7.605.000	2.226.300	6.697.000	1.418.000	6.241.700
Minimum	0.000000	0.000000	0.000000	0.000000	0.000000	3.000.000
Std. Dev.	2.466.146	2.436.944	4.304.600	1.543.557	3.213.668	1.603.105
Skewness	1.765.443	1.659.391	3.008.256	1.953.992	2.713.552	0.466971
Kurtosis	5.283.544	3.917.654	1.188.372	6.301.106	9.240.754	2.645.167
Jarque-Bera	5.525.542	3.705.125	3.597.468	8.178.014	2.137.515	3.119.229
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.210217
Sum	11492.00	8.812.700	12968.70	5.996.100	9.126.000	165788.8
Sum Sq. Dev.	4500588.	4394634.	13711892	1763101.	76424.68	1.90E+08
Observations	75	75	75	75	75	75

Sources: processed by researchers, 2020

Table 5. The Sharia Bank Chow Test Results

Redundant Fixed Effects Tests

Equation: Untitled

Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.588552	(10,44)	0.0146
Cross-section Chi-square	30.536143	10	0.0007

Cross-section fixed effects test equation:

Dependent Variable: Y

Method: Panel Least Squares

Date: 01/30/21 Time: 11:19

Sample: 2013 2019

Periods included: 7

Cross-sections included: 11

Total panel (unbalanced) observations: 66

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	16935.23	4043.828	4.187921	0.0001
X1	3.980290	1.757431	2.264834	0.0276
X2	-3.522793	4.151360	-0.848588	0.3999
X3	4.367394	1.777265	2.457367	0.0172
X4	8.553792	2.624197	3.259585	0.0019
X5	-21.10735	8.783784	-2.402990	0.0197
X6	1.851603	5.162121	0.358690	0.7212
X7	-0.356292	1.011111	-0.352377	0.7259
X8	0.734226	0.989028	0.742371	0.4611
X9	1.725905	1.406561	1.227039	0.2251
X10	45.05762	53.22033	0.846624	0.4009
X11	-2.227605	1.369816	-1.626208	0.1097

R-squared	0.871621	Mean dependent var	21776.32
Adjusted R-squared	0.845470	S.D. dependent var	17636.08
S.E. of regression	6932.807	Akaike info criterion	20.68888
Sum squared resid	2.60E+09	Schwarz criterion	21.08700
Log likelihood	-670.7331	Hannan-Quinn criter.	20.84620
F-statistic	33.32991	Durbin-Watson stat	1.055891
Prob(F-statistic)	0.000000		

Sources: processed by researchers, 2020

Table 6. The Results of Islamic Banking Panel Data Regression Analysis

Dependent Variable: MNJ_LABA__Y_
Method: Least Squares
Date: 01/27/21 Time: 19:43
Sample: 1 75
Included observations: 75

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	205.2252	42.42581	4.837273	0.0000
KEP__INSTITUSIONAL__X1_	-0.043180	0.014755	2.926381	0.0048
KEP__MANAGERIAL__X2_	-0.124009	0.039489	3.140366	0.0026
KEP__INDIVIDUAL__X3_	-0.041960	0.012747	3.291754	0.0016
KEP__ASING__X4_	-0.055226	0.027020	2.043887	0.0452
KEP__NEGARA__X5_	-0.223555	0.132271	1.690129	0.0959
KEP__KELUARGA__X6_	0.037592	0.052027	-0.722551	0.4726
KEP__MASYARAKAT__X7_	-0.077786	0.138330	0.562323	0.5759
KAP__X8_	-0.039493	0.042436	-0.930656	0.3556
DEKOM_DPS__X9_	-0.314316	0.148380	2.118318	0.0381
K_AUDIT__X10_	0.523433	0.504414	1.037705	0.3034
D_DIREKSI__X11_	-0.020932	0.015686	1.334494	0.1868

R-squared	0.804261	Mean dependent var	222.5876
Adjusted R-squared	0.770084	S.D. dependent var	170.2497
S.E. of regression	81.63387	Akaike info criterion	11.78801
Sum squared resid	419837.6	Schwarz criterion	12.15881
Log likelihood	-430.0505	Hannan-Quinn criter.	11.93607
F-statistic	23.53248	Durbin-Watson stat	1.252894
Prob(F-statistic)	0.000000		

Sources: *Output* Eviews 10.0, processed by researchers, 2020

Ownership, Public Ownership, Public Accountants, Board of Commissionairs, Audit Committee, Board of Directors, are 0, then the level of the dependent variable (Earnings Management) is 205,2252.

Based on the regression results, the output display in Table 6 above shows the adjusted R-squared value of 0.770084 which means the variation of 11 independent variables, namely Institutional Ownership, Managerial Ownership, Individual

Ownership, Foreign Ownership, State of Ownership, Family Ownership, Public Ownership, Public Accountants, Board of Commissionairs, Audit Committee and Board of Directors were able to explain the variation of Y (Earnings Management) variable of 77.00%.

Discussions

Partial Research Results on Earnings Management (Y)

The results of the partial test (t test) show that Institutional Ownership, Managerial Ownership, Individual Ownership, Foreign Ownership and Board of Commissionairs partially influence Earnings Management. This means that the existence of Institutional Ownership, Managerial Ownership, Individual Ownership, Foreign Ownership and Commisionaires Committee variables that affect Earnings Management will cause directors to be reluctant to carry out Earnings Management. Meanwhile, State of Ownership, Family Ownership, Public Ownership, Public Accountant, Audit Committee and Board of Directors have no effect on Earnings Management. This means that the involvement of these six variables or not, Earnings Management will still be carried out by the directors, even with the establishment of the Board of Directors, they will still carry out Earnings Management for the individual interests of the Directors.

According to (Muliasari & Dianati, 2014) research on Earnings Management in Islamic business ethics is in the form of fraud that is intentionally carried out or is fraudulent in nature to achieve certain interests that are not for the benefit of the people or society, and this is not allowed. So that in Islamic Banking, Earnings Management should not be carried out for the interests of the board of directors or the interests of certain groups. In other words, Islamic Business Ethics expressly refuses.

However, the researcher is optimistic and believes that the merger of three large state Islamic banks will make the Islamic banking sector have the ability to advance and the world of Islamic banking will be stronger because the three large Islamic banks have improved themselves and delivered open information. So that other Islamic banking sectors, especially the private sector, will slowly take part in improving, besides that the state needs to protect and carry out strict supervision of directors not to carry out fraudulent Earnings Management.

Effect of Simultaneous Independent Variables on Earnings Management (Y)

The test results in Table 6 obtained Fcount of 0.663470 with a significance value of 0.000000. The Ftable value is 3.74, therefore, it is known that the calculated F value > F table (16.96928 > 3.74) and the significance value is 0.000000 (less than 0.05). It can be concluded that Institutional Ownership (X_1), Managerial Ownership (X_2), Individual Ownership (X_3), Foreign Ownership (X_4), State of Ownership (X_5), Family Ownership (X_6), Public Ownership (X_7), Public Accountant (X_8), Board of Commissionairs (X_9), Audit Committee (X_{10}) and Board of Directors (X_{11}) simultaneously have a significant effect on Earnings Management (Y). The value of R square is 0.804261 and adjusted square 0.77084 states that Institutional Ownership, Managerial Ownership, Individual Ownership, Foreign Ownership, State of Ownership, Family Ownership, Public Ownership, Board of Commissioners, Public Accountant, Audit Committee and Board of Directors are able to explain Earnings Management of 77.08%. Earnings Management is in the form of fraud which can be reduced if its influence is not supported by Institutional Ownership, Managerial Ownership, Individual Ownership, Foreign Ownership, State of Ownership, Family Ownership, Public Ownership, Board of Commissioners, Public Accountant, Audit Committee and Board of Directors. Accounting is the language of business and the heart of the company which is manifested in the form of clear and honest numbers so that it is very useful for the benefit of mankind. So that this form of cheating in terms of Islamic business ethics is not allowed because it will have an impact on the destruction of the company. This has been taught in the Qur'an and Hadith. Submission of clear information is very necessary in transactions in Islamic banking.

This is in line with research according to (Marzuqi & Latif 2010) which states that Earnings Management is the behavior of a manager or director towards Earnings Management which is done by manipulating earnings figures on paper and this is not in accordance with what is guided by Islamic teachings. (Marzuqi & Latif 2010) states that Islam views managers or directors and accountants as having honest character, keeping the trust and being honest in financial reporting to users. Honesty will avoid things that can harm one party. This is in line with the thoughts of the researcher that Earnings Management in the form of fraud involving and harming parties is strictly prohibited. Earnings

Management which is for the common interest, for example during a pandemic or disease outbreak or the people's economy is in recession so that the government improves the profit-sharing margin set by the Financial Services Authority. In calculating taxes in accordance with Financial Accounting Standards it is permissible because taxes are for the benefit of the state and society. Tax revenue will bechanneled again for the benefit of mankind such as social costs for the welfare of mankind, repair and construction of roads for the benefit of society. This is allowed.

CONCLUSION, IMPLICATION AND LIMITATION

The results of the partial test (t test) state that Institutional Ownership, Managerial Ownership, Individual Ownership, Foreign Ownership and Board of Commissioners have an effect on Earnings Management. This means that the variables of Institutional Ownership, Managerial Ownership, Individual Ownership, Foreign Ownership and the Commissioners Committee have an effect on Earnings Management which causes directors not to carry out Earnings Management.

This study combines eleven variables and if they have an effect, it will cause Earnings Management by directors of a fraudulent nature to be further reduced or the directors will be reluctant to carry out earnings management. The more variables that affect the more reluctant the directors to do Earnings Management. So that the survival of the company is maintained.

Conducting Earnings Management for individual interests or the interests of certain groups should not be carried out by the directors because it will interfere with the continuity or going concern of the company. The company's operations cannot be separated from ethics and business. The language of business in the business world is accounting. In accounting can not be separated from unqualified financial reporting.

It is hoped that further research can be carried out in the form of combining research that includes other variables such as ethics in business by looking for data taken from experiments and questionnaires from people or companies that have business links with Islamic banking being studied

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