ABSTRACT

THE EFFECTS OF INSTITUTIONAL OWNERSHIP, MANAGERIAL OWNERSHIP, INDEPENDENT BOARD OF COMMISSIONERS AND LEVERAGE TO EARNINGS MANAGEMENT

(Study of Manufacturing Companies Listed on the Indonesia Stock Exchange 2015-2017 Period)

Agency theory illustrates that earnings management problems can be minimized by monitoring through good corporate governance. Corporate governance as the effectiveness of mechanisms aimed at minimizing agency conflict, and is one of the key elements in increasing economic efficiency, which includes relationships between the board of commissioners, company management, and shareholders. Corporate governance is a concept that is based on agency theory, is expected to function as a tool to provide confidence to investors that they will receive returns on the funds they have invested. In other words, corporate governance is expected to function to suppress or reduce agency costs .

The purpose of this research is to examine the effect of good corporate governance that is proxied by institutional ownership, managerial ownership, and independent board of commissioners and leverage partially or simultaneously to earnings management is measured through real profit manipulation by calculating operating cash flows.

The population in this research are manufacturing companies listed on the Indonesia Stock Exchange in 2015-2017. The company's data can be accessed via the website www.idx.co.id . The sample in this study amounted to 17 samples and in a three-year period that amounted to 51 samples. Data analysis techniques from this study include descriptive statistics, classic assumption tests, multiple regression analysis, and hypothesis testing.

The results of this research indicate that, the GCG proxy institutional ownership has no significant effect on earnings management, corporate governance by proxy managerial ownership has no significant effect on earnings management, corporate governance by proxy independent board of commisioners has no significant effect on earnings management, and leverage has no significant effect on earnings management. Simultaneously of institusional ownership, managerial ownership, independent board of commissioners and leverage have no effect on earnings management. It can be concluded that good corporate governance is proxied by institutional ownership, managerial ownership, and an independent board of commissioners and leverage does not effect the perfomance of the company either partially or simultaneously.

Keywords: Good Corporate Governance, Institutional Ownership, Managerial Ownership, Independent Board Of Commisioners, Leverage, Earnings Management , Operating Cash Flow