The Effect of Good Corporate Governance Mechanism on the Quality of Earnings with Profit Management as Moderation

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Abstract— **This research begins with the existence of the phenomenon of earnings management actions on financial statements carried out by the company PT. Garuda Indonesia Tbk and PT. Timah Tbk. Earnings management actions taken make the quality of the company's earnings doubtful. So this study aims to examine and analyze the effect of good corporate governance mechanisms on earnings quality with earnings management as moderating. This research is a quantitative research. Data collection uses the financial statements of State-Owned Enterprises listed on the Indonesia Stock Exchange in 2016 – 2019 as many as 60 samples. Data analysis using Eviews.**

The results showed that the board of directors had a significant effect on earnings quality. Meanwhile institutional ownership, audit committee and earnings management have no effect on earnings quality. In addition, the audit committee has a significant effect on earnings quality, which is moderated by earnings management. Meanwhile, the board of directors and institutional ownership have no effect on the quality of earnings moderated by earnings management

Index Terms— **good corporate governance mechanism, institutional ownership, board of directors, audit committee, earnings quality and earnings management**

1. INTRODUCTION

A company must have a competitive advantage from other companies, companies are not only required to produce quality products for consumers, and must be able to manage their company's finances properly and correctly. However, there are several cases of earnings management actions carried out by several companies, namely :case of PT. Timah Tbk which provided fictitious financial reports in the first semester of 2015 to cover the company's financial performance which continues to be alarming. [1] then the case of misstatement of financial statements by PT Garuda Indonesia Tbk, where the 2018 financial statements posted a net profit of USD 809.85 thousand. This figure jumped sharply compared to 2017 which suffered a loss of USD 216.5 million. However, the financial statements are not in accordance with the Statement of Financial Accounting Standards (PSAK). Because PT. Garuda Indonesia includes unpaid profits. [2]. According to Chariri and Ghazali (2007) [3] the company is not an entity that operates only for its own interests but must also provide benefits to its stakeholders, namely shareholders, creditors, consumers, suppliers, government, society, analysts and others. The management of the company must be able to be responsible for managing its finances so that it can comply with the guidelines in the statement of financial accounting standards (PSAK) and also tax regulations. One of the important things in financial statements is about earnings information. Research conducted by Oktaviana et al (2015) [4] concluded that institutional ownership, the board of directors and the audit committee affect earnings quality. And also according to Pratiwi et al (2016) [5] institutional ownership, and the audit committee have an influence on earnings management. The purpose of this study is to examine and analyze: (1) The effect of institutional ownership on earnings quality. (2) The effect of the board of directors on earnings quality.(3) The effect of the audit committee on earnings quality. (4) The effect of earnings management on earnings quality.(5) The effect of earnings management moderating institutional ownership on earnings quality. (6) The effect of moderating earnings management on the board of directors on earnings quality.(7) The effect of moderating earnings management on the audit committee on earnings quality.

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2. THEORETICAL REVIEW

A. Stakeholder Theory

According to Freeman (1984) [6] Stakeholders are individuals or groups who can influence and or be influenced by the organization as a result of its activities and state that the organization will choose to voluntarily disclose information about their environmental, social and intellectual performance over and above its mandatory request to meet actual or recognized expectations of stakeholders. One form of voluntary disclosure that is currently developing is the publication of Good Corporate Governance. Stakeholders include all parties, internal and external that can influence or be influenced by the company, either directly or indirectly. Based on the picture above, it can be concluded that the company's relationship with stakeholders has an effect on various parties, where companies can be influenced and have an influence on shareholders, management and top executives, employees, employees' families, consumers, distributors, suppliers, banks, governments, competitors, communities, and also the media.

B. Agency Theory

According to Scott (2015) [7] Agency theory states that the relationship between agents and agents can lead to a condition of information imbalance, where the agent has more information about self-capacity, work environment, and the company as a whole than the principal. Sometimes any information submitted is not in accordance with the actual condition of the company, thus this results in an imbalance of information held by the principal and agent. This information imbalance is known as information asymmetry. There are 2 (two) asymmetric information, namely: 1) Adverse Selection, namely managers and people within the company know more about the state and prospects of the company than external parties, namely investors or shareholders and there may be facts that are not conveyed to the owner or principal. 2) Moral Hazard, namely activities carried out by managers who are not entirely known by investors, namely shareholders or creditors, so that managers can take actions that violate contracts which may normally be less or not feasible.

C. Institutional Ownership

According to Pasaribu et al (2016) [10] Institutional ownership is the percentage of shares owned by institutions. So that institutional ownership can be used as a tool to reduce conflicts of interest. And the greater the percentage level of share ownership by institutions or other institutions originating from outside the company, the supervision of the company's operations will be higher. This is expected to be able to minimize and reduce the behavior of the company's management to manipulate or fraud. So that financial statements that can be accounted for and are not misleading to be used by interested parties to make a decision will be created. Based on some of the understandings and opinions that have been put forward, it can be concluded that institutional is voting rights owned by government agencies or other institutions originating from outside the company, both inside and outside the country.

D. Board of Directors

Hanna, (2015) in setiyawati, (2017) [11] Good corporate governance appears as an option that is not only a formality, but a value system that greatly influences the increase in company value. In the General Guidelines for Good Corporate Governance in Indonesia (2006) [12] explains that the board of directors is a corporate organ that is collegially tasked and responsible in managing the company. Each member of the board of directors can carry out their duties and make decisions in accordance with their authority and division of duties. The implementation of duties by each member of the board of directors remains a shared responsibility. The position of each member of the board of directors and the president director is equal. In order to carry out the duties of the Board of Directors properly, it is necessary to implement the following principles: 1) The composition of the board of directors must be such that it enables effective, precise and fast decision making. 2) The Board of Directors must be professional, have integrity and have the necessary experience and skills to carry out their duties. 3) The Board of Directors is responsible for the management of the company in order to generate profits and ensure the sustainability of the company's business. 4) The Board of Directors is responsible for its management in the GMS in accordance with the prevailing laws and regulations.

E. Audit Committee

According to Moh. Arief Effendi (2016: 56) [13] An effective audit committee works as a tool to increase the effectiveness, responsibility, transparency and objectivity of the board of commissioners, and has the function of: 1) Improving the quality of financial reports by supervising financial reports on behalf of the board commissioner. 2) Creating a climate of discipline and control that can reduce the possibility of abuses. 3) Assist the finance director, by providing an opportunity where important or difficult issues can be raised. 4) Strengthening the external auditor's position by providing an effective communication channel on issues of concern. 5) Strengthening the position of internal auditors by strengthening their independence from management. 6) Increase public confidence in the feasibility and objectivity of financial reports and increase confidence in good internal control. 7) Ensure that senior management cultivates a culture of corporate governance. 8) Require internal auditors to report in writing the results of the corporate governance examination and other findings. So broadly speaking, based on the responsibilities or duties of the audit committee, it includes a review of financial information issued by the company such as projections, and other financial information.

F. Earnings Quality

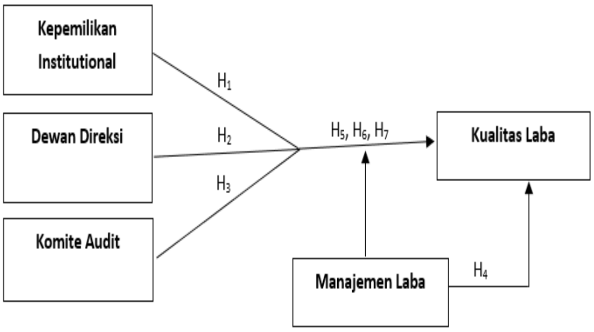
According to Sudirman (2017) [8] Profit is an indicator that can be used to measure the company's operational performance. Information about profits can measure the success or failure of the company in achieving the goals that have been set. Earnings quality is one of the important aspects that can be used to evaluate the company's financial health. This is because the quality of earnings reflects the actual financial condition of the company at this time and can be used to predict financial conditions in the future. According to Godfrey (2009) [9] Profits are said to be of good quality and according to the conceptual framework must meet the criteria of relevance and faithfully representative. Relevant means that these profits can be used as a basis for decision making so that profits must have predictive power and feedback value. While faithfully representative means that profits have been truly presented so that their characteristics must be neutral and focus on the right objectives.

G. Earnings Management

There are 2 (two) definitions of earnings management According to Sugiri (1998) [14], among others: 1) Narrow definition Earnings management is defined as the behavior of managers in playing with the engineering component of accruals (discretionary accruals) which is a provision for credit losses, costs warranty (warranty cost), inventory value (inventory value), as well as the application of time and the number of extraordinary items (extraordinary items) for example write-offs and provisions for reorganization in determining the amount of profit. 2) The broad definition includes earnings management is a manager's action in increasing or reducing reported earnings for a business unit for which the manager is responsible without causing an increase or decrease in long-term profitability. The action of the manager's intervention in the preparation of financial statements that are used to improve personal welfare and increase the value of the company is an understanding of earnings management as a whole.

H. Framework

According to Sunjandari (2019) [15] the failure of several companies and the emergence of malpractice cases are unexpected practices that mainly occur in government companies, therefore the implementation of good corporate governance is the most important thing. The mechanism of good corporate governance itself is related to external and internal parties of the company. According to Sutedi (2012) [16] Good corporate governance mechanisms have the ability in relation to producing a financial report containing earnings information. Thus, stakeholders hope to obtain more accurate and useful information and quality and free from earnings management actions. so that investors can use the report to make the right decisions. Based on theoretical studies and previous research, the framework of thought in this study is about the effect of institutional ownership, board of directors, board of commissioners, audit committee on earnings quality with earnings management as moderating. Based on Uma Sakaran (2013) [17], it can be described a framework of thought with the appropriate moderator variables as follows:



Picture. 1. Framework

Based on the conceptual framework above, the hypotheses in this study are as follows:
H1 : Institutional ownership has an effect on earnings quality.
H2 : Board directors affect earnings quality.
H3 : The audit committee has an effect on earnings quality.
H4 : Earnings management has an effect on earnings quality.
H5 : Earnings Management moderates the effect of Institutional Ownership on Earnings Quality.
H6 : Earnings Management moderates the influence of the Board of Directors on Earnings Quality.
H7 : Earnings Management moderates the influence of the Audit Committee on Earnings Quality.

3. RESEARCH METHODS

The type of data used in this study is the type of secondary data. The population used is State-Owned Enterprises (BUMN) listed on the Indonesia Stock Exchange (IDX) for the 2016–2019 period. The sample technique uses a purposive sampling method from a sample of 18 companies that meet the criteria are 15 companies with an observation period of 4 years so that total research observations were 60. Data analysis in this study used the help of Eviews version 9 software by selecting the appropriate regression model estimation method, namely: pooled least square (common effect), fixed effect model, or random effect model.
According to Uma Sekara and Roger Bougie (2017:112) [18] This research is a quantitative research and includes a causal study. Quantitative research aims to gain an understanding of social phenomena from the perspective of participation. Causal research is where the researcher aims to test the hypothesis about the effect of one or several independent variables on other variables. This study aims to test the hypothesis of the effect of good corporate governance mechanisms on earnings quality with earnings management as moderating.

Operational research variables are as follows:

Table 1. Operational Variables

No	Variable	Variable Indicator	Scale
1	Dependent Variable (Y) Earnings Quality Dechow dkk (1995) [19]	DACCit = Tait / Ait-1 – NDAit	Ratio
2	Independent Variable (X1) Institutional Ownership Yasmeen (2015) [20]	**Institutional Ownership =** Institutional Stock / Outstanding Stock	Ratio
3	Independent Variable (X2) Board of Directors Astari dkk (2017) [21]	**Board of Directors =** Number of Board	Ratio
4	Independent Variable (X3) Audit Committee Ningtyas, et,al (2014) [22]	**Audit Committee =** Audit Committee Member	Ratio
5	Moderating Variable (Z) Earnings Management Sulistiawan (2011) [23]	DAit = TAit - NDAit	Ratio

4. RESULTS AND DISCUSSION

A. Description of Research Object

Table 2. Descriptive Statistical Test Results

	KI	DD	KA	ML	KL
mean	0.402933	6.900000	4.266667	-0.121174	-0.349333
Maximum	0.650000	12.000000	8.000000	0.029598	1.067000
Minimum	0.245000	3,000000	2000000	-0.592858	-1.212000
Std. Dev.	0.096587	2.333979	1.424563	0.107440	0.440038
Observations	60	60	60	60	60

Table 2 presents a description of the minimum, maximum, average and standard deviation values with institutional ownership (KI) variables. board of directors (DD), audit committee (KA), earnings quality (KL), and earnings management (ML).
Institutional ownership has a minimum value of 0.245 owned by PT. Semen Baturaja and a maximum value of 0.650 is owned by PT. Wijaya Karya. The average value is 0.402, while the standard deviation is lower at 0.096. This shows that the sample companies during the research period do not have a large gap. The board of directors has a minimum value of 3.00 which is owned by PT. Jasa Marga Tbk and a maximum value of 12.00 is owned by PT. Bank Rakyat Indonesia. The average value is 6,900 while the standard deviation is lower at 2,333. This shows that during the research period there is no big gap. The audit committee has a minimum score of 2.00 which is owned by PT. Adhi Karya Tbk and PT. Bank Negara Indonesia and a maximum value of 8.00 is owned by PT. Bank Rakyat Indonesia. Average value 4, 226 while the standard deviation value is lower at 1.424. This shows that during the research period there is no big gap. Earnings quality has a minimum value of -1.212 owned by PT. Kimia Farma Tbk and a maximum value of 1,067 is owned by PT. Waskita Karya Tbk. The average value of earnings quality is -0.349 while the standard deviation value is higher, which is 0.440. This shows that the sample company has a large gap in data from earnings quality which can be said to be not good because it has data deviations that are too extreme. Earnings management has a minimum value of -0.593 owned by PT. Bukit Asam and a maximum value of 0.030 is owned by PT. Telkom. The average value of earnings management is -0.12, while the standard deviation is higher at 0.107.

B. Panel Data Regression Model

To obtain a suitable model from the three models, namely the pooled least square (common effect), fixed effect model, and random effect model, it is necessary to first use the Chow test, Hausman test and Lagrange multiplier test.
The Chow test (F-Statistics Test) is choosing which approach is better between the common effect model (CEM) or the fixed effect model (FEM).

Table 3. Chow Test Results

Effects Test	Statistics	df	Prob.
Cross-section Chi-square	47.345383	14	0.0000

From the test results in table 3, it can be seen that the Prob value for the Chi-square cross-section has a value of 0.0000 <0.05, so the model chosen is the fixed effect model (FEM). Because the fixed effect model was chosen, further testing is needed, namely the Hausman test.
Hausman test is a statistical test to choose whether the fix effect model (FEM) or random effect model (REM) is appropriate.

Table 4. Hausman test results

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Cross-section random	5.913281	7	0.5499

From the test results in table 4, it can be seen that the Prob value for a random cross-section has a value of 0.5499 > 0.05, so the model chosen is the random effect model (REM). Based on the selection of the appropriate estimation method for the regression equation is the random effect model, then the Lagrange multiplier test is carried out.
The Lagrange Multiplier test is to find out whether the Random Effect model is better than the Common Effect method, the Lagrange Multiplier (LM) test is used.

Table 5. Results of the Lagrange Multiplier.

Hypothesis Test			
	Cross-section	Time	Both
Breusch-Pagan	8.247781	1.303977	9.551758
	(0.0041)	(0.2535)	(0.0020)

From the test results in table 5, it can be seen that the Breusch-Pagan value has a value of 0.0041 <0.05, so the model chosen is the random effect model (REM). Based on the selection of the appropriate estimation method for the regression equation is the random effect model. So there is no need to test the classical assumptions.

C. Hypothesis Testing

It should be noted that the effect of the T and F tests on Eviews no longer needs to use a special formulation, because the results of the T and F tests already exist in the model output. In the previous test, it was determined that the random effect model was the right model to be used in this study, following the results of the panel data regression test random effect model.

Table 6. Panel Data Regression Results

Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	-1.203119	0.522444	-2.302866	0.0253
KI	0.046214	1.195718	0.038650	0.9693
DD	0.113100	0.050369	2.245426	0.0290
KA	0.048470	0.081701	0.593262	0.5556
ML	-4.703988	3.019893	-1.557667	0.1254
KI*ML	1.329263	5.438987	0.244395	0.8079
DD*ML	0.070415	0.341426	0.206239	0.8374
KA*ML	1.151732	0.504790	2.281608	0.0266
Weighted Statistics				
MSE root	0.288862	R-squared		0.293154
Mean dependent var	-0.168006	Adjusted R-squared		0.198002
SD dependent var	0.346479	SE of regression		0.310287
Sum squared resid	5.006466	F-statistics		3.080889
Durbin-Watson stat	1.377353	Prob (F-statistic)		0.008600

In table 6 the number of Adjusted R-Square (R2) is 0.2931. This shows that the variation of predictor variables in this research model, namely the board of directors (DD), institutional ownership (KI), audit committee (KA), and earnings management (ML) is only able to explain earnings quality (KL) of 29.31%. The rest of 0.7069 or another 70.69% is influenced by other factors outside of this study.

In table 6 the F value is 3.080889 with a probability of 0.008600 < 0.05. This shows that all independent variables, namely institutional ownership (KI), board of directors (DD), audit committee (KA) and earnings management (ML) together affect earnings quality (KL) so that the model can be declared 'fit'.

Tabel 7. Individual Parameter Significance Test (t Test)

No	Description	Prob	Results
1	Institutional election has a significant effect on earnings quality	Not significant	Rejected
2	The board of directors has a significant effect on earnings quality	Significant	Accepted
3	The audit committee has a significant effect on earnings quality	Not significant	Rejected
4	Earnings management has a significant effect on earnings quality.	Not significant	Rejected
5	Earnings management has a significant effect on moderating institutional ownership on earnings quality.	Not significant	Rejected
6	Earnings management has a significant effect on moderating the board of directors on earnings quality.	Not significant	Rejected
7	Earnings management has a significant effect on moderating the audit committee on earnings quality.	Significant	Accepted

D. Discussion

Institutional ownership of earnings quality.

Institutional investors are considered to have more in-depth information about the company so that they can perform a more effective monitoring function than individual investors. However, institutional ownership cannot directly play a role in the management of the company so that it cannot be an influence on earnings quality. This can be seen in table 2 the average value (mean) of institutional ownership of 0.4029 or 40.29%, the value is less than 50% so it can be concluded that the percentage of institutional share ownership in this research data is low which causes institutional ownership to have no effect on earnings quality. The results of this study are supported by the results of research conducted by Simamora et al (2014) [24] which revealed that institutional ownership has no effect on earnings quality. Because the results of the analysis that have been carried out even with institutional ownership, the company is still unable to act transparently and responsibly towards the reports presented so that the quality of earnings is still in doubt. These results contradict the results of research conducted by Nengzih (2019) [25] showing that institutional ownership has an effect on earnings quality. The greater the institutional ownership, it will encourage the company to take responsibility for every report made, so that the report can be justified, especially regarding the quality of company profits.

H1: Institutional ownership has no effect on earnings quality.

Board of directors on earnings quality.

The greater the number of the board of directors, the higher the earnings quality. The board of directors has a direct influence in the management of the company so that it can be interpreted that if the board of directors works in accordance with their duties, it will create financial reports whose earnings quality can be accounted for. The results of this study are supported by research by Oktaviani et al (2015) which shows that the board of directors has an effect on earnings quality because the board of directors in the company is a company organ that is collegially tasked and responsible in managing the company. However, these results contradict the research conducted by Darmayanti (2019) [26] which shows that the board of directors has no effect on earnings quality. This is because there is a possibility that the board of directors prioritizes their own interests to maximize their work, such as doing earnings management or engineering on financial statements so that the quality of earnings will certainly be in doubt.

H2: The board of directors has a positive and significant effect on earnings quality

Audit committee on earnings quality.

Based on the Circular Letter of Bapepam Number SE-03/PM/2002 which states that the audit committee consists of at least three people, chaired by an independent commissioner with two people from external companies who are independent and master and have accounting and financial backgrounds. It can be seen in table 2 that the descriptive statistical data processing produces the minimum audit committee score of 2.00 or in other words the company only has two audit committees. This shows that there are still companies that do not comply with regulations to have at least three audit committees. And this is what makes the audit committee not have an effect on earnings quality. Therefore, the audit committee does not work optimally for the company. The results of this study are reinforced by research conducted by Darmayanti (2019) which states that the audit committee board has no effect on earnings quality. However, these results differ from the research conducted by Oktaviani et al (2015) which shows that the audit committee has an effect on earnings quality. The more audit committees, the better the audit function in the financial statements so that the quality of existing earnings can be justified so that good corporate governance can be created in accordance with the company's actual goals.

H3 : The audit committee has no effect on earnings quality

Earnings management on earnings quality.

This is because earnings management actions are not factors that will directly affect the quality of earnings to be used as material for decision making. Many aspects such as corporate governance that must be considered. In carrying out earnings management, it can be done by decreasing or increasing profits in the company. In table 2 the mean, minimum and maximum earnings management values show low values, namely the mean -0.1211, the minimum - 0.5928 and the maximum 0.0295. The minus result means that in carrying out earnings management the company decreases the value of its profits and vice versa, a positive value indicates the company increases the value of its profits. A low value indicates that earnings management actions are also low so that they cannot have an effect on earnings quality. The results of this study are strengthened by research conducted by Abdullah (2017) [27] which states that earnings management has no effect on earnings quality. However, it is inversely proportional to the results of Oktaviani's (2015) research which states that earnings management has an effect on earnings quality. These results mean that in order to obtain a report that can be accounted for in the future, stakeholders who play a role in the company must carry out their duties in accordance with applicable regulations and avoid fraud or manipulation of financial statements.

H4: Earnings management has no effect on earnings quality

Earnings management moderates institutional ownership on earnings quality.

This shows that earnings management has not been able to strengthen or weaken the relationship between institutional ownership and earnings quality. Table 2 shows that the mean, minimum and maximum earnings management values show low values, namely the mean -0.1211, the minimum - 0.5928 and the maximum 0.0295. So it can be concluded that earnings management cannot affect variables such as institutional ownership and earnings quality. This condition occurs because institutional ownership comes from parties outside the company who cannot directly contribute to the company in making financial statements. So earnings management actions cannot moderate institutional ownership on earnings quality. This is reinforced by research by Taruno (2013) [28] which states that earnings management is not a variable that can influence institutional ownership on earnings quality. This is because institutional ownership comes from parties outside the company who cannot directly contribute to the company in making financial statements. So earnings management actions cannot moderate institutional ownership on earnings quality.

H5: Earnings management cannot moderate institutional ownership on earnings quality.

Earnings management moderates the board of directors on earnings quality.

Although the results of the study show that the board of directors has an effect on earnings quality. However, earnings management has not been able to influence the board of directors on earnings quality. Earnings management is the manager's action in increasing or decreasing the reported profit of a business unit for which the manager is responsible without causing an increase or decrease in long-term profitability. The action of the manager's intervention in the preparation of financial statements that are used to improve personal welfare and increase the value of the company. The board of directors is a management system capable of being responsible for the implementation of good corporate governance to achieve company goals. The results show that earnings management cannot moderate the board of directors on earnings quality. The mean value of the board of directors can be seen in table 2 which shows a value of 6,900. This means that the more the board of directors, the more the monitoring function of management will increase so as to avoid earnings management actions. And this result is supported by Taruno (2013) which shows that earnings management has no effect on corporate governance on earnings quality because there are other factors that can affect good corporate governance such as audit quality.

H6 : Earnings management cannot moderate the board of directors on earnings quality.

Earnings management moderates the audit committee on earnings quality.

Earnings management has a positive effect which means that earnings management is a reinforcing factor between the audit committee on earnings quality. Earnings management is carried out by playing with the accrual components in the financial statements, because the accrual component can be played with numbers through the accounting method used in accordance with the wishes of the person doing the accounting. recording and preparation of financial statements. An effective audit committee has functions including ensuring that senior management cultivates good internal control. Good internal control can be supported by the absence of manipulation by the company so that there are no activities in the form of fraud or earnings management. So that all data in the company can be accounted for for its truth. Research from Young (2014) [29] supports this study that corporate governance has a relationship with quality corporate governance that will limit companies from earnings management. So that earnings management will have an influence.

H7: Earnings management has an effect on moderating the audit committee on earnings quality.

CONCLUSIONS, LIMITATIONS OF THE RESEARCH AND SUGGESTIONS

Based on the results of the research analysis and the results of the discussion in the previous chapter, the conclusions of this study are as follows: 1) Institutional ownership has no effect on earnings quality. 2) The board of directors has a positive and significant effect on earnings quality. 3) The audit committee has no effect on earnings quality. 4) Earnings management has no effect on earnings quality. 5) Earnings management cannot moderate institutional ownership on earnings quality. 6) Earnings management cannot moderate the board of directors on earnings quality. 7) Earnings management has an effect on moderating the audit committee on earnings quality.

Based on the results of the study, there are several limitations in this study, namely because this research was conducted on state-owned enterprises listed on the Indonesia Stock Exchange in 2016-2019, so the results of the study cannot be generalized to other types of companies. The research period is only limited to 4 years, where to find out more about fluctuations in profit it would be better if the research period is longer than 4 years. In this study there are a number of other variables that have not been used and have a major contribution related to earnings quality. And in this study using almost similar measurements between earnings management and earnings quality. So that the data used is not much different which then causes problems in data management.

For companies, in order to implement a good corporate governance mechanism, state-owned enterprises (BUMN) must have more competent and accountable human resources in carrying out their duties. Increased competence can be done by providing training to employees in accordance with the field they are working on, this aims to produce workers who are experts in their fields. For investors, creditors, and stakeholders in making decisions, they can conduct a more in-depth analysis of the company's financial statements that have been presented. So that in making decisions, the information contained in the financial statements meets the criteria that these profits can be used as a basis for making decisions so that profits must have predictive power. And also the profit presented has to be completely neutral. For further research, it is expected to be able to examine by increasing the number of samples that are used as research objects not only state-owned companies and also variables outside these variables in order to obtain more varied results that can describe what things can affect the quality of earnings and earnings management

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