



Good Corporate Governance as A Variable Moderating The Effect Of Information Asymmetry On Profit Management (An Empirical Study on Go Public Transportation and Logistic Companies in Ise During 2016-2019)

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Abstract

This research aims to find out the effect of Information Asymmetry on profit management with GCG as moderating variable in transportation and logistic enlisted in ISE in 2016-2019. This research used multiple-linear regression analysis and MRA using Eviews 12 aid. The result of research can be summarized as follows: 1) Information asymmetry affects profit management significantly, and 2) Information asymmetry does not affect profit management with GCG being moderating variable. In this case, a moderating predictor type of moderation regression analysis model occurs, meaning that moderating variable serves merely as predictor in the relation established.

INTRODUCTION

The most important component of financial statement in decision making is profit, becoming a means of communicating financial information to outsiders (those outside corporation). This profit information also serves as the business management's accountability of financial statement to meet some important decision by information users. Opportunistic management action is taken to maximize its utility with profit element of financial statement. It is done by selecting certain accounting policy enabling the organization of corporate profit. Management behaviour to organize profit according to its wish is called profit management.

Recalling that profit management case becomes problem in Indonesia, moreover economic crisis not only harms Indonesian financial position but also attenuates the overall

economy, corporate governance problem becomes problem in Indonesia (Ramadhani and Lukviarman, 2009). Economic crisis of 1998 is the severest crisis having ever been experienced by Indonesia, thereby resulting in Indonesia economy. Inflation rate increases by 11.10% in 1997 in Indonesia. It increases from 77.60% in 1998, constituting the highest increase of inflation rate in Indonesia.

One of factors causing Indonesian economic crisis, according to Hamdani (2016: 1), is weak corporate governance and ethic underlying. Recalling that corporate governance needs good organizational control, the presence of corporate governance in Indonesian crisis management is required compulsorily. Government and investor begin to pay attention to corporate governance practice. The survey on corporate governance was conducted Political Economic Risk Consultancy (PERC) in 11

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(eleven) Asian countries, including Indonesia. Indonesia is on the last three positions among 11 Asian countries in the term of corporate governance. Cited in Sutedi (2012:50), PERC said that the higher the score, the worse is the corporate governance. The assessment received by Indonesia indicates ineffective implementation of corporate governance in Indonesia compared with other Asian countries. It implies that the implementation of corporate governance in Indonesia is still poor and the attempt of improving corporate governance has not been taken comprehensively. The poor corporate governance endangers investment sustainability in Indonesia.

Profit management is the managerial behaviour adding or subtracting the profit given to business owner without increasing or reducing the long term economic feasibility of the corporation. President Director should obligatorily inform the condition of corporation to the owner by giving written evidence to annual bookkeeping. This condition enables the manager to manage income for personal interest. In 2001, a financial scandal on annual accounting organization was committed by PT Lippo Tbk and PT Cimia Farma Tbk enlisted in the corporation (Boediono, 2005). Hasan Basri, the Vice Chairperson of Financial Audit Board (BPK), explained that accounting in State-Owned Enterprises (Badan Usaha Milik Negara, thereafter called BUMN) often has fraudulent accounting calculation. The fraud is committed by reporting that the profit received is higher than the actual profit. It is intended to increase the corporate profit, and thereby the management will get big bonus.

The profit management practice case is not new, because some cases have appeared in Indonesia. For example, what having occurred in AirAsia Group Airlines in 2015, an economic research company basing in Hongkong (GMT Research), with \$ 1.9 billion or IDR 25.2 trillion from Air Asian Group. The research

group (GMT) accused AirAsia traded money with its subsidiary company in Indonesia and Philippines to improve its parent company. In such condition, GMT estimated that AirAsia Group will need \$1.9 billion to cover its debt. GMT recommended AirAsia to sell its stocks immediately. The stock price has decreased by more than 26% since early June. Even it has ever reached its lowest level since 2011. Previously, GMT Research accused Air Asia and its affiliations and subsidiaries with accounting estimation fraud to increase the corporate profit.

The management of PT Garuda Indonesia Tbk (GIAA) successfully gained net profit in 2018 after GIAA reported net profit of \$809.85 million and deceived the presentation of financial statement. This profit is due to the increase in other operational income of \$368.88 million. In fact, the two commissioners hesitated to sign the financial statement. They defied income recognition from the cooperative agreement about the provision of flight connectivity service between PT Mahata AeroTeknologi and PT Citilink Indonesia. This research is considered in line with the Standard Requirement of Financial Accounting (Indonesian: Persyaratan Standar Akuntansi Keuangan, thereafter called PSAK) No. 23. It is because Garuda Indonesia management recognized Mahata's income of US\$239.940.000, US\$28.000.000 of which is the share received PT Sriwijaya Airways from the profit sharing, in which the money is receivable that has been recognized as income (www.detikfinance.com, 2021). It proves that despite the freedom of 1997-1998 crisis, many business actors still do the balance manipulation practice. One of factors causing this situation is the poor implementation of corporate governance. Some evidence shows that the poor corporate governance practice in Indonesia leads to the weakness in corporate decision making and corporate behaviour.

Table 1. Previous Studies

| No. | Authors | Variable | Finding |
|-----|-----------------------------|---|--|
| 1 | Tangngisalu & Jumady (2020) | Dependent Variable: Information asymmetry, Independent variable: Profit management, Moderating variable: Good Corporate Governance | Information asymmetry affects positively the profit management, GCG as moderating variable attenuates information asymmetry incidence in profit management. |
| 2 | Riandani & Rahmawati (2019) | An analysis of the Effect of Corporate Governance on the correlation between information asymmetry and profit management practice | The result of research shows that audit committee size can moderate the relationship between relationship between information asymmetry and profit management, but the board of commissioner composition and size cannot moderate the correlation between information asymmetry and profit management. |
| 3 | Janrosl & Lim (2019) | The Effect of Good Corporate Governance Mechanism Implementation on Profit Management (A Study on State-Owned Enterprises or BUMN in Indonesia's Stock Exchange in the period of 2007-2009) | The result of research shows that (1) managerial ownership does not affect profit management, (2) institutional ownership affects profit management, (3) independent commissioner affects profit management, and (4) auditing committee does not affect profit management. |

This research aims to restudy some factors affecting profit management using research gaps of previous studies, as shown in Table 1, and to provide corporate governance as moderating variable. In previous studies, some variables were used to measure GCG: Independent commissioner, managerial ownership, institutional ownership, audit quality, and independent auditing committee. It reveals the mitigating effect of GCG on respective variables used (Larastomo et al., 2016).

In this research, GCG measurement is conducted using score factor consisting of four dimensions of internal organizational control. The four dimensions are board of directors, auditing committee, management, and shareholder. The sample used derives from transportation and logistic variables. The author used transportation and logistic variables as sample, because Indonesian transportation and logistic market as either infrastructure or service is the main artery of economic activity, determining the competitive advantage of economy. Adequate and effective infrastructure availability and efficient and competitive service industry growth in all transportation sectors (land, sea, and air) deal with the more challenging global competition condition. World Economic Forum (WEF) survey revealed that the infrastructure of Indonesian transportation sector is on 91st position out of 131 states surveyed. The quickly fluctuating stock price creates conflict of interest between management and shareholders.

This sector is as strategic as other sectors such as agriculture, industry, trade and service. This sector contributes substantially to encouraging the development of other economic sectors.

Richardson's (2000) study found that there is a systematic correlation between information asymmetry and profit management rate. Jensen and Meckling (1976) assumed that manager as an agent will be motivated by personal interest, an attempt of doing profit management if there is a conflict of interest and information asymmetry between shareholders as principal with manager being the agent. Information asymmetry occurring between agent and principal, according to Manggau (2016), can give the agent an opportunity of doing profit management practice in the corporation, because with more information owned by the agent than the principal does, the agent can easily manipulate the information existing in the company. If the manager has higher information asymmetry about the corporation than the shareholder does, the manager will reengineer the corporate profit more discretionarily and it will lead to the increased profit management practice (Adrianto, R., & Anis, 2014).

Basrian et al., (2021) study found that information asymmetry affects positively the profit management. It is confirmed by Denovis (2019) study finding that information asymmetry and company size affect positively the profit management practice. In contrast, Wiryadi & Sebrina (2013) study found that information asymmetry

does not affect significantly the profit management. Considering the findings of previous studies, the hypothesis is formulated as follows:

H1: Information asymmetry affects profit management positively.

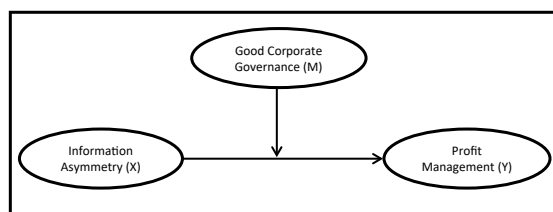
A manager's opportunistic behaviour encourages him/her to disclose certain information only to get personal benefit. The information useless will be hidden or this information disclosure will be postponed. Even, if necessary, the manager will change or falsify the information to get personal benefit. It is this information asymmetry that triggers the profit management practice in the corporation. Therefore, these actions are called profit management practice.

Information asymmetry can be minimized through good corporate governance, thereby harmonizing the interests of many parties. Good Corporate Governance (GCG) is an attempt taken by all interested parties in the corporation to run their business well according to their own rights and obligations. Therefore, the presence of GCG practice in corporation will restrict management action from doing profit management practice. The higher the implementation of GCG, the lower will be the profit management practice done (Mangkusuryo & Jati, 2017).

It is in line with Tangngisalu & Jumady (2020) study finding that information asymmetry affects profit management positively, with Good Corporate Governance (GCG) being moderating variable that attenuates the information asymmetry incidence in profit management. Riandani & Rahmawati (2019) study also found that auditing committee size can moderate the correlation between information asymmetry and profit management, but board of commissioner composition and size cannot moderate the correlation between information asymmetry and profit management. Considering the elaboration above, the author formulates the second hypothesis as follows.

H2: Good Corporate Governance can moderate the effect of information asymmetry on profit management.

Figure 1. Research Model



METHOD

Population is the generalization area consisting of object/subject with certain quality and characteristics specified by the author to be studied and from which conclusion will be drawn later. Sample is the characteristics the population owns. The sample is taken if the population is large and it is impossible for the author to study all members of population. Population and sample in this research are all go-public transportation and Logistic companies enlisted in ISE in 2016-2019.

The sampling technique used is purposive sampling meaning that the sample is taken based on subjective consideration based on some criteria specified (Basrian et al., 2021). The criteria used to take sample are as follows: the companies are those operating in Transportation and Logistic sector enlisted in Indonesia Stock Exchange in the period of 2016-2019.

The companies publish annual report and financial statement for the period ending on December 31 during the research period (2016-2019). Financial statement published is presented in rupiah currency. The companies present complete data on variables used in this research in the periods of 2016-2019. The companies do not switch to other sector in the period of 2016-2019.

Dependent variable (Y) is the one explained or affected by the independent one. The dependent variable in this research is profit management measured using proxy of discretionary accrual. Discretionary accrual (DA) is accrual component enabling the manager to intervene with the composition of financial statement, so that the profit reported in financial statement does not reflect the actual value or condition of companies.

Discretionary accruals are estimated using Modified Jones Model, with the following procedure: setting the total accrual value up with the following formula: $TA_{it} = NI_{it} - CFO_{it}$

Setting up the parameter values β_1 , β_2 , and β_3 using Jones model, with the following formula: $TA_{it} = \beta_1 + \beta_2 \Delta Rev_{it} + \beta_3 PPE_{it} + \epsilon_{it}$

Then, to scale the data, all variables are divided by previous year asset (A_{it-1}), so that the formula changes into: $TA_{it} / A_{it-1} = \beta_1(1/A_{it-1}) + \beta_2(\Delta Rev_{it} / A_{it-1}) + \beta_3(PPE_{it} / A_{it-1}) + \epsilon_{it}$

Estimating NDA value with the following formula: $NDA_{it} = \beta_1(1/A_{it-1}) + \beta_2(\Delta Rev_{it} / A_{it-1}) - \Delta Rec_{it} / A_{it-1} + \beta_3(PPE_{it} / A_{it-1})$

β_1 , β_2 , and β_3 parameter values are the result of estimation in the step 2, fill all values into the formula to obtain NDA value.

Setting up the discretionary accrual value with the following formula:

$$DAit = (TAit/Ait-1) - NDAit$$

Where:

Tait = Total accrual of company i in year t

Niit = Net profit of company i in year t

CFOit = Operational cash flow of company i in year t.

NDAit = non-discretionary accrual i in year t

ΔREVit = Income of company i in year t subtracted by income in year t-1

ΔRECit = The receivable account of company i in year 1 subtracted by the receivable account in year t-1

PPEit = Fixed asset of company i in year t

Ait-1 = Total asset of company i in year t-1

β1, β2, β3 = Coefficient of regression

εit = Error term of company i in year t

Information Asymmetry

Independent variable (X) is the one explained or affected by the independent one. This research measures information asymmetry using relative bid-ask spread operated as follows:

$$SPREAD = (ask_{i,t} - bid_{i,t}) / \{(ask_{i,t} + bid_{i,t}) / 2\} \times 100\%$$

The model used to adjust spread is:

$$SPREAD_{i,t} = \alpha_0 + \alpha_1 PRICE_{i,t} + \alpha_2 VAR_{i,t} + \alpha_3 TRANS_{i,t} + \alpha_4 DEPTH_{i,t} + ADJSPREAD_{i,t}$$

Where:

ask price = the highest stock bidding price

bid price = the lowest stock asks price

PRICE = stock closing price

VAR = stock return variant (stock return is the percentage of stock price change in year-t with stock price in the previous year (t-1))

TRANS = Number of transactions for a company's stock

DEPTH = Average number of stocks in all quotes

Adjspread = residual error used as the spread size adjusted

To find return variant, the following formula is used:

$$VAR = \sum (RETH_i - RATA)^2 / n$$

Where:

Var = return variant

Reth = stock return of company i on day-t

Rataret = average stock return per year

N = Number of days per year

The use of bid-ask spread as the proxy of information asymmetry in practice have 4 weaknesses: spread is associated with the order processing cost and supply storage cost by security traders. The error problem in this variable results in statistic test bias leading to zero value, and it is cannot be solved easily; the observable bid-ask spread has difference institutionally because the percentage of spread (in stock price) particularly is the function of stock price level; Bid-ask spread is not too sensitive to the change of information environment; Quoted bid-ask spread is a noisy measure because many big trades occur outside spread and many small trades inside spread.

Good Corporate Governance

Moderating variable is the one affecting the character or the direction of inter-variable relation. Solimun (2010) states that the classification of moderating variable is divided into four types and each of classification can be identified with the regression equation as follows:

$$Y_i = b_0 + b_1 X_i + b_2 M_i + b_3 (X_i * M_i)$$

involves moderating variable and interaction.

The moderating variable in this research is Good Corporate Governance (GCG). This research used GCG measurement through corporate internal control mechanism using score factor consisting of four dimensions. Each dimension has the following indicators:

Board of Commissioner (45%), consists of: COM_SIZE (Board of Commissioner number); COM_IND (percentage of independent commissioner); %COMOWN (percentage of stockholding belong to the board of commissioner); AUD (information of KAP big four or non bigfour).

Management (20%), consisting of: UD_SIZE (number of auditing committee); AUD_IND (percentage of independent auditing committee); FINEXPERT (auditing committee skill)

Audit Committee (20%), consisting of: DIR_SIZE (board of director number); M_OWN (percentage of shares belonging to the board of directors); FAMILY (whether or not there is family relation); Investor (15%), measured through: %INST_OWN (percentage of other institution's ownership).

From those indicators, GCG can be formulated as follows: $GCG = (\text{Total score obtained} / \text{Total score expected}) \times 100\%$

Having allocated sign and gotten respective weights, the weighted score that has been estimated to get aggregate score of respective companies is estimated indicating that it has been summarized. Criteria and form used to measure corporate governance are enclosed in appendix 1.

t = Period – t

ϵ = Error

Analysis method for the second hypothesis is Moderated Regression Analysis (MRA) or interaction test is multiple linear regression-specific application, the regression equation of which contains interaction element (the multiplication of two or more variables). This method is used because there is a moderating variable. The equation formula is as follows:

This research employs multiple linear regression technique with EViews 12 application being the processing method. The tests conducted in this research are statistic descriptive, Chow, Hausman, Normality, Multicollinearity, Auto-correlation, and Heteroscedasticity tests.

Hypothesis testing is useful to examine or to test whether or not the regression coefficient obtained is significant. The word significant means that a regression coefficient is not statistically equal to zero. If it is equal to zero, it means that the proof is not enough to state that independent variable affects the dependent one.

To test hypothesis about the significant effect of Information asymmetry on profit management, this research uses panel-data linear regression analysis technique. The equation is written as follows:

$$Y_{it} = \alpha_0 + \alpha_1 X_{it} + \epsilon_{it} \dots \dots \dots (3.1)$$

Where:

α_0 = Constant

α_1 = Regression Coefficient

Y = Profit Management

X = Information Asymmetry

i = 1st entity

$$Y' = \alpha + \beta_1 X_1 + \beta_2 Z_2 + \beta_3 (\beta_1 X_1 * \beta_2 Z_2) + \epsilon \dots \dots \dots (3.2)$$

Where:

Y' = Profit management is measured using discretionary accruals (DA) proxy

X = Information asymmetry is measured using relative bid ask spread

Z = Good Corporate Governance is measured using score factor

α = Constant

β = Regression Coefficient (increase or decrease value)

ϵ = Error

RESULT AND DISCUSSION

Table 2. Statistic Descriptive

| | Profit Management | Information Asymmetry | GCG |
|--------------|-------------------|-----------------------|-----------|
| Mean | 0.023213 | 0.516388 | 0.044370 |
| Median | 0.048200 | 0.501000 | 0.045000 |
| Maximum | 0.204100 | 0.570000 | 0.050526 |
| Minimum | -0.79700 | 0.459000 | 0.030263 |
| Std. Dev | 0.064698 | 0.032108 | 0.004328 |
| Skewness | 0.187752 | -0.079520 | -1.044688 |
| Kurtosis | 2.656.233 | 1.579022 | 4.118637 |
| Jarque-Bera | 0.561553 | 4.429690 | 12.16982 |
| Probability | 0.755197 | 0.109170 | 0.002277 |
| Sum | 1.207100 | 26.852200 | 2.307263 |
| Sum Sq. Dev | 0.213476 | 0.052577 | 0.000955 |
| Observations | 52 | 52 | 52 |

The result of statistic descriptive test on Information asymmetry, GCG, and profit management for transportation and logistics companies enlisted in Indonesia Stock Exchange in the period of 2016-2019 is presented in table 2.

Chow Test is conducted on the result of equation regression with fixed effect. The result of Chow Test is presented in Table 3 found in Cross-section Chi-Square probability equation resulting from the equation regression with fixed effect model of 0.5421. The score is larger than significance level of 0.05. Thus, H_a is supported and Hausman test is then conducted.

Table 3. Chow Test

| Equation | | | |
|--------------------------|-----------|---------|--------|
| Effect Test | Statistic | d.f. | Prob. |
| Cross-section F | 0.914673 | (12.37) | 0.5421 |
| Cross-section Chi-Square | 13.50882 | 12 | 0.3332 |

Hausman test is conducted on the result of equation regression with Random effect. The result of Hausman test is presented in Table 4 indicating that the result of equation regression with random effect in cross-section random prob-

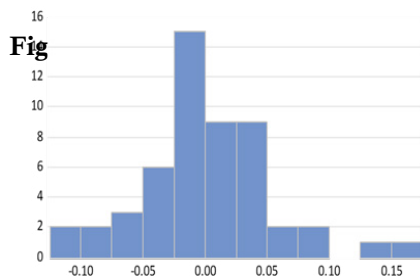
ability equation is 0.321. The figure is larger than significance value of 0.05. Therefore, H0 is supported, meaning that the better model is the random effect model.

Table 4. Hausman Test

| Equation | | | |
|-------------------------|-------------------|--------------|-------|
| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
| Cross-section Random | 2.272329 | 2 | 0.321 |

Classical Assumption Test

Normality test is conducted to measure whether or not the variables used in the research, Information Asymmetry (X), Good Corporate Governance (GCG) (Z), and Profit Management (Y), have normal distribution. Having conducted normality test in this research, it can be seen that some data are not distributed normally. Figure 1 shows that all variables have been distributed normally. It can be seen from the equation with probability value of 0.1116 with Std Deviation of 0.0535. Thus, it can be concluded that the data of current research are distributed normally.



Multicollinearity Test

The indicator of multicollinearity incidence is that if correlation matrix between independent variables scores more than 0.8, the model contains multicollinearity element. However, if the correlation between independent variables obtain score lower than 0.8, the model passes multicollinearity tests successfully. Considering the result of multicollinearity test as shown in Table 5, it can be concluded that the score of correlation matrix between variables for all variables in this research pass successfully and there is no multicollinearity data.

Table 5. Multicollinearity Test

| Equation | | |
|-----------------------|-----------------------|----------|
| | Information Asymmetry | GCG |
| Information asymmetry | 1.000000 | 0.355899 |
| GCG | 0.355899 | 1.000000 |

Heteroscedasticity Test

The criterion of testing conducted is to see Chi-Square probability value. If Chi-Square. If Chi-Square value > 0.05 , it passes heteroscedasticity successfully. The result of heteroscedasticity test can be seen in Table 6, indicating that in the equation the probability coefficient of respective independent variables is more than 0.05. Thus, it can be concluded that there is no heteroskedasticity problem.

Table 6. Heteroscedasticity

| Equation | | | |
|----------------------------|-------------|-------------|--------|
| Variable | Coefficient | t-statistic | Prob. |
| C | 0.032753 | 0.128975 | 0.8979 |
| Information asymmetry ^2 | 0.491087 | 0.482416 | 0.6318 |
| Information asymmetry *GCG | -3.053920 | -0.435166 | 0.6655 |
| Information asymmetry | -0.369408 | -0.368462 | 0.7142 |
| GCG^2 | -18.23189 | -0.537243 | 0.5937 |
| GCG | 3.058672 | 0.989945 | 0.3274 |

Autocorrelation Test

The criterion of test conducted is to see D-W statistic value. If D-W stat is on interval of $1.54 \geq D-W \leq 2.46$. The precondition of equation not encountering autocorrelation problem is that D-W stat is on interval of 1.54 – 2.46 or the research passes autocorrelation test successfully. From table 7, it can be seen that D-W statistic value in this research is 2.162561, meaning that this research has passed through autocorrelation test successfully.

Table 7. Autocorrelation Test

| Equation | |
|---------------------|----------|
| Durbin-Waston Stat. | 2.162561 |

Coefficient of determinacy ranges between 0 and 1 only; if the score > 0.5 is obtained, it can

be said that the model used estimates convincingly. The larger the figure is yielded, the better is the model used in elaborating the correlation between independent and dependent variable. Thus, it can be seen that the Adjusted R-squared value is 0.258045 indicating that independent variable can explain dependent variable by 25.80%, while the rest of 74.20% is explained by variables excluded from the research

Table 8. Coefficient of Determinacy (R2)

| | | | |
|---------------------------|-----------------|----------------------------|-----------|
| R-squared | 0.461719 | Mean depend-ent var | 0.023213 |
| Adjusted R-Squared | 0.258045 | S.D. depend-ent var | 0.064698 |
| S.E of regression | 0.055729 | Akaike info criterion | -2.700049 |
| Sum squared resid | 0.114910 | Schwarz criterion | -2.137190 |
| Log Likelihood | 8.520128 | Hannan-Quinn Criter | -2.484262 |
| F-Statistic | 2.266954 | Durbin-Watson stat | 1.693909 |
| Prob (F-statistic) | 0.023521 | | |

Source: This data is processed using Eviews 12 (2022)

If probability value < 0.05 , H_0 is not supported and it can be concluded that independent variable simultaneously affects its dependent variable. If probability value > 0.05 , H_0 is supported and it can be concluded that there is no independent variable affecting the dependent variable. From Table 9, it can be seen that F-Statistic values is 2.266954 at significance level of 0.023521. Because the significance level is less than 0.05, H_0 is not supported and H_1 is supported. It can be concluded that Information Asymmetry affects profit management in transportation and logistics companies in Indonesia during 2016-2019 or in other words, this research method is feasible to use (goodness of fit can be meet). From Table 9, it can be seen that F statistic is 65.30494 and probability value F is $0.023521 < 0.05$, meaning that it can be concluded that H_0 is not supported and H_1 is supported. Thus, independent variable (information asymmetry) affects dependent variable (profit management) simultaneously

Table 9. F Test (Simultaneous Test)

| | | | |
|---------------------------|-----------------|----------------------------|-----------|
| R-squared | 0.461719 | Mean depend-ent var | 0.023213 |
| Adjusted R-Squared | 0.258045 | S.D. depend-ent var | 0.064698 |
| S.E of regression | 0.055729 | Akaike info criterion | -2.700049 |
| Sum squared resid | 0.114910 | Schwarz criterion | -2.137190 |
| Log Likelihood | 8.520128 | Hannan-Quinn Criter | -2.484262 |
| F-Statistic | 2.266954 | Durbin-Watson stat | 1.693909 |
| Prob (F-statistic) | 0.023521 | | |

Source: This data is processed using Eviews 12 (2022)

T-statistic test

T statistic is used to find out whether or not there is an effect of respective independent variables on dependent variables partially tested with significance value of 0.05. If the probability < 0.05 , it means that there is an effect of dependent variable partially on dependent variable.

Table 10. T-statistic test

| Variable | Coefficient | Std. Error | t statistic | Prob. |
|----------|------------------|-----------------|-------------|--------|
| C | -0.711958 | 0.160758 | -4.42877 | 0,0001 |
| X | 1.227394 | 0.399482 | 3.072461 | 0,0035 |
| M | 7.346978 | 2.801778 | 2.80178 | 0,0117 |
| M1 | -9.545831 | 6.548900 | -1.45762 | 0,1515 |

The result of t-test can be seen in Table 10. The result of t-test can be explained in detail as follows: hypothesis 1 (H_1): Information asymmetry affects profit management positively with probability value of 0.0035 or < 0.05 and the coefficient of regression is 3.072461. it indicates that information asymmetry affects profit management positively and significantly; Hypothesis 2 (H_2): GCG as a moderating variable that moderates the interaction between Information Asymmetry and profit management does not have significant effect with probability value of 0.1515 and coefficient of regression of -1.45762. Thus,

it can be concluded that GCG variable does not affect the correlation between information asymmetry and profit management.

Moderated Regression Analysis

Panel-data regression equation with GCG being a moderating variable can confirm the effect of Information Asymmetry on Profit Management that can be expressed as follows, based on equation 3.2:

$$Y = -0.711958 + 1.227394X + 7.346978M + -9.545831X*M$$

Table 11. Moderated Regression Analysis

| Variable | Coefficient | t-Statistic | Prob. | Prob. |
|----------------------------|-------------|----------------|--------|--------|
| C | -0.711958 | 0.160758 | 0.0001 | 0,0001 |
| Information Asymmetry | 1.227394 | 0.399482 | 0.0035 | 0,0035 |
| Profit Management | 7.346978 | 2.801778 | 0.0117 | 0,0117 |
| GCG* Information Asymmetry | -9.545831 | 6.548900 | 0.1515 | 0,1515 |
| R-Square | 0.346148 | Adj. R-Squared | 0.3053 | |
| F-Statistic | 8.470370 | DW-Stat | 1.4849 | |
| Prob. (F-Statistic) | 0.000128 | | | |

From the equation above, the following conclusion can be drawn up: in equation II, the constant is 0.711958. It means that if the value of independent variable is 0, the company value is -0.711958; In equation II, the coefficient of Information Asymmetry is positive, 1.227394. It means that one unit increase in information asymmetry will lower the company value by 1,227394; In Equation II, GCG has positive value, 7.346978. It means that if one unit increase in debt policy will increase the company value by 7.346978; In Equation II, the coefficient of interaction between Information Asymmetry and GCG is negative, 9.545831. It means that one unit increase in Information Asymmetry will lower the company value by 9.545831; Considering the result of moderating variable test in Equation II, p-value of GCG is $0.0117 < 0.05$, meaning that there is no significant effect, while p-value of the interaction between Information Asymmetry and GCG is $0.1515 > 0.05$, meaning that there is no significant effect. Thus, it can be concluded that GCG variable is the predictor type of moderating variable, the one affecting or causing the change or the generation of dependent variable.

DISCUSSION

The first hypothesis in this research stating that information asymmetry affects profit management positively. From Table 11, it can be seen

probability value of $0.0035 < 0.05$ and coefficient of regression of 3.072461 meaning that information asymmetry affects profit management positively and significantly. Considering this result, the first hypothesis is supported. Theoretically, the information asymmetry occurring between agent and principal can give an agent an opportunity of doing profit management practice in the company, because with the more information owned by agent than the principal does, the agent can easily manipulate the information existing in the company (Firnanti, 2017). The higher the information asymmetry the manager has compared with the shareholder does, the manager will reengineer the company profit more discretionarily that will lead to the increased profit management practice.

This finding is confirmed with Basrian et al., (2021), and Denovis (2019) studies.

In equation II, the coefficient of interaction between Information Asymmetry and GCG is -9.545831 and the p-value of interaction between Information Asymmetry and GCG is $0.0117 < 0.05$, meaning that there is no significant effect, while p-value of interaction between information asymmetry and GCG $0.1515 > 0.05$ implies that there is no significant effect. In this case, the predictor type of moderated regression analysis model appears, meaning that moderating variable serves as predictor only in the relation established.

GCG is a variable that can strengthen or attenuate the effect of information asymmetry on profit management. The board of commissioner composition does not relate to profit management practice (Sutino & Khoiruddin, 2016). Some factors may cause it. (1) The board of commissioner appointment is likely done by the company to comply with the regulation only rather than to enforce Good Corporate Governance (GCG) within it. (2) The stipulation concerning the minimum proportion of independent board

of commissioner of 30% perhaps is not enough to enable the independent commissioner to dominate the policies made by the board of commissioners (Nariastiti & Ratnadi, 2014). If independent commissioner is the majority (>50%), it will undertake the role of monitoring the company more effectively. To make the board of commissioner appointment intended not only to comply with the regulation only, the regulators should think of more ways to socialize the importance of GCG enforcement, for example, by awarding the company with the best GCG (Dhaneswari & Widuri, 2013). In addition, the regulators should impose firm sanction to the companies not appointing the independent commissioner yet. (3) The imperative requiring the companies to appoint independent commissioner has just been existing since 2001. Thus, the too short working period likely makes it undertake monitoring action ineffectively in the companies. This result is in contradiction with Tangngisalu & Jumady (2020) finding that information asymmetry affects profit management positively, in which Good Corporate Governance (GCG) as the moderating variable attenuates the information asymmetry in profit management. Riandani & Rahmawati (2019) also found that the auditing committee size can moderate the correlation between information asymmetry and profit management.

CONCLUSION AND RECOMMENDATION

Based on the secondary data collected from Indonesia Stock Exchange (ISE) and the result of test using Moderated Regression Analysis (MRA) on the effect of information asymmetry on profit management with Good Corporate Governance (GCG) being moderating variable, it can be concluded that information asymmetry affects profit management positively and good Corporate Governance (GCG) cannot moderate the effect of information asymmetry on profit management.

Further researches are expected to increase the number of samples using other indexes such as LQ 45 or other indexes from various company sectors and they are highly recommended to use some models with different measurement bases to compare the results of respective models. Investor and creditor are recommended to focus not only on profit information due to accrual component that can be organized using managerial consideration for personal interest. But they should pay attention to non-financial information. The implementation of good corporate governance can be a factor considered by investor in making

investment decision in a company. The regulator should supervise more tightly and impose sanction to enable the companies to realize GCG in Indonesia. In this research, Good Corporate Governance (GCG) can evidently reduce information asymmetry and profit management, and thereby it is expected to maintain its function to restrict the profit management practice.

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