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Research Article

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The Impact of Good Corporate Governance Mechanism and Firm Size on Earnings Management

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Abstract: *This study aims to investigate the mechanism of company management based on the indicators of the Board of Directors by proxy comparing the total members of the company's board of directors with the number specified in the Financial Services Authority Regulations, Independent Commissioners by proxy dividing the percentage of total independent commissioners and total company commissioners, Audit committee meetings are proxied based on the frequency of meetings held by the audit committee and Audit Committee Expertise is measured by calculating the proportion of audit committee members who have expertise in finance and accounting, and Firm size is measured based on the company's total assets to observe the impact on Earning management. It focuses on conventional banking companies listed on the Indonesia Stock Exchange (IDX) for the period 2019 - 2022. Multiple linear regression was apanalysiso analyzed with the help of SPSS statistical software. The population of this research consists of 28 entities selected by purposive sampling method. The findings of this study reveal that the Board of Directors has a significant negative correlation with Earning management. However, the existence of an Independent Commissioner, the frequency of meetings and the expertise of the Audit Committee have not been able to significantly affect management's earnings. Conversely, firm size is positively correlated with earning management.*

Keywords: *Board of Directors, Independent Commissioner, Audit Committee, Firm Size, Earnings Management*.

Introduction

Annual reports are expected to be able to show the profit generated in its true form. When the information displayed does not explain the actual profit in the financial statements, it is a form of Earning management activities (Junaedi & Sudarwan, 2020). In Indonesia, several companies have been involved in Earning management practices, as happened in 2006 at PT Kereta Api, 2009 at Bank Century, and PT Waskita Karya Tbk, 2015 at PT Inovisi Infracom Tbk, 2016 at PT Timah Tbk, and 2018 at PT Bank Bukopin Tbk. One example of Earning management practices recorded in Indonesia occurred in the banking sector, namely PT Bank Bukopin Tbk. They altered credit card data to inappropriately increase Bank Bukopin's credit position and commission-related income (cnbcindonesia, 2018).

Related to the Bank Bukopin case, it shows that Bank Bukopin's corporate governance failed to supervise and control the presentation of financial statements. As a result, Earning management activities carried out by internal parties arise. Good supervision and control are needed to minimise Earning management activities (Sulistyanto, 2018 : 137). Streamlining the implementation of company management that is implemented can reduce the potential for Earning management practices and improve the quality of the monitoring system (Hassan et al., 2020). When the supervision and performance of the Corporate Governance mechanism is good, this can inhibit the tendency of Earning management practices and lead to a higher level of credibility in financial statements (Subhasinghe & Kehelwalatenna, 2021).

The board of directors is responsible for overseeing the company and managing the company with the interests of shareholders in mind. Every decision made by the board of directors must consider how the decision affects employees, and other stakeholders (Siahaan, 2022 : 110). A larger board of directors tends to monitor managers more intensely, so that there is no gap to take Earning management actions (Nyatichi et al., 2020). Independent Commissioners act neutrally and encourage Good Corporate Governance to prevent potential fraud by management in the presentation of financial statements (Siahaan, 2022 : 106). A large proportion of the size of the board of commissioners can prevent Earning management actions (Dhu & Hbp, 2019).

The board of commissioners established the audit committee with the aim of overseeing the implementation of corporate governance. Audit committees that successfully fulfil their responsibilities meet regularly to fulfil their role. This is done to improve the quality of financial reporting information (Abdel & Ali, 2022). The quantity of audit committee work meetings illustrates its activities, and enables the prevention of Earning management practices (Balagobei & Keerthana, 2022). The increase in the quantity and quality of audit committee meetings explains the higher level of activeness. This limits the occurrence of *Earning* management (Kapkiyai et al., 2020).

The audit committee is required to have members with a background in accounting and finance (Otoritas Jasa Keuangan, 2015). Audit committee members must have a background in financial and accounting expertise. This is important so that audit committee members can analyse the company's financial information (Setiawan et al, 2020). Their financial and accounting expertise is expected to weaken the opportunity for *Earning management* practices. The lack of such practices supports the credibility of financial statements (Abdel & Ali, 2022).

Large companies usually tend to get the attention and supervision of the government and other users of financial statements such as investors and creditors. This triggers the company to strive to display quality financial reporting information (Tonay & Sutrisno, 2020). Large companies tend to have better operational implementation and supervision mechanisms (Ruwanti, 2019). The company's internal control system is strengthened so that errors do not occur in financial reporting and reduce the possibility of Earning management practices (Minarti & Syahzuni, 2022).

Research on Earning management was researched by Putri & Prasetyo (2020) in his journal entitled "The Effect of Good Corporate Governance Mechanism on Earnings Management in LQ-45 Companies". The results showed that audit committee expertise was able to reduce Earning management practices. However, this research did not succeed in showing that board size, board independence, audit committee size and auditor type were able to influence Earning management. This research adds the independent factor of firm size, larger entities are thought to have company management that has more potential to prevent Earning management from occurring (Githaiga et al., 2022).

This study is to examine the impact of GCG and firm size in influencing Earning management in Banking entities in 2019 - 2022. These results can later be used as a reference for the development of the company's internal management science, especially in the banking sector, to be more thorough in presenting financial reporting information and to further improve internal supervision of the company.

Literature Review

Agency Theory

Good Corporate Governance can be understood through various theories including *Agency theory*, which describes the concept of a work agreement between the principal and management as an agent, which involves various parties who have an interest in the company (Jensen & Meckling, 1976). This relationship has separate management between the owner and management. The management of the company is managed by professional people. These professional people act as agents who manage the company. The authority possessed by the agent in maximising profits can be misused for personal gain. Earnings reports are modified according to the wishes of the agent to get greater compensation and incentives. This is what includes agency problems in managing the company (Sulistyanto, 2018 : 118). The more information the manager (agent) gets, the greater the opportunity for the manager to engineer financial statement information (Minarti & Syahzuni, 2022).

Positive Accounting Theory

Watts & Zimmerman (1990) argues that Accounting positive theory is intended to predict and explain the reporting practices used in business (Wulandari, 2022). As a result, managers engage in actions in which they use strategies that can increase or decrease profits in order to manage financial statements with specific objectives (Purwaningsih & Mayangsari, 2023). Managers have the ability to adjust the amount of profit, depending on the intended motivation. Positive accounting theory has three main hypotheses that are the basis for detecting Earning management practices, namely first, the Bonus Plan Hypothesis*,* where there is a business agreement between managers and owners (principals), as one of the causes of Earning management. The second is Debt (equity*)* Hypothesis, revealing that companies with high debt conditions have the potential to utilise accounting techniques that can reduce the risk of the entity. The third is Political Cost Hypothesis, related to government policies regarding taxes.

Earning Management

Earning management is defined as managerial activities in managing, influencing, modifying and intervening in financial statements (Sulistyanto, 2018 : 44). One of the things that encourages a manager to behave opportunistically is the routine actions of managers in choosing and applying accounting standards that provide benefits (Sulistyanto, 2018 : 46). There are several types of accrual Earning management measurement models, namely the Healy model, the De Angelo model, the Jones Model and the modified Jones Model. In this research, the modified Jones model which is proxied by Discretionary Accrual (DA) is used as a proxy. The advantage of using the Modified Jones Model is that it is formulated to be able to handle the weaknesses of other models so that it is more accurate in measuring Earning management (Minarti & Syahzuni, 2022).

Board of Directors

According to The Indonesia Corporate Governance Manual*,* the board of directors is defined as the part of the company with the duty and authority to manage and monitor the company for the benefit of the company with respect to the company's objectives (International Finance Corporation, 2014). The board of directors is the part of the company that serves as a monitor and supervisor who oversees the company's operational activities. The Board of Directors is the central body in making decisions in the company and the body that oversees the company with its main responsibility of making decisions for shareholders (Siahaan, 2022 : 109). The importance of information transparency for the company and its stakeholders is realised by ensuring adequate performance measurement and the implementation of decisions taken appropriately by the Board of Directors (Syofyan, 2021 : 108). According to the Financial Services Authority Regulation No.55 /POJK.03/2016 concerning the implementation of the Principles of management of Commercial Banks, where a bank is required to have at least three individual members of the board of directors (Otoritas Jasa Keuangan, 2016).

Independent Board of Commissioners

The Financial Services Authority also issued regulation No.33/POJK.04/2014, which defines the board of commissioners as part of a public entity with the task of carrying out general and specialised supervision, providing advice to the board of directors (Otoritas Jasa Keuangan, 2014). The independent board of commissioners acts independently as in the principle of independence (independency) where the independent board of commissioners serves professionally, there is no conflict of interest and any party that influences it (Syofyan, 2021 : 107). Based on the rules of the Financial Services Authority Number 55 /POJK.03/2016, it stipulates that at least half of the total members of the board of commissioners must have the status of independent commissioners (OJK, 2016).

Audit Committee Meeting

According to POJK Number 5 / POJK.04 / 2015, the audit committee is a team with the responsibility of supporting the board of commissioners in carrying out their duties and roles (Otoritas Jasa Keuangan, 2015). Agency theory states that audit committees provide stronger oversight of a company's board of directors, with a higher probability of occurring when the audit committee meets more frequently each year (Kapkiyai et al., 2020). Audit committee activity is seen from how often they hold meetings (Syofyan, 2021: 110). According to OJK Regulation No.55/POJK.04/2015, the audit committee meets regularly at least once every three months (Otoritas Jasa Keuangan, 2015).

Audit Committee Expertise

The audit committee is tasked with monitoring the financial reporting process and is responsible for ensuring the accuracy of financial reporting, reflecting one of the pillars of Good Corporate Governance. Audit committee members should preferably have some financial expertise. Committee members with accounting and financial experience strengthen the committee's oversight function and reassure investors that the company aims to produce high-quality financial statements (Galal et al, 2022). It is important for audit committee members to have a background in financial expertise, accounting and follow the principles of transparency in supervising when carrying out corporate governance tasks (Syofyan, 2021 : 110). In OJK Regulation No.55/POJK.04/2015, it is stated that the audit committee has at least one member with a background in accounting or finance (Otoritas Jasa Keuangan, 2015).

Firm Size

Firm dimension refers to the size by which companies can be grouped based on various methods, including total assets, total sales, and stock market capitalisation value (Hendrani & Septyanto, 2021). The size of the firm size *is* reflected in the total value of its assets (Al Thaaf & Munandar, 2023). According to OJK Regulation No.53 /Pojk.04/2017, firm size is measured in three categories, namely small-scale, medium-scale, and large-scale. Small-scale firm size refers to entities with total assets up to IDR 50,000,000,000, while medium-sized companies have total assets between IDR 50,000,000,000 - IDR 250,000,000,000. On the other hand, large-scale companies have total assets above IDR 250,000,000,000 (OJK, 2017). Firm size has a relationship with Earning management practices because large scale companies are expected to be able to realise investor expectations.

Hyphoteses Development

Relationships between Board of Directors and Earning Management

The significant relationship of corporate governance and earning management implies regulators of listed companies should emphasise the need to have a large board size as a means of ensuring a reduction in earning management practices (Nyatichi et al., 2020). A board of directors with a large size tends to concentrate on preserving its good name. The CEO tends to have great power to control the company. With many members of the board of directors, it is difficult for management to manipulate financial statements due to the high level of supervision exercised by the board of directors (Kajola et al., 2020). This is in line with research from Thinh *et al* (2022), Cho & Chung (2022) and Rajeevan & Ajward (2020)) showed that the size of the board of directors has a negative effect on earning management. Based on the impact of board size on the reduction of earning management, the hypothesis is generated :

H1 : Board size has a negative influence on earnings management.

Relationships between Independent Board of Commissioners to Earning Management

Independent commissioners act neutrally in encouraging Good Corporate Governance practices to prevent potential management fraud. The existence of a large proportion of independent commissioners, prevents earning management actions (Dhu & Hbp, 2019). By carrying out their supervisory responsibilities, independent commissioners have the ability to influence and reduce earning management practices. When preparing financial reports, it can obtain earning quality (Mardjono & Chen, 2020). The large number of independent commissioners minimises conflicts of interest, making it less likely that managers will have the opportunity to practice earning management (Fairus & Sihombing, 2020). This is in line with research from Junaedi *et al* (2020), Ramdhanti & Indrati (2022), Kristian & Siswanto (2022) shows that the size of the independent board of commissioners has a negative effect on earning management. Based on the impact of board size on reducing earning management, the following hypothesis is generated:

H2 : Independent board size has a negative influence on Earning management.

Relationships between Audit Committee Meeting to Earning Management

The more the frequency of audit committee meetings increases, the less the possibility of earning management. There is a negative correlation between the frequency of audit committee meetings and earning management practices (Balagobei & Keerthana, 2022). The more meetings held, the more effective the performance of audit committee members in overseeing the information that stakeholders will receive. The more often the audit committee meets, the more able they are to perform their supervisory responsibilities (Galal et.al., 2022). This is in line with research from Kapkiyai et al (2020), Ghazali et al (2021), Abdel & Ali (2022) show that audit committee meetings have a negative effect on earning management. Based on the impact of board size on reducing earning management, the following hypothesis is generated:

H3 : Audit committee meetings have a negative effect on earning management.

Relationships between Audit Committee Expertise and Earning Management

Audit committees that have independent members who also have good expertise in finance are less likely to have earning management (Dhu & Hbp, 2019). Audit committees with specialised backgrounds in finance act as monitoring devices and enable them to effectively ensure that managers do not manipulate financial reporting (Ghazali et al., 2021). Audit committee members with financial and accounting expertise are expected to weaken managers' ability to manipulate earnings which supports the credibility of financial statements (Abdel & Ali, 2022). Audit committee members with financial and accounting

expertise can suppress earning management activities due to their ability to analyse financial statements competently (Setiawan et al., 2020). According to POJK Number 55 /POJK.04/2015 concerning the process of forming members and guidelines for implementing the duties of the audit committee, a minimum of 1 (one) member is required who has an educational background and competence in accounting and finance (Otoritas Jasa Keuangan, 2015). This is in line with research Putri & Prasetyo (2020), Galal et al (2022), Mardjono & Chen (2020) show that audit committee expertise has a negative effect on *Earning management*. Based on the impact of board size on reducing earning management, the following hypothesis is generated:
H4 : Audit Committee Expertise has a negative influence on earning management.

Relationships between Firm Size to Earning Management

The tight supervision makes the level of detection of fraudulent financial statement information high, this makes companies or managers not dare to do earning management because it can damage the image and good name of the company which will have an impact on stakeholder decisions (Al Thaaf & Munandar, 2023). Large companies usually have good governance mechanisms to oversee the performance of managers, management tends to report financial information according to actual conditions (Ruwanti, 2019). This is in line with research from Bahiy & Wulandari (2021), Minarti & Syahzuni (2022), Tonay & Sutrisno (2020) show that firm size has a negative effect on earning management. Based on the impact of board size on reducing earning management, the following hypothesis is generated:
H5 : Firm size has a negative influence on earning management.

Based on this framework, the research model includes:

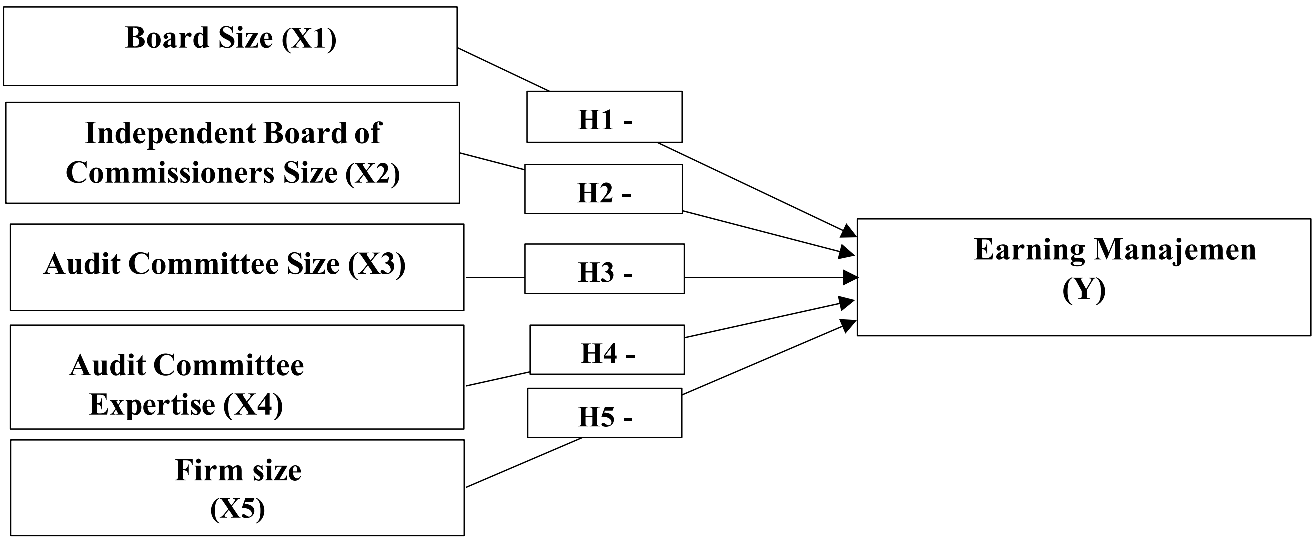

Figure 1. Research Model

Method

The population in this study were 43 banking companies officially registered on the Indonesia Stock Exchange (IDX) which published annual reports for the 2019-2022 period. This study uses *purposive sampling* technique in sampling with criteria, namely conventional banking companies that publish annual reports for 2019-2022, there is complete data on research variables and conventional banking companies that have positive profits. After observing the data, there were 28 company samples for 4 years that met the sample selection criteria, so there were 112 company financial reports.

The research method used was multiple linear regression analysis. This method was then tested using a series of classical assumption tests, including data normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. Furthermore, hypotheses were tested through several stages, including model fit test (F test), partial significance test (T test), coefficient of determination (R2) evaluation, and multiple linear regression analysis. The multiple linear regression model in this study is formulated as follows:

$$EM = \boldsymbol{\alpha} + (-\boldsymbol{\beta}_1)DIR + (-\boldsymbol{\beta}_2)KOMIN + (-\boldsymbol{\beta}_3)KA + (-\boldsymbol{\beta}_4)KKA + (-\boldsymbol{\beta}_5)UP + \varepsilon$$

Description:
EM = Earning management
$\boldsymbol{\alpha}$ = Constant
DIR = Board of Directors
KOMIN = Board of Commissioners
KA = Audit Committee
KKA = Audit Committee Expertise
UP = Firm Size
Ɛ = Error

Table 1. Descriptive Statistics

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Earnings Management	92	-3.21	1.18	-0.0159	0.44995
Board size	92	1.00	4.00	2.6413	0.92876
Independent Commissioner	92	0.33	1.00	0.6008	0.12218
Audit Committee Meeting	92	1.00	10.25	3.5163	2.08600
Audit Committee Expertise	92	1.00	5.00	2.3696	0.92246
Company Size	92	29.20	35.16	32.2919	1.64809
Valid N (listwise)	92				

Source: Researcher-processed data findings, 2023

Normality test with Kolmogorov Smirnov (K-S) test. If the value of Asymp. Sig. (2-tailed) > 0.05 the data population is indicated as normal. Referring to the initial research sample data using 112 sample data displays Asymp. Sig. of 0.000 <0.05, the data is indicated to be abnormal. Data outliers were carried out in the amount of 20 sample data, then conducted research again with 92 sample data and displayed Asymp.

Sig. worth 0.052, meaning that the result is> 0.05. It is concluded that this research indicates normal and can be used for regression tests.

Checking for possible multicollinearity is done by utilising tolerance value and variance inflation factor (VIF) testing. The standard used is that the value of the variance inflation factor (VIF) must be < 10, while the tolerance value must be > 0.100. If these two criteria are met, then the sample data is considered not to have multicollinearity. Analysis of sample data in this study shows that the variable Board size has a VIF value of 6.417 (< 10) with a tolerance value of 0.156 (> 0.100). The Independent Commissioner variable has a VIF value of 1,242 (< 10) with a tolerance value of 0,805 (> 0,100). The Audit Committee Meeting variable has a VIF value of 1,690 (< 10) with a tolerance value of 0.592 (> 0.100). The Audit Committee Expertise variable has a VIF value of 1,184 (< 10) with a tolerance value of 0.845 (> 0.100). The Firm size variable has a VIF value of 6,978 (< 10) with a tolerance value of 0,143 (> 0,100). Therefore, it is concluded that each variable in this study does not show multicollinearity.

Heteroscedasticity testing is carried out using the Spearman correlation coefficient test or the Spearman rank test, with the guideline that if the significance value is> 0.05, then there is no heteroscedasticity. The results of this study indicate that the board size variable has a significance value of 0.522 (> 0.05). The independent commissioner variable has a significance value of 0.144 (> 0.05). The audit committee meeting variable has a significance value of 0.734 (> 0.05). The audit committee expertise variable has a significance value of 0.410 (> 0.05). Firm size variable has a significance value of 0.712 (> 0.05). This shows that each independent variable in the sample data of this study does not show heteroscedasticity.

Autocorrelation checking is done through the run test. If the value of Asymp. Sig. (2-tailed) > 0.05, it can be concluded that the sample data is free of autocorrelation. In this study, the value of Asymp. Sig. (2-tailed) is 0.294 (> 0.05). Based on these results, it is concluded that there is no autocorrelation between the independent variables in this research sample, and the regression model can be considered feasible.

Referring to the research sample data, the coefficient of determination displays an adjusted R-square value of 0.107 (10.7%). This means that the variables of board size, Independent Commissioner, audit committee meetings, audit committee expertise, firm size have an influence on earning management of 10.7%, while 89.3% is influenced by other variables other than the variables of this study.

The F statistical test (model feasibility) has a measurement rule sig value. anova research <0.05, the value of F count> F table means that all independent variables are feasible in the regression model. Referring to the sample data of this study displays the sig value. anova research of 0.011 <0.05 and the calculated F value of 3.177> 2.525.

T (partial) testing is carried out based on the criteria, if the results of the calculated T value are negative and smaller than the T table, and the significance is <0.05, then this indicates that the independent variable has a significant negative effect on the dependent variable. In the context of this research sample data, the board size variable in partial testing shows a significant negative effect on earning management with the results of the calculated T value of -3.145 (< -1.990) and a significance value of 0.002 (< 0.05). The independent commissioner variable partially shows no significant effect on *management earning*, with a calculated T value of 0.992 (> -1.990) and a significance of 0.324 (> 0.05). Audit committee meetings variable also has no significant effect on earning management, with a calculated T value of -0.373 (> -1.990) and a significance value of 0.710 (> 0.05). The audit committee expertise variable has no significant effect on earning management, with a calculated T value of 1.482 (> -1.990) and a significance value of 0.142 (> 0.05). The *firm size* variable does not show a significant positive effect on earning management, with a calculated T value of 2.409 (> -1.990) and a significance of 0.018 (< 0.05).

Table 2. Hypothesis Test Results

Hypothesis	Statement	Results	Decision
H1	Board size has a significant negative effect on earning management	T count < T table **-3.145 < -1.990** Sig value. = 0.002 **0.002 < 0.05**	**Hypothesis Accepted**
H2	Independent commissioners have no significant effect on earning management	T count < T table **0.992 > -1.990** Sig value. = 0.324 **0.324 > 0.05**	**Hypothesis Rejected**
H3	Audit committee meetings have no significant effect on earning management	T count < T table **-0.373 > -1.990** Sig value. = 0.710 **0.710 > 0.05**	**Hypothesis Rejected**
H4	Audit committee expertise has no effect on earning management	T count < T table **1.482 > -1.990** Sig value. = 0.142 **0.142 > 0.05**	**Hypothesis Rejected**
H5	Company size has a positive influence on earning management	T count < T table **2.409 > -1.990** Sig value. = 0.018 **0.018 < 0.05**	**Hypothesis Accepted**

Source: Researcher-processed data findings, 2023

Results and Discussion

Referring to the test results, it is concluded that the size of the board of directors has a negative effect on earning management in conventional banking sector companies on the Indonesia Stock Exchange (IDX) in the period 2019 - 2022. This shows that the greater the proportion of board members, the less likely earning management will occur. This is due to the amount of supervision carried out with many members of the board of directors (Rajeevan & Ajward, 2020). Disclosure of accurate and transparent information to stakeholders makes the board of directors able to suppress earning management practices. Companies with a large proportion of the board of directors can prevent managers from performing *earning management* due to the high supervision carried out by the board of directors (Kajola et al., 2020). The results of this test are the same as research Thinh et al (2022), Cho & Chung (2022) and Rajeevan & Ajward (2020) with the result that the board of directors has a negative influence on earning management.

Referring to the test results, it is concluded that independent commissioners have no significant effect on earning management in conventional banking sector companies on the Indonesia Stock Exchange (IDX) in the period 2019 - 2022. This shows that the existence of independent commissioners has not been able to prevent management actions to practice earning management. Independent commissioners are commissioners outside the company so they cannot influence management not to practice earning management (Bangun & Monoarfo, 2021). Therefore, the size of the proportion of independent commissioners has not been able to guarantee good supervision of financial reporting transparency (Putri & Prasetyo, 2020). The results of this test are the same as research Bangun & Monoarfo (2021), Handoyo & Kusumaningrum (2022) and Kristian & Siswanto (2022) explained that independent commissioners have no influence on management earning. Independent commissioners, namely commissioners outside the company, cannot influence management to practice earning management (Bangun & Monoarfo, 2021).

Referring to the test results, it is concluded that the audit committee meeting has no significant effect on earning management in banking companies on the Indonesia Stock Exchange (IDX) for the period 2019 - 2022. This shows that in this research sample the number of audit committee meetings has no effect on the occurrence of earning management actions. It can be seen that the average company in this research sample conducts audit committee meetings 14 times a year, far exceeding the provisions of the Financial Services Authority, namely 4 times a year. However, it turns out that the average company is still indicated to practice earning management. This means that these meetings have not been effective so that the purpose of forming a committee to maintain the implementation of the pillars of Good Corporate Governance has not worked as expected (Mardjono & Chen, 2020). This may be due to the difficulty of bringing together audit committee members at one time resulting in a lack of coordination in discussing company issues (Dwi & Yuvisa, 2020). The results of this test are the same as research NGO & LE (2021), Setiawan *et al* (2020), Dwi & Yuvisa (2020) which states that audit committee meetings have no effect on earning management.

Referring to the test results, it is concluded that the expertise of audit committee members has no significant effect on earning management in banking sector companies on the Indonesia Stock Exchange in the period 2019 - 2022. This shows that the expertise of the audit committee has not been able to prevent *earning management* practices. It can be seen from the research data that the average sample has 2- 3 members with a knowledge background in economics, finance, accounting on the audit committee. Referring to the background of this expertise, it turns out that earning management practices still occur in the company. This is because this expertise does not guarantee that members control, supervise correctly and appropriately over the company's financial reporting (Nelwan & Tansuria, 2019). Referring to the results of this research data sample test, 49% of the total sample decreased profits and 51% increased profits. However, when viewed from the average value of descriptive statistics of this study, banking companies in this study decreased profits. This is done by managers to improve the appearance of financial statements. Referring to this explanation, it can be concluded that conventional banking companies in this study appointed audit committees with expertise in finance, accounting are considered unable to supervise properly and only to fulfil the regulations of the Financial Services Authority (OJK) which every company must have (Dwi & Yuvisa, 2020).

Referring to the test results, it is concluded that firm size has a significant positive effect on earning management of conventional banking sector companies on the Indonesia Stock Exchange in the period 2019-2022. This shows that a larger firm size can influence management to practice earning management. Large firm size is considered to have the ability to meet the needs of investors because it is able to get high profits (Purwaningsih & Sarifani, 2023). The greater the profit earned results in the amount of tax that must be paid by the company. Referring to the data in this research, the average sample is indicated to practice earning management by reducing income. If it is associated with positive accounting theory, then this earning management action is carried out on the motivation to reduce tax costs (political cost hypothesis). That is why the large firm size has an effect on making earning management practices more likely to occur on the basis of the political cost hypothesis (Kristian & Siswanto, 2022). The results of this test are the same as research Ahmad et al (2020), Bangun & Monoarfo (2021), Hermanto & Berutu (2022) explained that firm size has a positive influence on management earnings.

Conclusion

Based on the findings of the research conducted by the researcher, it can be concluded that the size of the board of directors has a significant negative effect on Earning management practices. However, in relation to the Independent Commissioner, no significant effect was found on earning management actions. Meetings held by the Audit Committee have no significant impact on earning management practices. Similarly, the expertise of audit committee members in economics, finance, and accounting has no significant impact on earning management actions. This indicates that the presence of these competencies in audit committee members does not automatically prevent managers from performing earning management practices. Firm size has a significant positive effect on earning management.

The limitation of this research lies in the calculation of discreationary accruals that only use the Modified Jones Model. There are still many studies that calculate earning management with different measurements. Independent variables in this study, namely Good Corporate Governance and firm size, only affect 10.7% in conventional banking sector companies so that it can be interpreted that there is not much influence on the dependent variable, namely earning management. Therefore, for future research, it is recommended to replace the independent variables with variables that have an influence on earning management practices, such as the level of profitability and leverage ratio. This is due to the fact that companies with low profitability are more likely to encourage managers to perform earning management actions in order to increase profitability and create a positive image in the financial aspect. On the other hand, companies that have a high ratio of debt compared to equity may motivate managers to implement earning management practices to improve the appearance of financial statements. The observation that the company has greater equity than its debt provides a sense of security to investors, because the equity can be used to pay off debt obligations. (Purwaningsih & Mayangsari, 2023). It is also recommended to add a research time period and use data from companies with different sectors.

Researchers' suggestions for companies are to carry out strict supervision of managers and monitor the performance of Audit committee meetings in preparing financial reports. Meanwhile, for the government to conduct more intense supervision and inspection of large-scale companies related to tax payments.

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