www.bircu-journal.com/index.php/birci
Budapest International Research and Critics Institute-Journal (BIRCI-Journal)
Humanities and Social Sciences
ISSN 2615-3076 Online)
ISSN 2615-1715 (Print)
Budapest Institute

Analysis of Good Corporate Governance, Free Cash Flow, Leverage towards Earning Management, and Shareholder Wealth in Service Sector Companies Listed on the Indonesia Stock Exchange

Yannizar[1], Wazirman[2], Gina Septiana[3]
[1,2,3]Sekolah Tinggi Ilmu Ekonomi KBP, Indonesia
yannizar@akbpstie.ac.id

Abstract

The phenomenon of the "megadolar" case that occurred in Enron Corporation and the profits stated over stated at PT. Kimia Farma caused by earnings management. Earning management results in reporting on financial statements asymmetry with the actual situation. This can bring huge losses to shareholders because financial statements are the main basis for shareholders in conducting business transactions. Utami (2005) in his research stated that Indonesia is the country with the most rice earning management. Thus, it is important for investors and shareholders in Indonesia to look at things that can trigger earnings management and what can prevent earnings management. In this study the researchers tested the effect of good corporate governance, free cash flow, and leverage on wealth earning management and shareholders. The researcher examines the effect of good corporate governance as a variable that can prevent earnings management and test free cash flow and leverage as triggers for earnings management. In this study using a sample of 178 service sector companies taken through the Yamane method with a sampling method namely purposive sampling in the 2016-2018 period. Data analysis and hypothesis testing in this study using the Partial Least Square Path Modeling (PLS-SEM) method. The results showed that good corporate governance proved to have a significant negative effect on earnings management while shareholders in wealth had a significant positive influence. Free cash flow proved to be insignificant to earning management while shareholder wealth had a significant positive effect. The leverage variable proved to have a significant negative relationship to earnings management as well as wealth shareholders.

Keywords
good corporate governance; free cash flow; leverage earning management; shareholder wealth

I. Introduction

Financial statements are a reflection of a company's condition. In the financial statements there is information needed by the parties with an interest in the company. Interested parties in financial statements can be divided into two major groups, namely internal parties and external parties. Financial statements are basically a source of information for investors as one of the basic considerations in making capital market investment decisions (Prayogo, 2021). The internal party in this case is the company's management who is obliged to prepare financial statements. External parties are shareholders, government, creditors and potential investors. External parties need financial information in

DOI: https://doi.org/10.33258/birci.v3i3.2520

making decisions to invest, provide loans or to obtain development funds in the form of taxes by the government.

Earning management is a management action in the process of compiling financial reporting so that it can increase or decrease accounting profit according to its interests (Scott, 2017). The existence of earnings management can result in biased financial statements; the report is manipulated using certain accounting methods so as to produce financial statements that are in accordance with the needs or desires of the manager.

In the case of misleading financial statements due to earnings management, if viewed through the concept of good corporate governance, it would violate the principles adopted in good corporate governance, namely accurate disclosure and transparency. The implementation of good corporate governance is a control on the company so that the company runs as it should so that it can eliminate all irregularities with good implementation. Good corporate governance from the point of view of shareholding theory emphasizes that companies are established and run with the aim of maximizing the value of the company and the welfare of the owners or shareholders in return for the investments made. Financial reporting that has been manipulated can mislead investors and shareholders because financial statements are the basis for transactions used by investors or shareholders to do business.

Based on Scott's (2017) statement which states that earning management is a management action in the process of compiling financial reporting so that it can increase or decrease accounting profit, it is possible that management's opportunity to carry out earnings management is due to the availability of free cash flow. Chung et al. (in Bukit and Iskandar, 2009) shows that companies that have a larger free cash flow surplus face greater agency problems, especially when the free cash flow of large companies with low investment opportunity sets.

White et al (2003), defines free cash flow as cash flow created from operating activities minus operating costs and also capital expenditure for business development. Furthermore, Rosdini (2009) explained that, Free cash flow is a company's cash that can be distributed to investors or shareholders and creditors which is not used for working capital or investment in fixed assets. Based on the explanations of White et al (2003) and Rosdini (2009), this indicates that the higher the value of the company's free cash flow, the greater the value distributed to investors so that it can increase shareholder wealth.

The higher the company's leverage, the company tends to generate less cash, this is likely to affect the occurrence of earning management. Companies with high debt or leverage ratios tend to hold their profits and prioritize the fulfillment of debt obligations first. According to Brigham and Ehrhardt (2013), the greater the leverage of the company, it tends to pay lower dividends in order to reduce dependence on external funding. So that the greater the proportion of debt used for the capital structure of a company, the greater the number of liabilities that are likely to affect shareholder wealth because it affects the size of the dividends to be distributed.

Several previous studies related to examining the effect of good corporate governance, free cash flow, leverage on earnings management showed different results. Luthan (2018) examines the effect of good corporate corporate on earnings management in manufacturing companies listed on the Indonesia Stock Exchange for the period 2010-2013. The results of the study indicate that good corporate governance as proxied by institutional ownership, independent board of directors, audit committee, has a significant negative effect on earnings management. Luthan's research (2018) is not in line with research by Agustia (2013), Yogi and Damayanthi (2018), Riadiani and Wahyudin (2017) and research by Guna and Herawaty (2010) which in their research results state that good corporate governance has no significant effect. significant to earnings management.

Dewi (2018), and Rusmin (2016) who tested the effect of free cash flow on earnings management in 45 service sector companies listed on the Indonesia Stock Exchange during the 2010-2016 period. The results of this study indicate that free cash flow has a positive effect on earning management. The results of this study are not in line with the research of Agustia (2013), Yogi and Damayanthi (2018) which in their research results prove that free cash flow has a negative effect on earning management. Earnings management is interference in the process of preparing external financial reporting, with the aim of obtaining personal benefits (Almadara in Sitanggang, 2020). What management may consider as 'a positive stimulus that keeps the adrenaline running' is very likely to be seen as 'excessive pressure' by the employee (Orji, 2020).

In Zamri (2013) and Agustia (2013) research, they examine the effect of leverage on earning management. The results showed a significant effect in a negative direction on earning management. The results of this study are not in line with the results of research by Juniarta and Sujana (2017) which states that leverage has no effect on earning management.

Investors are willing to channel their funds through the capital market because they want to get profits and feel safe when investing. The level of return expected by investors is calculated through financial statements issued by the company as a basis for reference in business transactions for investors. With the possibilities that have been described previously, this of course becomes a threat for investors in investing in the model by buying shares.

Utami (2005), conducted an international comparative study of earnings management in several countries and the results of this study indicate that Indonesia is the country with the highest level of earnings management. Thus, it is important for investors in Indonesia to look at the things that can trigger the occurrence of earning management and what can prevent the occurrence of earning management which will be examined in this study to avoid losses on investment by purchasing shares in the company.

This study analyzes and examines the relationship between good corporate governance, free cash flow, and leverage, on earning management and shareholder wealth. The background that has been described and the differences in the results of previous studies, researchers want to re-examine the variables of good corporate governance, earning management, leverage on earning management and shareholder wealth to obtain more in-depth empirical evidence regarding the relationship between these variables.

II. Research Methods

In this study, because the research data in the form of numbers and analyzed using statistics. Descriptive analysis is also used in this study to describe research variables and causal design to find the influence between research variables (Sugiyono, 2018). This study will measure and analyze the effect of good corporate governance, free cash flow, and leverage on earnings management and stock returns. The next step is to determine the hypothesis that refers to the theoretical and empirical studies.

The technique of collecting data is through observation, analysis of notes. Existing data will be processed and analyzed using path analysis method with Partial Least Square Path Modeling (PLS-SEM) measurement using SmartPLS 3.0 application. The results of the analysis are then interpreted and discussed so that conclusions can be drawn from the research results and suggestions are given to these problems.

According to Ferdinand (2016), the target population is the focus of a large target of a researcher which is a collection or element that has the information sought by the researcher and the results of his research will show an inferential conclusion for the group or population. In accordance with the objectives of this study and referring to the definition of the target population that has been described, the population in this study are all service companies listed on the Indonesia Stock Exchange for the 2016-2018 period, totaling 320 companies.

Ferdinand (2016) explained that the sample is a subset of the population, the sample is several members of the population. This subset was taken because in most cases it is not possible to examine all members of the population, therefore we form a representative population called the sample. Determination of the number of samples in this study using the Yamane approach. Ferdinand (2016) explained that the determination of the number of samples using the Yamane method can be calculated using the following formula:

$$n = \frac{N}{Nd^2 + 1}$$

where:

= number of samples

N = population size

D = set precision or percentage.

Based on the Yamane method formula that has been described previously, the calculation of the number of samples used in this study is as follows:

Number of samples (N) = 320

Percentage (D) = 5%

III. Discussion

3.1 Results

a. Research Data

1. Data Description

The data used in this study is secondary data, namely the financial statements of service companies listed on the Indonesia Stock Exchange (IDX) during the 2016-2018 period. After screening data using purposive sampling, a list of 178 companies were found as samples in this study. The list of companies that were sampled in this study is presented in the appendix 1. Before processing the data using the SmartPLS 3.0 program, it is necessary to calculate the indicator value of each variable used in this study. In accordance with the purpose of this study to determine the effect of analyzing the effect of good corporate governance (GCG), free cash flow (FCF), leverage (LEV), on earning management (EM) and shareholder wealthy (SW). calculated based on the audited annual financial statements for the 2016-2018 period. The results of the calculation and recording of indicators of good corporate governance (GCG), free cash flow (FCF), leverage (LEV), on earnings management (EM) and shareholder wealthy (SW) in 178 companies.

2. Data Analysis

The data analysis method using Partial Least Square (PLS) is a variant-based structural equation model (SEM). The analysis of the PLS model is carried out in three stages, namely outer model analysis, inner model analysis, and hypothesis testing.

3. Outer Model Analysis

Outer model analysis is carried out to ensure that the measurements used are valid and reliable. The analysis of this outer model specifies the relationship between the latent variable and its indicators, or it can be said that the outer model defines how each indicator relates to the latent variable. The analysis of the outer model can be seen from several indicators, namely convergent validity and discriminant validity. (Institutional Ownership), 0.889 on the PKI indicator (PropoSWi Independent Commissioner), 0.966 on the UUD indicator (Size of the Board of Directors), on the KAI (Independent Audit Committee) indicator, 1,000 on the DA (Discretionary Accrual) indicator, 1,000 on the FCFFE (Free Cash Flow for Equity) indicator, 1,000 on the DER (Debt to Equity) indicator, and 1,000 on the TR (Total Return) indicator. Thus, it can be said that the indicators used in the study are considered valid.

Convergent validity in the analysis of the outer model (measurement model) with reflective indicators can be seen from the correlation between the item/indicator score and the construct score. Individual indicators are considered reliable if they have a correlation value above 0.70. The output results of the correlation between indicators and their constructs in this study can be seen in the outer loading output which is presented in table 1 below:

Table 1. Output Outer Loading

No	Variable	Indicator	Value
1	GCG	KI	0.961
		PKI	0.889
		UDD	0.966
		KAI	0.875
2	EM	DA	1.000
3	FCF	FCFFE	1.000
4	LEV	DER	1.000
5	SW	TR	1.000

Discriminant validity in the outer model analysis can be seen in the cross loading between the indicators and their constructs which can be seen in the PLS Algorithm output which is presented in table 2 below:

Table 2. Output Cross loadings

No	Indicator	Indicator Value				
		GCG	EM	FCF	LEV	SW
1	KI	0.961	-0.054	0.279	0.207	0.043
	PKI	0.889	-0.186	0.309	0.161	0.156
	UDD	0.966	-0.224	0.176	0.260	-0.207
	KAI	0.875	0.875	-0.302	-0.034	-0.046
2	DA	-0.266	1.000	-0.297	0.008	-0.170
3	FCFFE	-0.137	0.746	1.000	-0.145	-0.088
4	DER	0.305	-0.242	0.854	1.000	-0.107
5	TR	0.189	-0.305	0.972	-0.187	1.000

Table 3. Output Average Variance Extracted

(AVE) No	*Construct Reliability Validity*	Correlation Value				
		GCG	EM	FCF	LEV	SW
1	AVE	0.50	0.540	0.694	0.855	0.810

From table 3, it can be seen that the correlation between the GCG construct and its indicators is higher than the correlation between the GCG indicator and other constructs (FCF, LEV, EM, SW). This also applies to other constructs, namely the correlation of the constructs on EM, FCF, LEV, and SW with the indicators of each construct having a higher correlation than the correlation with other constructs. This shows that the latent construct predicts indicators in their block better than indicators in other blocks.

Another test is to assess the validity of the construct by looking at the average variance extracted (AVE) value, a good model is required if the AVE of each construct has a value greater than 0.50. Table 3 will show the AVE output value in the data analyst results as follows: Based on Table 3 it can be seen that the average variance extracted (AVE) value in each construct has a value above 0.50, namely 0.540 for the GCG construct, 0.695 for the EM construct, 0.855 for the FCF construct, 0.810 for the LEV construct, and 0.763 for the SW construct. So, all constructs in the estimated model meet the discriminant validity criteria.

In addition to the construct validity test, a construct reliability test was also carried out which was measured by two criteria, namely composite reliability and Cronbach alpha from the indicator block that measured the construct. The construct is declared reliable if the composite reliability and Cronbach alpha values are above 0.70. The output results of composite reliability and Cronbach alpha values can be seen through the data presented in Tables 4 and 5 below:

Table 4. Output Composite Reliabilty

No	***Construct Reliability Validity***	**correlation value**				
		GCG	**EM**	**FCF**	**LEV**	**SW**
1	***Composite Reliability***	0.764	0,870	0,947	0,927	0,906

Table 5. Output Cronbach Alpha

No	***Construct Reliability***	***correlation value***				
		GCG	**EM**	**FCF**	**LEV**	**SW**
1	***Cronbach Alpha***	0,748	0,822	0,847	0,876	0,806

Based on Tables 5.5 and 5.6, it can be seen that the composite reliability output on the GCG construct is worth 0.764, the EM (Earning Management) construct is 0.870, the FCF construct is 0.947, the LEV construct is 0.927 and the SW (Shareholder Wealth) construct is 0.906 while the results The output of cronbach alpha on the GCG construct is 0.748, the EM (Earning Management) construct is 0.822, the FCF construct is 0.847, the LEV construct is 0.876 and the SW (Shareholder Wealth) construct is 0.806. The results of composite reliability and Cronbach alpha on the constructs of GCG, EM, FCF, LEV and all are above 0.70. So, it can be concluded that the construct has good reliability.

4. Inner Model Analysis

Inner model analysis is carried out to ensure that the structural model built is truly robust (stable) and accurate. Testing on the inner model is done by looking at the value of R-square which is the goodness-fit test of the model. The output results of the R-square calculation are presented in Table 6 below:

Table 6. Output R-square

No	Variable	-Square	R-Square Adjusted
1	**EM**	**0.912**	**0.851**
2	**SW**	**0.889**	**0.843**

Based on Table 6, it can be seen that the R-square value for EM (Earning Management) shows an R-square value of 0.912 and an adjusted R-square of 0.851 while the R-square value for SW (Shareholder Wealth) shows an R-square value of 0.889 and R -square adjusted of 0.843. This study leads to population research (random sampling from a defined population) to obtain generalizations, so in this study refer to the adjusted R-square value because the use of the adjusted R-square is to generalize the R-square to the population.

The interpretation of the inner model on the construct refers to the R-square adjusted results which are 0.851 in EM and 0.843 in SW which can be interpreted that the EM (Earning Management) construct variable can be explained by the GCG, FCF, and LEV construct variables of 85.1% while the remaining 14.9% is explained by other variables outside the studied as well as the SW (Shareholder Wealth) construct variable can be explained by the GCG, FCF, LEV and EM (Earning Management) construct variables of 84.3% and the rest 15.7% is explained by other variables outside the studied.

b. Hypothesis Test

Hypothesis testing using Partial Least Square Path Modeling (PLS-SEM) with the help of the SmartPLS 3.0 program is carried out with boostrapping calculations. This test was conducted to see the significance of the influence between variables by looking at the parameter coefficients and the t-statistical significance value. To see the value of the parameter coefficients and the significance value of t-statistics with boostrapping, it can be seen through the path coefficients report, namely the original sample (O) as the parameter coefficient value and T-Statistics (|O/STDEV|) which are presented in Table 8 below:

Table 7. Path Coefficients

No	***Path Coefficients***	***Original Sam pel***	**T- Statistics**	**P Values**
1	GCG-EM	-0.560	2.172	0.028
2	GCG-SW	0.852	2.408	0.017
3	EM-SW	-0.332	2.065	0.045
4	FCF-EM	0.316	1.957	0.069
5	FCF-SW	0.516	2.150	0.030
6	LEV-EM	-0.427	2.015	0.030
7	LEV-SW	-0.520	2.502	0.013

Based on the output path coefficient as shown in Table 7 above, the interpretation of the results of the output is as follows:

a. The relationship between GCG (Good Corporate Governance) and EM (Earning Management) is significant with a t-statistic value of 2.172 (>1.96) and the original sample value is negative, namely -0.560, so the direction of the relationship between GCG (Good Corporate Governance) and EM (Earning Management)) is negative.

b. The relationship between GCG (Good Corporate Governance) and SW (Shareholder Wealth) is significant with a t-statistic value of 2.408 (> 1.96) and the original sample value is positive, namely 0.852, so the direction of the relationship between GCG (Good Corporate Governance) and SW (Shareholder Wealth) is positive.
c. The relationship between EM (Earning Management) and SW (Shareholder Wealth) is significant with a t-statistic value of 2.064 (> 1.96) and the original sample value is negative, namely -0.332, so the direction of the relationship between EM (Earning Management) and SW (Shareholder) Wealth) is negative.
d. The relationship between FCF (Free Cash Flow) and EM (Earning Management) is not significant with a t-statistic value of 1.957 (> 1.96) and a P-Values of 0.060 (0.050). The original sample value is positive, namely 0.315, so the direction of the relationship between FCF (Free Cash Flow) and EM (Earning Management) is positive.
e. The relationship between FCF (Free Cash Flow) and SW (Shareholder Wealth) is significant with a t-statistic value of 2.150 (> 1.96) and the original sample value is positive, namely 0.515, so the direction of the relationship between FCF (Free Cash Flow) and SW (Stock Return) is positive.
f. The relationship between LEV (Leverage) and EM (Earning Management) is significant with a t-statistic value of 2.015 (> 1.96) and the original sample value is positive, namely -0.427, so the direction of the relationship between LEV (Leverage) and EM (Earning Management) is negative.
g. The relationship between LEV (Leverage) and SW (Stock Return) is significant with a t-statistic value of 2.562 (> 1.96) and the original sample value is positive, namely -0.520, so the direction of the relationship between LEV (Leverage) and SW (Stock Return) is negative.

c. Conclusion of Data Analysis Results

The table shows the results of the entire series of hypothesis testing proposed in this study through the results of testing using PLS-based SEM using the SmartPLS 3.0 program as follows:

Table 8. Recapitulation of Hypothesis Test Results

No	**Variable**	*Influence*	**Direction**	**Hypothesis**
1	GCG-EM)	Significant	Negatif	H1 accepted.
2	GCG-S	Significant	Positif	H2 accepted.
3	FCF-EM	Not Significant	Positif	H3 rejected.
4	FCF-SW	Significant	Positif	H4 accepted.
5	LEV-EM	Significant	Negatif	H5 accepted.
6	LEV-SW	Significant	Negatif	H6 accepted.
7	EM-SW	Significant	Negatif	H7 accepted.

3.2 Discussion

In this section, the writer discusses the results of data analysis by linking the results of data analysis with the theories that have been described in previous chapters and discusses the results of the discussion with previous concepts and research, to produce a logical conclusion.

a. The effect of GCG (Good Corporate Governance) on Earning Management in service companies listed on the Indonesia Stock Exchange

The results of the analysis on the GCG (Good Corporate Governance) variable on Earning Management show that the coefficient value is negative at -0.560 and the t-statistic value obtained shows a significant value of 2.172. Based on the results of the analysis, it can be concluded that GCG (Good Corporate Governance) has a negative and significant effect on Earning Management in service companies listed on the Indonesia Stock Exchange. This is in accordance with hypothesis 1 (H1) developed in this study, namely GCG (Good Corporate Governance) has a negative effect on Earning Management in service companies listed on the Indonesia Stock Exchange, so that hypothesis 1 (H1) developed in this study is declared acceptable.

The direction of the negative and significant relationship between the GCG (Good Corporate Governance) variable and Earning Management shows that the higher the implementation of GCG (Good Corporate Governance) of a company, the smaller the Earning Management occurs in the company. The results of this study are in line with the results of research conducted by Iqbal and Strong (2010), Luthan, et al (2018) which in their research results state that good corporate governance has a negative effect on earnings management. While the results of this study are not in line with research by Agustia (2013), Guna and Herawaty (2010), Juniarta and Sujana (2017) which in their research results prove that good corporate governance has no effect on earnings management.

In this case, the existence of an independent board of directors in the company can be a link in controlling and monitoring the work of management to fulfill the interests (Principal) (Luthan, 2013). The better the implementation of good corporate governance of a company, the level of occurrence of earning management of a company will be smaller. The application of good corporate governance in a company can be an internal control of the company in monitoring the performance of managers, so that a manager will find it difficult if he wants to do things that deviate so as to prevent a company manager from manipulating financial statements. This can reduce the occurrence of information asymmetry between the actual situation and the situation reported in the financial statements.

b. The Effect of GCG (Free Cash Flow) on Shareholder Wealth in Service Companies listed on the Indonesia Stock Exchange

The results of the analysis on the GCG (Good Corporate Governance) variable on shareholder wealth, it is known that the coefficient value is positive at 0.852 and the t-statistic value obtained shows a significant value of 2.408. Based on the results of the analysis, it can be concluded that GCG (Good Corporate Governance) has a positive and significant effect on shareholder wealth in service companies listed on the Indonesian Stock Exchange. This is in accordance with hypothesis 1 (H1) developed in this study, namely GCG (Good Corporate Governance) has a positive effect on shareholder wealth in service companies listed on the Indonesia Stock Exchange, so that hypothesis 1 (H1) developed in this study is declared acceptable.

The results of the analysis on the FCF (Free Cash Flow) variable on Earning Management, it is known that the coefficient value is positive at 0.316 and the t-statistic value obtained shows an insignificant value of 1.957. Based on the results of the analysis, it can be concluded that FCF (Free Cash Flow) has no significant effect on Earning Management in service companies listed on the Indonesia Stock Exchange. This is not in accordance with hypothesis 3 (H3) developed in this study, namely FCF (Free Cash Flow) has a positive effect on Earning Management in service companies listed on the Indonesia Stock Exchange, so hypothesis 3 (H3) developed in this study is declared not acceptable.

c. The influence of FCF (Free Cash Flow) on Shareholder Wealth in Service Companies Listed on Management at Service Companies Listed on the Indonesia Stock Exchange

The results of the analysis on the variable, namely LEV (Leverage) that has a negative effect on FCF (Free Cash Flow) on Earning Management shareholder wealth, it is known that the service companies listed on the coefficient value are positive 0.516 and the t-statistic value obtained is 5 (H5) which was developed in shows a significant value of 2.150.

Based on the results of the analysis, it can be concluded that FCF (Free Cash Flow) has a positive and significant effect on shareholder wealth in service companies listed on the Indonesia Stock Exchange. This is in accordance with hypothesis 4 (H4) developed in this study, namely FCF (Free Cash Flow) has a positive effect on shareholder wealth in service companies listed on the Indonesia Stock Exchange, so hypothesis 4 (H4) developed in this study is declared acceptable. .The direction of the positive and significant relationship between the FCF (Free Cash Flow) variable and shareholder wealth shows that the higher the FCF value of a company, the higher the shareholder wealth circulating in the market. The results of this study are in line with Sichigea's research (2017) which states that FCF has an influence on shareholder wealth. While the results of this study have differences with the results of previous studies, namely the Nakhaei research (2018) which shows that FCF has no effect on shareholder wealth.

IV. Conclusion

As the purpose of this research, the following conclusions can be drawn:

1. Based on the results of the Partial Least Square Path Modeling (PLS-SEM) test, it proves that the Good Corporate Governance (GCG) variable has a significant negative effect on Earning Management.
2. Based on the results of the Partial Least Square Path Modeling (PLS-SEM) test, it proves that the Good Corporate Governance (GCG) variable has a significant influence in a positive direction on Shareholder Wealth.
3. Based on the test results by Partial Least Square Path Modeling (PLS-SEM) proves that the Free Cash Flow (FCF) variable has no significant effect on Earning Management.
4. Based on the results of the Partial Least Square Path Modeling (PLS-SEM) test, it proves that the Free Cash Flow (FCF) variable has a significant influence in a positive direction on Shareholder Wealth.
5. Based on the results of the Partial Least Square Path Modeling (PLS-SEM) test, it proves that the Leverage (LEV) variable has a significant negative effect on Earning Management.
6. Based on the results of the Partial Least Square Path Modeling (PLS-SEM) test, it proves that the Leverage (LEV) variable has a significant negative effect on Shareholder Wealth.
7. Based on the results of the Partial Least Square Path Modeling (PLS-SEM) test, it proves that the Earning Management variable has a significant negative effect on Shareholder Wealth.

References

Agustina, Dian. 2013. Pengaruh Faktor Good Corporate Governance, Free Cash Flow, dan Leverage Terhadap Manajemen Laba. Jurnal Akuntansi dan Keuangan Vol.15 No.1 Hlm.27-42. ISSN:1411-0288. Surabaya: Universitas Airlangga.

Arifin. 2004. Peran Akuntan Dalam Menegakkan Prinsip Good Corporate Governance Pada Perusahaan di Indonesia (Tinjauan Prespektif Teori Keagenan). Sidang Senat Guru Besar Universitas Diponegori. Semarang: Fakultas Ekonomi Universitas Dipenegoro.

Bangun, Nurainun, Priska Dwicahya Safei.2011. Pengaruh Manajemen Laba Terhadap Return Saham Pada Perusahaan yang Diaudit Oleh Kantor Akuntan Publik (KAP) Big Four dan Non Big Four. Jurnal Akuntansi, Vol.11 No.1 hal.397-414. Universitas Tarumanegara.

Bukit, R. B. dan Inskandar,T.M. 2009. Surpluss Free Cash Flow, Earnings Management and Audit Comitte. Int. Journal of Economic and Management, Vol.3 No.1, 204-223 Brigham Eugene F. dan Joel F. Houston. 2013.

Dasar-Dasar Manajemen Keuangan. Jakarta: Salemba Empat. Cadbury Committee. 1992. Report of The Committee on the Financial Aspects of Corporate Governance. London: Gee.

Dewi, Rina Pusvita. 2018. Pengaruh Free Cash Flow, Kinerja Keuangan Terhadap Earning Management Dimoderasi Corporate governance. Jurnal Ilmu dan Riset Akuntansi, Vol.5, No.2. ISSN: 2460-0558.

Eisenhardt, K. M. 1989. Agency Theory: An Assessment and Review. The Academy of Management Review Vol.14, No.1, pp.57-74. Academy of Management.

Eliza, Y., Adriani, E., & Maryanti, S. (2019). The Analysis Return on Investment Education of Married Woman in Indonesia. KnE Social Sciences, 3(14), 667–688. https://doi.org/10.18502/kss.v3i14.4346

Freeman, R. Edward. 2010. Strategic Management: A Stakeholder Approach. Cambridge University Press.

Guna, Wevin I., Arleen Herawaty. 2010. Pengaruh Mekanisme Good Corporate Governance, Independensi Auditor, Kualitas Audit dan Faktor Lainnya Terhadap Manajemen Laba. Jurnal Bisnis dan Akutansi Vol.12, No.1, Hlm. 53-68.Universitas Trisakti.

Ghozali, Imam. 2017. Partial Lest Squares: Konsep Teknik dan Aplikasi Menggunakan Program SmartPLS 3.0. Semarang: Badan Penerbit Universitas Diponegoro.

Fernandes, J., Sumiati, S., & Yusra, I. (2019). Faktor-Faktor Penentu Leverage Perusahaan: Estimasi Model Regresi Data Panel. The 2nd Annual National Conference for Economics and Economics Education Research.

Halaoua, Sameh. 2018. Earning Management to Exceed Threshold in Continental and Anglo Saxon Accounting Models: The Brithish and French Cases. Research in International Business and Finance. http://dx.doi.org/doi:10.1016/j.ribaf. 2018.09.019

Irfan, Ali. 2002. Pelaporan Keuangan dan Asimetri Informasi dalam Hubungan Agensi. Lintasan Ekonomi Vol. XIX, No.2.

Jamilus, J., & Heryanto, H. (2019). The Effect of Competence , Communication & Motivation on Employee Performance in People ’ s Welfare Regional Secretariat of Padang City , Indonesia. Archives of Business Research (ABR), 7(5), 106–122.

Juniarta, Wayan Agus dan Ketut Sujana. 2017. Pengaruh Financial Leverage Pada Income Smoothing Dengan Good Corporate Governance Sebagai Variabel Pemoderasi. E-Jurnal Akuntansi Universitas Udayana Vol.11

Jensen, M. C and Meckling, W.H. 2003. Theory of the Firm: Governance, Residual Claims, and Organizational Forms. Harvard University Press. No.3. ISSN: 2302-8556. Universitas Udayana.

Lavenia Arifin dan Nicken Destriana. 2018. Pengaruh Firm Size, Corporate Governance, dan Karakteristik Perusahaan Terhadap Manajemen Laba. Jurnal Bisnis dan Akuntansi Vol.18, No.1, Hlm.84-93. ISSN 1410-9875. STIE Trisakti. Luthan, Elvira, Ileh Satria, Ilmainir. 2018.

Marsono, Valuandina Chivan Naftalia. 2013. Pengaruh Leverage Terhadap Manajemen Laba Dengan Corporate Governance Sebagai Variabel Pemoderasi. Diponegoro Journal of Accounting Vol.2 No.3 Hlm. 1-8. ISSN: 2337-3806. Semarang: Universitas Dinopegoro. Monks, Robert A.G. dan Nell Minow. 2011. Corporate Governance 5th Edition. Wiley.

Maryanti, S., Eliza, Y., Wiyati, R., & Thamrin, M. (2018). IOP Conference Series : Earth and Environmental Science The Growth of the Population : Labor Potential Mapping in Pekanbaru Indonesia The Growth of the Population : Labor Potential Mapping in Pekanbaru Indonesia. IOP Conf. Series: Earth and Environmental Science, 175, 42–47.

Meuthia, S., Melia, S., Pebrina, R., & Eliza, Y. (2019). The Effect of Work Motivation, Work Discipline and Leadership on Employee Performance at the Public Works, Spatial Planning and Land Office of South Solok Regency. International Journal of Engineering and Advanced Technology, 9(1), 627–630. https://doi.org/10.35940/ijeat.F8374.109119

Marunduri, P. L. S., & Heryanto, H. (2019). Analysis of the Effect of Training and Motivation on Organizational Commitments and Its Impact on Employee Performance (Study on Insurance Marketing Agents on Prudential Agency Pru-Aini Gunung Sitoli PT). Archives of Business Research, 7(5), 123–133. Retrieved from http://dx.doi.org/10.14738/abr.75.6437.

Nainggolan, P. 2004. Cara Mudah Memahami Akuntansi. Jakarta: PPM Puspita, Fira. 2009. Analisis Faktor- Faktor yang Mempengaruhi Kebijakan Dividend Payout Ratio (Studi Kasus Pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Periode 2005-2007). Tesis Universitas Diponegoro Semarang.

Orji, M.G., and Yakubu, G.N. (2020). Effective Stress Management and Employee Productivity in the Nigerian Public Institutions; A Study of National Galary of Arts, Abuja, Nigeria. Budapest International Research and Critics Institute-Journal (BIRCI-Journal) Vol 3 (2): 1303-1315.

Prayogo, I., and Afrizal, T. (2021). Perceptions of Educators, Accounting Students and Accountants Public Accountant against Ethics of Financial Statement Preparation (Studies at University and KAP in Semarang). Budapest International Research and Critics Institute-Journal (BIRCI-Journal) Vol 4 (1): 89-101.

Rosdini, Dini. 2009. Pengaruh Free Cash Flow Terhadap Dividend Payout Ratio. Jurnal Akutansi dan Keuangan Vol.3 No.2, hal. 14-26

Riadiani, Ajeng Rizka. Agus Wayudin. 2017. Pengaruh Good Coporate Governance Terhadap Manajemen Laba Dengan Financial Distress Sebagai Intervening. Jurnal Akuntansi Fakultas Ekonomi Universitas Negeri Semarang. ISSN 2252-6765. Universitas Negeri Semarang.

Scott, William R. 2017. Financial Accounting Theory (7th Edition). Pearson Shleifer, Andrei dan Robert W. Vishny. 1997. A Survery of Corporate Governance. The Journal of Finance Vol.LII, No.2.

Sitanggang, S.N., Ikhsan, A., and Nasirwan. (2020). Analysis ofthe Influence ofManagerial Ownership, Audit Quality and Audit Committee on Income Management (Study on Manufacturing Companies in the Consumer Goods Sector Listed on the Indonesia

Stock Exchange 2014-2018). Budapest International Research and Critics Institute-Journal (BIRCI-Journal) Vol 3 (3): 2521-2533.
Suharli dan Harap, S.S. 2004. Studi Empiris Terhadap Faktor Penentu Kebijakan Jumlah Dividen. Media Riset Akuntansi, Auditing, dan Informasi. Jakarta: Universitas Trisakti.
Sugiyono. 2018. Metode Penelitian Kuantitatif Kualitatif dan R&B. Bandung: Alfabeta. Tjager, I Nyoman et al. 2003. Corporate Governance: Tantangan dan Kesempatan bagi Komunitas Bisnis Indonesia. Jakarta: Prenhallindo.
The Effect of Good Corporate Governance Mechanism to Earning Management Before and After IFRS Convergence. Procedia – Social and Behavior Sciences 219 p.465-471. ISSN: 1877-0428. Elsevier.
Utami, Wiwik. 2005. Pengaruh Manajemen Laba Terhadap Biaya Modal Ekuitas (Studi Pada Perusahaan Publik Sektor Manufaktur). Simposium Nasional Akuntansi VII. Solo.
White, Gerald I, Ashwinpaul C. Sondhi, Dov Fried. 2002. The Analysis and Use of Financial Statements 3rd Edition. Wiley.
Yogi, Luh Made Dwi Parama dan I Gusti Ayu Eka Damayanthi. 2018. Pengaruh Arus Kas Bebas, Capital Adequacy Ratio Dan Good Corporate Governance Pada Manajemen Laba. E-Jurnal Akuntansi Universitas Udayana Vol.15, No.2. ISSN:2302-8556. Bali: Universitas Udayana.
Yusra, I., Hadya, R., Begawati, N., & Istiqomah, L. (2019). Panel data model estimation: the effect of managerial ownership, capital structure, and company size on corporate value Panel data model estimation : the effect of managerial ownership, capital structure, and company size on corporate value. Journal of Physics: Conference Series, 1175, 1–6. https://doi.org/10.1088/1742-6596/1175/1/012285
Zamri, Norhayati, Rahayu Abdul Rahman, Noor Saatila Mohd Isa. 2013. The Impact of Leverage on Real Earning Management. Procedia Economic and Finance 7 p.86-95. ISSN 2212-5671. Elsevier.
Zukriah, A., & Heryanto, H. (2019). The Effect Of Work Motivation And Discipline On Employee Performance In Human Resources Development Agency, West Sumatera With Education And Training As Variable Intervening. Archives of Business Research, 7(5), 96–105.