Subject Category: Banking

The Influence of Corporate Governance, Tax Avoidance, Leverage, and Company Size to Earnings Management: Empirical Study from Indonesia's Banking Companies 2015-2017

Nengzih Nengzih*
Universitas Mercu Buana, Jl. Meruya Selatan No.1, RT.4/RW.1, Meruya Sel., Kembangan, Kota Jakarta Barat, Daerah Khusus Ibukota Jakarta 11650, Indonesia

Abstract

The aim of this study is to find out the relationship between corporate governance (measured by: institutional ownership; board of commissioner; and independent commissioner), tax avoidance, leverage and company size to earnings management. Based on previous research, we identify some factors can make the company doing earnings management such as corporate governance, tax avoidance, leverage, company size. This research took population and sample from banking companies that listed in IDX 2015-2017. The results show that institutional ownership has significant effect to avoid earnings management. These results also showed that tax avoidance, leverage, Size Company has no significant effect to avoid earnings management.
Keywords: Earnings management, tax avoidance, corporate governance, leverage, company size.

INTRODUCTION

High quality corporate governance strengthens the standard and long term performance of the firm. Corporate governance makes sure the clarity, answerability, fairness, sustainable company's financial performance, shareholder's confidence and the maximization of the shareholders wealth. Shortly, corporate governance used to control and direct the matters of the firm for serving and protecting the individuals and all stakeholders. Due to this corporate governance has become a critical and debatable topic in developed and developing economies in the entire world and it is also being documented in literature by many researchers. Previous research corporate governance in Indonesia's SOEs had no significant effect on financial performance [1], corporate governance which measured by audit committee, board of commissioner, independent commissioner, institutional ownership, and audit quality have no significant impact to Financial decision of the firm [2]. The results of the study [3] investigated the role of corporate governance mechanisms in influencing the relationship between tax avoidance and earnings management by surveying manufacturing companies on the Indonesia Stock Exchange (IDX). Research shows that manufacturing companies in Indonesia apply tax avoidance in the form of earnings management actions.

Mappanyuki *et al.,* [4] stated that financial statements present reliable information regarding company assets, company liabilities, company profits, and other information appropriate or relevant to the wearer's decision. Financial statements can be use as a benchmark for the company's financial performance and consideration for taking future decisions. There's a significance relationship between corporate governance and the quality of financial statement.

Research about corporate governance which measured by audit committee, board of commissioner, independent commissioner, and institutional ownership have significant impact to tax avoidance and financiaal conditios measured with return On Asset (ROA) has positive significant impact to tax avoidance [5]. Based on the previous research that a company doing tax avoidance might deal with risky and uncertainty as that activity might be detected by tax authority that leads to company's loss. In this case, Research by Desai and Dharmapala [6] stated that the cost incurred for the tax avoidance activities compels manager to ensure that those activities conducted by the company are not detected as an illegal activity (unacceptable tax avoidance) by tax authority. If it is detected, sanctions to be received can take the form of additional tax payments, interest, penalties, and other additional payments that can reduce the cash flow and the wealth of the shareholder, and the total number of the sanctions

might exceed the benefits that have accrued to the enterprise [7]. Therefore, the consequence to be afraid of most is the reputation damage of the company whenever public realizes it [8].

Desai and Dharmapala [6] report their second view which is based on agency theory. According Slemrod [9], Chen and Chu [10], and Crocker and Slemrod [11], the relationship of tax avoidance activity and agency problems is inherent in the companies owned by public. Tax avoidance activities undertaken by the company can be used by managers to do earnings management. Earnings management that reflects the opportunistic nature of management is an action suffering the company. The existence of the agency problem might raise questions whether the tax avoidance actions undertaken by the company promotes the interests of shareholders. The application of various schemes, methods, scenarios, and tactics in the activities of tax avoidance instead is being used as a way for management to achieve personal interest which is not aligned with the corporate goals.

The aim of this study was to test whether tax avoidance is a way used by companies to do earnings management in banking companies in Indonesia. Although the aim of this study is in line with [12-14] whose aim is to determine whether tax-related disclosures can be used as a way to detect earnings management of a company, previous studies have not tested yet the effect of the tax avoidance on earnings management.

Background literature reveled that firms tend to avoid reporting losses. Burgstahler and Dichev [12] and DeGeorge, Patel, and Zechhauser [15], suggest that investor's would like to observe a positive earning. Due to that we expect that firms with higher leverage ratios have higher incentives to manage their earnings since they must present their lenders good results so they will refinance firm debt. According to Matsumoto [16] managers want to avoid earnings surprises. There are two ways, according to the author, they can do that: first one is to manage earnings to beat or reach analysts' target. Second one is to low analysts expectations, so they will low their predictions. Notice that both mechanisms involve costs. Anne Bayer [17] model managers' utility function and conclude that the less persistent firms cash flow, the strongest is manager's incentive to reduce his forecast error, otherwise investors, or in our case lenders, will perceive the firms cash flow to be riskier. When a firm is highly leveraged, it has to face the strict scrutiny of lenders and its spendings are often restricted due to scrutiny of lenders. Prior research is consistent with the control hypothesis prediction that leverage increases reduce opportunistic behavior of managers. Beatty and Weber [18] suggests that leveraged firms engage in Earnings Management to avoid debt covenant default. Nevertheless, Jelinek [19] studies the effect of leverage increase on accrual earnings management and concludes that increased leverage is associated with reduced accrual Earnings Management. Ujah and Brusa [20] find that both financial leverage and cash flow volatility impact the degrees to which firms manage their earnings. That business cycle and not bond or debt ratings affect firm´s earnings management. Furthermore, they find that depending of what economic group or industry a firm belongs to, their degree and extent of managed earnings varies, where consumer staples and cyclical is the most manipulated industry and transportation and utilities industries are the least manipulated. Hence, earnings management is a paramount issue to be addressed among firms and within industries.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Corporate Governance and Earnings Management

Corporate governance is a set of regulation and control tools which will lead to achieving the goals, clearness, fairness and analyzing stakeholder's right to manage activities, policy, arrangements, processes, traditions and systems. Peak quality of reporting earnings has lead to financial standing of a company through annual reports of performance during its defined fiscal year in a suitable and sincere approach. If manager's goals are fully in line with stockholder's benefits or conflict of interests does not exist between them, there is no need for managers to depict imaginary reports of company's position to stockholders [21]. Corporate governance is has ability to reduce agency cost and it leads to promote quality in the reported earnings for attaining high value in the market. Karmanaou, I. and N. Vafeas [22] added that firms having effective governance are more likely to make or update a management forecast.

The Sarbanes-Oxley Act [23] highlighted the necessity for the board to have independent members to improve the earnings quality by minimizing earnings management. Following the 1997 Asian financial crisis, the Korean government introduced a series of corporate amendments which required among others a minimum of 25% of the board to be made up of external directors [24]. Jaggi *et al.*, [25] concluded that the earnings quality is better for Hong Kong companies with a higher proportion of independent directors on the board. This is consistent with prior studies, such as studies of Klein [26] and Niu [27] which found a negative relationship between earnings management and the level of board independence in the US and Canada. Additionally, Mashayekhi and Bazaz [28] found that the presence of external directors enhanced the performance of firms in TSE-listed companies, because they strengthened impartial monitoring processes. Goodstein, Gautam, and Boeker [29] argued that smaller boards of 4-6 members might be more effective, since they can make timely strategic decisions, while larger boards are capable of monitoring the actions of

top management [30] and increase the earnings quality [31, 32]. Therefore, the study predicts that corporate governance has a positive effect on earnings management, as hypothesized below:

H1: corporate governance has significant relationship to earnings management

Tax Avoidance and Earnings Management

Previous research by Burgstahler and Dichev [12] raise that earnings management can be detected by empirical model based on deferred income tax expense. This research results provide reference for the detecting of earnings management behavior related to income tax. Corporations achieve the goal for certain business results firstly by means of manipulating non-taxable items. However, when the earning management of non-taxable items cannot bring enough profit to achieve that goal, corporations will through certain means reduce income tax owed to realize the profit target. This research provides theoretical support for realizing earnings management by tax means. Research by Wang and Chen [33] in Chinese listed companies during 2004-2006 found a significant positive correlation between earnings management and tax avoidance and the long-term business performance weakens this positive correlation. In particular, for state-backed companies, their business performance has little influence on the motivation of earnings management. The study predicts that tax avoidance has a positive effect on earnings management, as hypothesized below:

H2: tax avoidance has significant relationship to earnings management

Leverage and Earnings Management

Previous research by Ramadan [34] revealed that financial leverage, firm's performance, investment decisions and accounting conservation, in existence of two control variables: firm's size and cash holding had a significant direct impact on Earnings Quality. Hassan & Farouk [35] found that leverage, liquidity and firm growth had a significant positive impact on earnings quality, however firm size, institutional ownership and profitability have a significant but negative influence on Earnings Quality. The effect of leverage, sales and firm size, operation cycle, performance and the classification of the industry on Earnings Quality which expressed by 5 proxies: accrual quality, persistence, predictability, smoothness, and the quality of factorial earnings, was investigated by [36] study which covered the period from 2005 until 2010. The results revealed that leverage variable had a significant relationship with five proxies of Earnings Quality, than sales and firm size that found a significant relationship with four proxies of Earnings Quality. Operation cycle, performance and the classification of the industry resulted in two proxies of Earnings Quality. Shivakumar [37] study showed that the private company financial reporting quality is not affected by

controls for size, leverage, industry membership and auditor size, or by permitting spontaneous growth of listing choice. The result improves understanding of private companies, which are prevalent in the economy. It also supply insight into the economics of accounting standards.

H3: Leverage has significant relationship to earnings management

Company Size and Earnings Management

Moses [38] suggests that companies are more likely to have a greater intention to perform income smoothing than smaller ones. It is done because they have a greater political cost. Political costs arise because of the high profitability of the company can attract the attention of the media and consumers. Moses [38] shows evidence that the positive effect of company size on earnings management. Big companies (in the size of total assets) received more attention from analysts and more recognizable than the small ones. This is due to a great concern such as the high profit fluctuations that will attract attention and deliver unexpected impact. In this case, managers increase their companies' earnings by manipulation to avoid negative impacts that may occur. Evidence can be taken from another research. For example, Wasilah [39] concluded that company size has a positive influence on earnings management. This condition can make the company possible to have the market's confidence. The confidence is relatively imposed on big companies which are better able to provide powerful information. The same thing is shown Makaryanawati [40] found that large companies tend to be the concern of various parties, especially the government so motivated to align their performance so as not to look bad. Veronica and Siddharta [41] research on the JSE (BEI) in the observation period 1995-1996 and 1999-2002, found the company size significantly and negatively related to earnings management. It is a determinant factor in reducing the manipulation of financial information and improves the quality of financial reporting.

H4: Company size has significant relationship to earnings management

RESEARCH METHODOLOGY

This section describes the type of data collected, sources of data, period of the data and methodology used to examine this relationship, the method of measuring proposed variables and research model and methods.

Data, Population and Sample

The population consists of all listed banking companies at Indonesia Stock Exchange (IDX) for the period from 2015 to 2017. The financial data will be gathered from the database available on (IDX) official website. The samples chosen were banking companies

assumed to do tax avoidance. In this study, the word allegedly doing tax avoidance is used because Indonesia has no tax avoidance act to be issued yet that results in undetermined criteria whether a company doing tax avoidance or not. The criteria used for companies doing tax avoidance are referred to the research of Putri and Tanno [42] in which the company considered doing tax avoidance is the company whose its ETR (Effective Tax Rate) value is under the statutory tax rates. Earnings Management (EM) as dependent variable: Earnings management performed by manipulating the accruals numbers, namely discretionary accruals, which do not affect cash directly, through a wide choice of accounting methods that can be used in preparing financial reports. Earnings management measured by

discretionary accruals. Jones [43] and Dechow *et al.,* [44]. The sampling method applied in this study was purposive sampling method. The sampling process was carried out in two stages. The first stage was based on the following criteria:

- Banking companies are listed on the IDX in 2015-2017
- Company data is available in the year of observation
- Companies that did not lose during the year of observation
- Companies met the criteria for implementing Corporate Governance

Table-1: List of Sample Criteria

List Criteria of the Sample	Total
Banking companies are listed on the IDX in 2015-2017	37
Company data is available in the year of observation	36
Companies that did not lose during the year of observation	30
Companies met the criteria for implementing Corporate Governance	30
Total sample of the Banking Companies	**30**

Econometric Model and Analysis

Panel data has been used in this study. Panel data analysis has its own significance because of its

feature that it can analyze different cross sections over the period of time. Our econometric model is as follows:-

$$EM = \beta0 + \beta1ETR + \beta2IC + \beta3BOC + \beta4IO + \beta5LV + \beta6\ SZ + \varepsilon...$$

In this study used multiple regression analysis with the help of SPSS Version 22. The results of the regression analysis are in the form of coefficients for each independent variable.

Where:
EM= Earnings Management
BOC = board of commissioners
IC = independent commissioner
IO = institutional ownership
TA= Tax Avoidance (ETR)
LV = Leverage
SZ = Company Size

RESULTS AND DISCUSSION

Descriptive statistical analysis used to determine the description of the data, this analysis is done by looking at the maximum, minimum, mean, and standard deviation of the data. Descriptive analysis using SPSS 22, the variables studied are the Corporate Governance measured by Institutional Ownership (IO), Board of Comission (BOC), Independent Comissioner (IC), Leverage, Company Size, tax Avoidance measured wit ETR and Earnings management measured by Discretionary Accruals (DA). The test results of descriptive statistical analysis can be seen in the following table: Table-2 shows that the amount of data used in this study is 86 samples. Data on the 86 samples were taken from the Audited 30 Annual Financial Statements of the banking companies listed on the Indonesia Stock Exchange for the period of 2015 to 2017 (three) years.

Table-2: Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
EM	86	,52283	,97571	,7769470	,08451055
IO	86	3,50783	4,57767	4,2689240	,24415845
IC	86	3,62434	4,38203	4,0325176	,19052284
BOC	86	3,21888	4,38203	3,9974367	,26766770
LV	86	-,34138	2,69114	1,7118267	,54266055
SZ	86	5,32084	5,88708	5,6334314	,14929220
TA	86	,00000	,77630	,4746627	,11412299
Valid N (listwise)	86				

F test is used to determine the effect of independent variables simultaneously to the independent variable, whether the impact is significant or not. When the value of F count is greater than the value of F table, then Ho is rejected and accepted Ha and if the significance value <0.05, Ha accepted. F statistical test results in this study are shown in the table-3 below:

Table-3:

Model		Sum of Squares	df	Mean Square	F	Sig.
ANOVA[a]						
1	Regression	,113	6	,019	3,021	,010[b]
	Residual	,494	79	,006		
	Total	,607	85			
a. Dependent Variable: KL						
b. Predictors: (Constant), TA, SZ, LV, BOC, IC, IO						

This test aims to determine the effect of each independent variable partially on dependen.If variable significance value <0.05 it means that the independent variables have an effect on the dependent variable, but if the significance value ≥ 0.05, meaning that the independent variable has no influence on the dependent variable. The test results of the t test values and significance testing on the following table:

Table-4: Results of the t test Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Coefficients[a]						
		B	Std. Error	Beta		
1	(Constant)	-,439	,593		-,740	,461
	IO	,125	,038	,360	3,248	,002
	IC	,082	,050	,185	1,655	,102
	BOC	-,019	,034	-,062	-,574	,568
	LV	,016	,017	,104	,940	,350
	SZ	,060	,066	,106	,911	,365
	TA	,137	,077	,185	1,786	,078
a. Dependent Variable:EM						

1. Deskriptif

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
KL	86	,52283	,97571	,7769470	,08451055
IO	86	3,50783	4,57767	4,2689240	,24415845
KI	86	3,62434	4,38203	4,0325176	,19052284
AI	86	3,21888	4,38203	3,9974367	,26766770
LV	86	-,34138	2,69114	1,7118267	,54266055
SZ	86	5,32084	5,88708	5,6334314	,14929220
TA	86	,00000	,77630	,4746627	,11412299
Valid N (listwise)	86				

2. Normalitas (**OK**)

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		86
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,07621715
Most Extreme Differences	Absolute	,047
	Positive	,047
	Negative	-,046
Kolmogorov-Smirnov Z		,433
Asymp. Sig. (2-tailed)		**,992**
a. Test distribution is Normal.		
b. Calculated from data.		

3. Multikolinieritas (**OK**)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-,439	,593		-,740	,461		
	IO	,125	,038	,360	3,248	,002	,836	1,196
	KI	,082	,050	,185	1,655	,102	,826	1,211
	AI	-,019	,034	-,062	-,574	,568	,890	1,123
	LV	,016	,017	,104	,940	,350	,844	1,185
	SZ	,060	,066	,106	,911	,365	,760	1,315
	TA	,137	,077	,185	1,786	,078	,964	1,038
a. Dependent Variable: KL								

Coefficients[a]

4. Heterokedastisitas (**OK**)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,594	,348		1,706	,092
	IO	,010	,023	,053	,450	,654
	KI	-,048	,029	-,197	-1,659	,101
	AI	,003	,020	,018	,155	,878
	LV	-,001	,010	-,008	-,066	,948
	SZ	-,074	,039	-,237	-1,917	,059
	TA	,050	,045	,121	1,103	,273
a. Dependent Variable: AbsRes2						

5. Autokorelasi (**OK**)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,432[a]	,187	,125	,07905851	1,961
a. Predictors: (Constant), TA, SZ, LV, AI, IO, KI					
b. Dependent Variable: KL					

6. Koefisien Determinasi (**OK**)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,432[a]	,187	,125	,07905851
a. Predictors: (Constant), TA, SZ, LV, AI, IO, KI				
b. Dependent Variable: KL				

7. Uji F (**OK**)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,113	6	,019	3,021	,010[b]
	Residual	,494	79	,006		
	Total	,607	85			
a. Dependent Variable: KL						
b. Predictors: (Constant), TA, SZ, LV, AI, IO, KI						

The output of data processing using SPSS above shows the value of the coefficient of determination (Adjusted R square) of 0.125. The magnitude of the coefficient of determination means that the independent variables (TA, SZ, LV, IC, IO, BOC) have an effect on the dependent variable (EM) of 12.5%. While the rest, which is equal to 87.5% is influenced by other variables outside of this regression

model. Results from the t-test shows that only IO (Institutional Ownership) has t-sign under 0.05 that means only IO as independent variable has significant effects to Earnings Management (EM). This results support research by McConnel and Servaes [45], Smith [46], Hartzell and Starks [47], and Cornett *et al.*, [48] found the evidence that the controlling conducted by the company and institutional investors can constrain the manager's behavior controlling the process to reduce earnings management. This capability is needed because the institutional investors are mostly the ones who are not sophisticated easily to be fooled by the management. Therefore, the institutional investors will make analyzes of reviews their investment and do an assessment of information gathered in order to effectively control the process.

REFERENCES

1. Murni, Y. (2018). Corporate Governance, Value Chain and Financial Performance: An Empirical Analysis in Indonesia's SOEs. *International Journal of Contemporary Research and Review*, 9(2), 20485-20492.
2. Nengzih. (2017). Determinant of Corporate Governance, Audit Quality and Financing Decision. *Research Journal of Finance and Accounting*, 8(8).
3. Putri, A., Rohman, A., & Chariri, A. (2016). Tax Avoidance, Earnings Management, and Corporate Governance Mechanism (An Evidence From Indonesia). *International Journal Of Economic Research*, 13(4), 1531-1546.
4. Mappanyukki, R., Prakoso, H. D., & Irwandi, S. A. (2016). The Impact of Free Cash Flow and Good Corporate Governance on Earning Management of Banking Companie Listed on The Indonesian Stock Exhange. *Research Journal of Finance and Accounting*, 7.
5. Nengzih. (2018). Determinant of corporate tax avoidance: survey on Indonesia's public listed company. *International Journal of Economics, Business and Management Research*, 2(2).
6. Desai, M. A., & Dharmapala, D. (2009). Corporate tax avoidance and firm value. *The review of Economics and Statistics*, 91(3), 537-546.
7. Desai, M. A., Dyck, A., & Zingales, L. (2007). Theft and taxes. *Journal of Financial Economics,* 84(3): 591-623.
8. Hanlon, M., & Slemrod, J. (2009). What does tax aggressiveness signal? Evidence from stock price reactions to news about tax shelter involvement. *Journal of Public Economics*, 93(1-2), 126-141.
9. Slemrod, J. (2004). *The economics of corporate tax selfishness* (No. w10858). National Bureau of Economic Research.
10. Chen, K. P., & Chu, C. C. (2005). Internal control versus external manipulation: a model of corporate income tax evasion. *RAND Journal of Economics*, 151-164.
11. Crocker, K. J., & Slemrod, J. (2005). Corporate tax evasion with agency costs. *Journal of Public Economics*, 89(9-10), 1593-1610.
12. Burgstahler, D., & Dichev, I. (1997). Earnings management to avoid earnings decreases and losses. *Journal of accounting and economics*, 24(1), 99-126.
13. Phillips, J., Pincus, M., & Rego, S. O. (2003). Earnings management: New evidence based on deferred tax expense. *The Accounting Review*, 78(2), 491-521.
14. Holland, K. M., & Jackson, R. H. G. (2009). Earnings Management and Deferred Tax 2009 [cited March 2013. Available from http://ssrn.com/abstract=327220 or http://dx.doi.org/10.2139/ ssrn.327220.
15. Degeorge, F., Patel, J., & Zeckhauser, R. (1999). Earnings management to exceed thresholds. *The Journal of Business*, 72(1), 1-33.
16. Matsumoto, D. A. (2002). Management's incentives to avoid negative earnings surprises. *The Accounting Review*, 77(3), 483-514.
17. Beyer, A. (2009). Capital market prices, management forecasts, and earnings management. *The Accounting Review*, 84(6), 1713-1747.
18. Beatty, A., & Weber, J. (2003). The effects of debt contracting on voluntary accounting method changes. *The Accounting Review*, 78(1), 119-142.
19. Jelinek, K. (2007). The effect of leverage increases on earnings management. *The Journal of Business and Economic Studies*, 13(2), 24.
20. Ujah, N. U., & Brusa, J. O. (2011). Earnings management, financial leverage, and cash flow volatility: Do economic conditions matter?.
21. Sivaramakrishnian, K., & Yu, S. H. (2008). On the association between corporate governance and earniningquality. http://ssrn.com.
22. Karamanou, I., & Vafeas, N. (2005). The association between corporate boards, audit committees, and management earnings forecasts: An empirical analysis. *Journal of Accounting research*, 43(3), 453-486.
23. Sarbanes-Oxley Act. (2002). Public law 107-204. Retrieved from http://www.sec.gov/about/laws/soa2002.pdf
24. Choi, J. J., Park, S. W., & Yoo, S. S. (2007). The value of outside directors: Evidence from corporate governance reform in Korea. *Journal of Financial and Quantitative Analysis*, 42(4), 941-962.
25. Jaggi, B., Leung, S., & Gul, F. (2009). Family control, board independence, and earnings management: Evidence based on Hong Kong firms. *Journal of Accounting and Public Policy*, 28(4), 281-300.
26. Klein, A. (2002). Audit committee, board of director characteristics, and earnings management. *Journal of Accounting and Economics*, 33(26), 375-400.

27. Niu, Q. W., Lin, S. S., Reyes, J. L., Chen, K. C., Wu, H. W., Yeh, S. D., & Chua, N. H. (2006). Expression of artificial microRNAs in transgenic Arabidopsis thaliana confers virus resistance. *Nature biotechnology*, *24*(11), 1420.

28. Mashayekhi, B., & Bazaz, M. S. (2008). Corporate governance and firm performance in Iran. *Journal of Contemporary Accounting & Economics*, *4*(2), 156-172.

29. Goodstein, J., Gautam, K., & Boeker, W. (1994). The effects of board size and diversity on strategic change. *Strategic management journal*, *15*(3), 241-250.

30. Zahra, S. A., & Pearce, J. A. (1989). Boards of directors and corporate financial performance: A review and integrative model. *Journal of management*, *15*(2), 291-334.

31. Xie, B., Davidson III, W. N., & DaDalt, P. J. (2003). Earnings management and corporate governance: the role of the board and the audit committee. *Journal of corporate finance*, *9*(3), 295-316.

32. Peasnell, K. V., Pope, P. F., & Young, S. (2005). Board monitoring and earnings management: Do outside directors influence abnormal accruals?. *Journal of Business Finance & Accounting*, *32*(7-8), 1311-1346.

33. Wang, S., & Chen, S. (2012). The Motivation for Tax Avoidance in Earnings Management.

34. Ramadan, I. Z. (2015). Earnings Quality Determinants of the Jordanian Manufacturing Listed Companies. *International Journal of Economics and Finance*, *7*(5), 140.

35. Hassan, S. U., & Farouk, M. A. (2014). Firm attributes and earnings quality of listed oil and gas companies in Nigeria. *Review of Contemporary Business Research*, *3*(1), 99-114.

36. Pagalung, G., & Sudibdyo, B. (2012). The Determinant Factors of Earnings Quality and Economic Consequences. *Journal Economy*, *16*(1), 105-122.

37. Ball, R., & Shivakumar, L. (2005). Earnings quality in UK private firms: comparative loss recognition timeliness. *Journal of accounting and economics*, *39*(1), 83-128.

38. Moses, O. D. (1987). Income smoothing and incentives: Empirical tests using accounting changes. *Accounting Review*, 358-377.

39. Wasilah, W. (2005). Hubungan Antara Informasi Asimetri Dan Praktek Perataan Laba Di Indonesia. *Jurnal Akuntansi dan Keuangan Indonesia*, *2*(1), 1-23.

40. Makaryanawati. (2003). Analisis perbedaan praktik perataan penghasilan melalui ukuran perusahaan, *Ekuitas Jurnal Ekonomi dan Keuangan*, 7(1), 1-15.

41. Siregar, S. V. N. (2005). *Pengaruh struktur kepemilikan, ukuran perusahaan, dan praktek corporate governance terhadap pengelolaan laba (earnings management) dan kekeliruan penilaian pasar* (Doctoral dissertation, FE-UI).

42. Tanno, A. (2015). The Role of Earnings Management in Relation between Tax Avoidance and Investor Reaction: The Case of Indonesia. *International Journal of Research in Business and Technology*, *7*(1), 867-872.

43. Jones, C. B. (1990). *Systematic software development using VDM* (Vol. 2). Englewood Cliffs: Prentice Hall.

44. Dechow, P. M., Sloan, R. G., & Sweeney, A. P. (1995). Detecting earnings management. *Accounting review*, 193-225.

45. McConnell, J. J., & Servaes, H. (1990). Additional evidence on equity ownership and corporate value. *Journal of Financial economics*, *27*(2), 595-612.

46. Smith, M. P. (1996). Shareholder activism by institutional investors: Evidence from CalPERS. *The journal of finance*, *51*(1), 227-252.

47. Hartzell, J. C., & Starks, L. T. (2003). Institutional investors and executive compensation. *The journal of finance*, *58*(6), 2351-2374.

48. Tehranian, H., Cornett, M. M., Marcus, A. J., & Saunders, A. (2006). Earnings management, corporate governance, and true financial performance.