PROFIT MANAGEMENT ANALYSIS OF THE CONSUMER GOODS INDUSTRY IN INDONESIA: SHARIA VERSUS NON-SHARIA SHARE

[1]Titin Agustin Nengsih , [2]Mellya Embun Baining, [3]Muhammad Riyadi Dwi Atmojo
[1,2,3]Fakultas Ekonomi dan Bisnis Islam UIN Sulthan Thaha Saifuddin Jambi
*[1]Email: nengsih@uinjambi.ac.id, [2]Email: mellyaembun.baining@gmail.com, [3]Email: riyadidwi491@gmail.com

Abstract

Profit management is carried out by the company to achieve the manager's motivation to achieve profit targets which are applied in managing financial statements. Many factors can affect profit management. This study aims to determine the factors that influence profit management in the consumer goods industry sector, at sharia and non-sharia. This data uses the financial reports and the annual reports of manufacturing companies at IDX (Indonesian Stock Exchange) in the 2016-2019 with 19 sharia companies and 10 non-sharia companies. This study uses the Multiple Linear Regression analysis with dependent variables: tax planning, current tax expense, profitability, audit committee, company size, managerial ownership, and leverage. The results of this study show all the variables both in sharia and nonsharia manufacturing companies in the consumer goods industry in the 2016-2019 influence together the profit management. The coefficient of determination for these models is 72% at sharia shares and 51% at non-sharia shares. According to t-test, it shows that tax planning, current tax expense, and managerial ownership influence profit management in sharia shares and only the company size influences profit management in non-sharia shares at manufacturing companies in the consumer goods industry in Indonesia at the 2016-2019.

Keywords: Consumer Goods, Profit Management, Non-Sharia Shares, Sharia Shares

INTRODUCTION

Earning profit is the main goal of profit-oriented companies in their business processes. Profit is one measure of the success of a company and an important source of information for users of financial statements both internally and externally. In this case, many companies use earnings management to influence the information in financial statements[1].

Profit management practices are carried out by company managers to intervene or influence the information contained in the financial statements. In profit management, there is an element of fraud if the company concerned carries out profit management practices with positive and negative contexts. Negative context means deliberately manipulating earnings in the current year to deceive stakeholders who want to know the performance of the company concerned[2].

Several indicators in profit management disclosure include tax planning, current tax expense, profitability, audit committee, company size, leverage, and managerial ownership. First, tax planning is to minimize tax obligations, generally, tax planning is by applicable regulations and minimal tax calculations3. Second, the current tax expense is the tax expense incurred in a company on the profits earned in a certain period. By minimizing the current tax expense, the profit earned will increase so that investors are interested in investing in the company concerned. The third indicator that can affect profit management is profitability. Profitability is a ratio to assess the company's ability to seek profit[4].

In addition to taxation, profit management is also influenced by the amount of profitability generated by the company. The orientation of a company is profitability, by obtaining maximum profitability, the welfare of owners, investors, and workers will be maximized, as well as producing good products and new investors.The indicator of a good financial report are financial statements that are prepared by applicable regulations and audited by applying auditor principles. The fourth indicator is audit committee which as one of its responsibilities is supervising and reviewing financial reports. With supervision and review of financial statements, profit management practices that are detrimental to the parties concerned will be reduced[5].

In addition, the fifth indicator is a large company that has a good name in the eyes of related parties will display a good financial report, so the size of the company could influence the company to carry out earnings management by balancing the displayed profits. Similar to the sixth is leverage indicator, the leverage transfers profits to balance profits from year to year. The last factor that affects earnings management is managerial ownership, someone who has the largest share in a company will affect the good and bad financial quality because the selection of the audit committee will be carried out as effectively as possible so that it will suppress the good financial statements[6].

Besides, we compare the results of the indicators that influence profit management in the consumer goods industry sector in the 2016-2019 between sharia and non-sharia. So, this paper is organized as follows. Section 2 describes the methods, presenting a brief description of the research model and variable operational description. Section 3 gives the results and discussion of this study. We conclude with a general discussion in Section 4.

METHOD

This study uses data obtained from financial statements and annual reports of manufacturing companies in the consumer goods industry sector listed on the Indonesia Stoc Exchange and the websites of their respective companies. All companies in this study whos information was sourced from OKStock and the Indonesia Stock Exchange with 29 manufacturing companies.

The form of this data is the combined data: time series and cross-section data. It can b called the panel data. Panel data is a structure data whose observations include sector units an time units. This causes heterogeneity in panel data to be unavoidable both between sectors an over time The analysis used in this study is the regression method which is the method used to explai the effect of the dependent variable on the independent variable. There are two regressio models that are commonly used are Linear Regression models and Regression models that hav been modified like Partial Least Square Regression7. In this research, we used the linea regression model that has been modified in the panel data with t time units and p independen variables. The model is as follows:

$$Y_t = \alpha_t + \beta_1 X_{1t} + \beta_2 X_{2t} + \beta_3 X_{3t} + \beta_4 X_{4t} + \beta_5 X_{5t} + \beta_6 X_{6t} + \beta_7 X_{7t} + \varepsilon_t$$

Where:

Y = Earnings Management
α = Constant
βi = Variable regression coefficient
X1 = Tax Planning
X2 = Current Tax Expense
X3 = Profitability
X4 = Audit Committee
X5 = Company Size
X6 = Managerial Ownership
X7 = Leverage
ε = Error Term

In the case of panel data, there are three 3 model estimates that can be formed, namely[8]:

1. Common Effect Model (CEM)
   The use of the model does not consider individual or time dimensions, and the behavior between individuals is the same in all time frames. The CEM estimation technique is Ordinary Least Squares (OLS).
2. Fixed Effect Model (FEM)
   The use of FEM assumes that the time units have different effects on the model. The different effects are shown in the constant-coefficient values which have different values for each company.
3. Random Effect Model (REM)
   This model will estimate panel data that are interconnected between time and between individuals with different constants accommodated by the error terms of each company. The advantage of using REM is that it eliminates heteroscedasticity. This model uses the Generalized Least Square (GLS) technique.

The panel data model selection from the three models used three tests, namely the Chow test, the Lagrange Multiplier (LM) test, and the Hausman test. The Chow test is used to determine whether the FEM model is better than the CEM model. First, the Chow test was used to test the significance of the constants whether they were different (H1: there is at least one intercept i, i = 1, 2, ..., K (FEM Model)). Second, the LM test was used to select the better model between CEM, and REM with REM testing based on the residual value of it of REM (better REM model). Third, the Hausman test to determine which model is better between the FEM and REM models. The Hausman statistic will follow a chi-square distribution with degrees of freedom p (FEM model).

From the model selection stage, the model can be determined, namely whether the model is CEM, FEM, or REM. After this stage, we can test the normality of the model. After the normality testing stage is accepted, then the hypothesis testing, either the F-test or the t-test can be carried out which can then be continued to find the coefficient of determination value.

RESULTS AND DISCUSSION

The results of the selection of three models, namely CEM, FEM and REM using the Chow Test, Housman Test and LM Test can be seen in Table 1.

Table 1: Model Selection

Test	Sharia		Non-Sharia	
	Prob	Best Model	Prob	Best Model
Chow	0.3318	CEM	0.0372	FEM
LM	0.0911	REM	-	-
Housman	-	-	0.2396	REM

The value of the Chow Test: Prob in sharia-compliant manufacturing companies in the consumer goods industry sector is 0.3318. These results can be concluded that the best model testing through the Chow test is the CEM model (Prob > 0.05). Meanwhile, in manufacturing companies with non-sharia shares in the consumer goods industry, the Chow Test Prob value is 0.0372, which means that FEM is the best model (prob < 0.05). The prob value of the LM test in Islamic stock manufacturing companies is 0.0911, which means the best model is the CEM model (prob > 0.05). While the value of the LM Test Prob in manufacturing companies with non-sharia shares in the consumer goods industry sector is 0.0695, which means that the best model is the common effect model (prob <0.05). In the Housman test, the Prob value shows 0.8826, which means that the REM model is the best model for data on Islamic stock manufacturing companies (Prob > 0.05). As for manufacturing companies with non-sharia shares, the Housman Test Prob value is 0.2396, which means the REM model is selected (Prob < 0.05).

The results of the classical assumption test show that the data processed in this study have met the normality assumption, there is no multicollinearity among the independent variables in the regression model, there is no heteroscedasticity, and there is no autocorrelation. From the results of the classical assumption test, t-test and F-test analysis can be carried out in multiple regression analysis modelling with the results of model testing, namely CEM for Islamic5 companies and REM for non-Sharia companies. The results of the F-test analysis, R2 and t-test values can be seen in Table 2 and Table 3.

Table 3: F-Test & R2 Results

	Sharia	Non-Sharia
Prob(F-statistic) /F-test	0.004681	0.029568
Adjusted R-squared/R2	0.577859	0.341433

Table 4: t-Test Results

Variable	Coefficient		Std. Error		t-Statistic		Prob.	
	Syaria	Non-Syaria	Syaria	Non-Syaria	Syaria	Non-Syaria	Syaria	Non-Syaria
Constanta	-7.107	7.250	3.921	13.713	-1.813	0.529	0.091	0.603
Tax Planning	3.079	3.195	7.642	15.949	4.030	0.200	0.001*	0.843
Current tax burden	0.775	-1.355	0.296	2.110	2.623	-0.642	0.02*	0.528
Profitability	0.244	0.531	0.845	2.697	0.290	0.197	0.776	0.846
Audit committee	1.098	0.686	1.632	1.197	0.673	0.573	0.512	0.573
Company size	23.11	-0.533	11.53	0.161	2.005	-3.313	0.065	0.004*
Managerial Ownership	-4.765	-1.931	0.145	1.409	-3.282	-1.371	0.006*	0.187
Leverage	0.098	2.164	1.248	1.578	0.079	1.371	0.938	0.186

1. The Effect of Tax Planning on Earnings Management

The Effect of Tax Planning on Earnings Management The results of the t-test on Islamic manufacturing companies in the industrial sector and consumer goods in 2016-2019 show that tax planning has an effect on earnings management with a positive influence with a significance value of 0.001. In general, tax planning is carried out for the benefit of managers so that dividends and changes in tax rates make managers have to manage finances so that taxable profits are reduced. This is in accordance with Dewa Ketut Wira Santana and Made Gede Wirakusuma's research on the effect of tax planning, managerial ownership and firm size on earnings management practices, where tax planning affects earnings management[9].

As for manufacturing companies with non-sharia shares in the industrial sector and consumer goods in 2016-2019, the results that have been produced on the t-test show that the planning results have no significant effect on earnings management. This result is also in line with Fatchan Achyani and Susi Lestari's research entitled The Effect of Tax Planning on Earnings Management (Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange 2015-2017) which explains that tax planning has no effect on earnings management[10].

2. The Effect of Current Tax Expenses on Earnings Management

In manufacturing companies with sharia shares in the industrial sector and consumer goods in 2016-2019, it is explained that the current tax burden has a positive and significant effect on earnings management with a significance value of 0.0201. The tax burden is now able to detect the possibility of earnings management in a company by decreasing or increasing the amount of taxable income, so that profits are more optimal. This is in accordance with previous research which resulted in the current tax burden having an effect on earnings management, namely the study of Felicia Amanda and Meiriska Febrianti entitled analysis of the effect of current tax expense, deferred tax expense, and accrual basis on earnings management11. Meanwhile, nonsharia manufacturing companies in the industrial and consumer goods sectors in 2016-2019 found that the current tax burden does not have a significant effect on earnings management. In this case the taxpayer is free to determine in making accounting policies in the recognition of income and expenses this can affect taxable income, the company can carry out earnings management or even not if the current tax burden charged is small.

3. The Effect of Profitability on Earnings Management

Profitability does not have a significant effect on earnings management in both Islamic and non-Sharia stock manufacturing companies in the industrial and consumer goods sectors in 2016-2019. This study is in line with research entitled the effect of independent commissioners, firm size and profitability on earnings management[12], although actually the company's performance is said to be good if profitability increases. This result is contrary to previous research which stated that the higher the profit earned, the greater the level of earnings management carried out by a company13.

4. The Effect of the Audit Committee on Earnings Management

Regular audit committees may or may not influence earnings management. This depends on the optimization of the execution of the task. The results in this study indicate that the audit committee does not have a significant influence on earnings management in both Islamic and non-Sharia stock manufacturing companies in the industrial and consumer goods sectors in 2016-2019. This is in line with Ryu Ulina's research, which states that the audit committee has no influence on earnings management. In addition, the results of this study contradict the research of Novi Lidiawati and Nur Fadjrih Asyik which stated that the audit committee has an effect on earnings management because as often as possible the audit committee holds meetings or meetings which can reduce the level of earnings management[14].

5. The Effect of Firm Size on Earnings Management

In this study, it was concluded that the size of the company did not have a significant effect on earnings management in sharia-shared manufacturing companies in the industrial and consumer goods sectors in 2016-2019. This research is supported by the research of I Ketut Gunawan et al, which states that company size has no effect on earnings management because large companies do not necessarily practice earnings management but because they have a lot of assets so that asset disclosure errors are more common[15]. On the other hand, for manufacturing companies with non-sharia shares in the industrial and consumer goods sectors in 2016-2019, company size has a negative and significant effect on earnings management with a significance value of 0.0037. Men's research June Prasetya and Gayatri also shows that company size has an effect on earnings management. Earnings management is carried out because of the great pressure obtained by large companies through shareholders in the goodness of the company's financial statements so that companies tend not to do earnings management[16]

6. The Effect of Managerial Ownership on Earnings Management

In sharia-compliant manufacturing companies in the industrial sector and consumer goods in 2016-2019, managerial ownership has a negative and significant effect on earnings management with a significant value of 0.0037. This is in line with Dandi Purnama's research which states that managerial ownership has an effect on earnings management where the higher the manager owns the stock, the smaller the earnings management. This is because managers want to have good financial reports, and the manager is more likely to carry out internal control, thereby reducing earnings management practices[17]. Whereas in manufacturing companies with non-sharia shares in the industrial and consumer goods sectors in 2016-2019, the managerial ownership of the company does not have a significant effect on earnings management. Reni Yendrawati's research also shows that there is no influence of managerial ownership on earnings management because share ownership by managers tends to be small, so they have less role in making decisions about company management, including earnings management[18].

7. The Effect of Leverage on Earnings Management

In industrial and consumer goods manufacturing companies in 2016-2019, both Islamic and non-Sharia stocks have the same results, namely leverage has no significant effect on earnings management. So, higher leverage means that the company has a lot of debts, so that the company will do earnings management more often[19]. This study is in line with Gunawan who stated that leverage has no effect on earnings management[20].

CONCLUSION

Based on the F-Test, the independent variables, namely tax planning, current tax burden, profitability, audit committee, company size, and leverage have a joint influence on earnings management in manufacturing companies in the consumer goods industry sector in 2016-2019, whether they are sharia or Islamic stock non-sharia shares. The results of the t-test on shariacompliant manufacturing companies in the consumer goods industry sector in 2016-2019 show that tax planning, current tax expense, managerial ownership influence earnings management while profitability, audit committee, company size, and leverage do not affect management. profit. In addition, the results of the t-test on the variables of tax planning, current tax burden, profitability, audit committee, managerial ownership, leverage in non-sharia stock manufacturing companies in the consumer goods industry sector in 2016-2019 do not affect earnings management. On the other hand, only company size has an influence on earnings management in manufacturing companies with non-sharia shares in the consumer goods industry sector in 2016-2019).

REFERENCES

Achyani, Fatchan, and Susi Lestari. "Pengaruh Perencanaan Pajak Terhadap Manajemen Laba (Studi Empiris Pada Perusahaan Manufaktur Yang

Terdaftar Di Bursa Efek Indonesia Tahun 2015-2017).” Riset Akuntansi Dan Keuangan Indonesia, 2019.

Aditama, Ferry, and Anna Purwaningsih. “Pengaruh Perencanaan Pajak Terhadap Manajemen Laba Pada Perusahaan Nonmanufaktur Yang Terdaftar Di Bursa Efek Indonesia.” MODUS JOURNALS, 2016.

Amanda, Felicia, and Meiriska Febrianti, “Analisis Pengaruh Beban Pajak Kini, Beban Pajak Tangguhan, Dan Basis Akrual Terhadap Manajemen Laba.” Ultimaccounting : Jurnal Ilmu Akuntansi, 2015.

Amelia, Winda, and Erna Hernawati. “Pengaruh Komisaris Independen, Ukuran Perusahaan dan Profitabilitas terhadap Manajemen Laba.” Jurnal Berkala Ilmu Ekonomi, 2016.

Anggrainil, Destty. 2019. “Pengaruh Beban Pajak Tangguhan, Leverage, Dan Ukuran Perusahaan Terhadap Praktik Manajemen Laba (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Periode 2013-2017).” 2019.

Astari, Anak Agung Mas Ratih, and I. Ketut Suryanawa. “Faktor-Faktor Yang Mempengaruhi Manajemen Laba.” E-Jurnal Akuntansi, 2017.

Astuti, Ayu Yuni, Elva Nuraina, and Anggita Langgeng Wijaya. “Pengaruh Ukuran Perusahaan Dan Leverage Terhadap Manajemen Laba.” FIPA : Forum Ilmiah Pendidikan Akuntansi, 2017.

Basuki, Agus Tri. 2016. Pengantar Ekonometrika. Cetakan Pertama. Yogyakarta: Danisa Media.

Desmiyawati, Desmiyawati, Nasrizal Nasrizal, and Yessi Fitriana. “Pengaruh Asimetri Informasi Dan Ukuran Perusahaan Terhadap Praktik Manajemen Laba Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia.” Jurnal Pendidikan Ekonomi Dan Bisnis, 2009.

Gunawan, I. Ketut, S. E. Nyoman Ari Surya Darmawan, and S. E. I Gusti Ayu Purnamawati. “Pengaruh Ukuran Perusahaan, Profitabilitas, Dan Leverage Terhadap Manajemen Laba Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia (BEI).” JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Undiksha, 2015.

Putra, Reza Hangga Dewa Kumala, Ketut Sunarta, and Haqi Fadillah. “Pengaruh Perencanaan Pajak Dan Beban Pajak Tangguhan Terhadap Manajemen Laba Pada Perusahaan Manufaktur Sub Sektor Makanan Dan Minuman Yang Terdaftar Di Bursa Efek Indonesia Periode 2013-2017.” Jurnal Online Mahasiswa (JOM) Bidang Akuntansi, 2019.

Kasmir. 2013. Analisis Laporan Keuangan. Jakarta: PT Raja Grafindo Persada.

Khairunnisa, Jihan Muthi’ah, Majidah, and Kurnia. “Pengaruh Financial Distress, Perencanaan Pajak, Ukuran Perusahaan, Komite Audit Dan Kualitas Audit Terhadap Manajemen Laba.” Jurnal Ilmiah MEA (Manajemen, Ekonomi, & Akuntansi), 2020.

Lidiawati, Novi, and Nur Fadjrih Asyik. “Pengaruh Kualitas Audit, Komite Audit, Kepemilikan Institusional, Ukuran Perusahaan Terhadap Manajemen Laba.” Jurnal Ilmu Dan Riset Akuntansi (JIRA), 2016.9

Purnama, Dendi. “Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan, Kepemilikan Institusional Dan Kepemilikan Manajerial Terhadap Manajemen Laba.” Jurnal Riset Keuangan Dan Akuntansi, 2020.

Prasetya, Pria Juni, and Gayatri Gayatri. “Pengaruh Ukuran Prusahaan Terhadap Manajemen Laba Dengan Pengungkapan Corporate Social Responsibility Sebagai Variabel Intervening.” E-Jurnal Akuntansi, 2016.

Santana, Dewa Ketut Wira, and Made Gede Wirakusuma. “Pengaruh Perencanaan Pajak, Kepemilikan Manajerial, Dan Ukuran Perusahaan Terhadap Praktek Manajemen Laba.” E-Jurnal Akuntansi Universitas Udayana, 2016.

Setyawan, Budi. “Pengaruh Beban Pajak Tangguhan, Profitabilitas, dan Perencanaan Pajak terhadap Manajemen Laba (Studi Empiris pada Perusahaan Manufaktur Sub Sektor Otomotif dan Komponen yang terdaftar di Bursa Efek Indonesia Periode 2010-2014).” Keberlanjutan : Jurnal Manajemen dan Jurnal Akuntansi, 2016.

Nengsih, Titin Agustin, Frédéric Bertrand, Myriam Maumy-Bertrand, and Nicolas Meyer. “Determining the Number of Components in PLS Regression on Incomplete Data Set.” Statistical Applications in Genetics and Molecular Biology 18, no. 6, 2019.

Suandy, Erly. 2011. Perencanaan Pajak. Jakarta: Salemba Empat.