

LITERATURE STUDY REVIEW: PROFIT MANAGEMENT IN CORPORATE GOVERNANCE

Ina Liswanty¹⁾, Emi Masyitah²⁾

1) Akuntansi, Ekonomi dan Bisnis, Universitas Potensi Utama, Indonesia

2) Akuntansi, Ekonomi dan Bisnis, Universitas Potensi Utama, Indonesia

*Corresponding Email: inaliswanty24@gmail.com, emi.masyitah@gmail.com

ABSTRACT : GCG (good corporate governance) or corporate governance offered by the World Bank and IMF when several Asian countries including Indonesia at the moment experience crisis finance in 1998 , even agency theory provides view that GCG implementation is capable minimize problem management profit in a companies , especially through the role of independent board of commissioners monitoring and the role audit committee . The purpose of this study is gather most frequent topics used in practice management profit and what is most influential in practice management profit . The method used is qualitative , as for Technique analysis used is descriptive qualitative . Use of the Systematic Literature Review (SLR) Method done with review And identify journal in a way systematic Which on every the process reviewed and analyzed . The data analyzed is data from 2014-2020. Based on research on 20 literatures , show that implementation of governance good company can press practice management profit opportunistic . The most frequently found GCG elements in reduce practice management profit is audit committee , ownership institutional , and ownership managerial .

Keywords: GCG , Profit Management

INTRODUCTION

Competition between company will become the problem is getting worse big one that is currently running . Competition the often proven with compete produce or display report good finance Because with so company will rated Healthy or either by investors or stakeholders interest others . The important purpose is for interesting attention of investors to invest in their company . Financial reports functioning For evaluate condition company and assess credible A company at this time . Good company of course reflected from conditions and levels its high credibility so that can interesting attention and desire from potential investors for to plant the capital .

Management profit (*Earnings Management*) is activity engineer information finances carried out by the parties previous management has agreed in compile report finance with Good For increase mark companies that this condition will profitable for management (Saftiana et al. 2017). This statement explains that report finance No can measured make A company it is

said Good because of activity manipulation that can carried out by the party company . It should be information in report finance as a connecting medium between internal parties or management with party external owner company or investors (Amertha 2013).

The occurrence possibility this practice occurs because of implementation of governance that has not been effective and not walk with Well , one of them is experienced by the company airline flight Indonesian national , namely Garuda Indonesia, which has been proven has do window dressing with take notes income that is still become receivables .

GCG (*good corporate governance*) or that offered by the World Bank and IMF when several Asian countries including Indonesia at the moment experience crisis finance in 1998 , even agency theory provides view that GCG implementation is capable minimize problem management profit in a companies , especially through the role of independent board of commissioners monitoring and the role audit committee . Cadbury (1992) stated that GCG implementation becomes very important Because existence difference interests at play as system management and control .

The concept of GCG is evolving in accordance with public demands that want realization healthy , clean and responsible business answer . In definition of GCG is interpreted as a system that regulates and controls company to be able to create mark add (*value added*) to all stakeholders. Important things that need to be emphasized in This concept is right holder shares and obligations that must be filled company .

Research conducted by Rahmawati & Putri, (2020) conclude that ownership management capable influence management profit to mark companies and ownership institutional . Research describe that theory agency is the most capable theory in explain connection between the need implementation of GCG towards practice management profit .

Table 1. Research Theory

Theory	Writer	Year
Agency Theory	Nurma Risa ,	2014
	Elvia Launa, Novita Weningtyas Respect	2014
	Cut Nessa Cinthya, Mirna Indrian	2015
	Ardiana Lathvita Sari	2017
	Kadek Trisna Dwiyantri , Meyta Astriena	2018
Signal Theory	Zaky Machmuddah	2020
	Zaky Machmuddaha ,	2017
	Monika Wulanda, Nurma Aziza	2019
Asymmetry Theory Information	Yusuf Mangkusuryo , A Waluyo Jati	2017

Accounting Theory Positive	Zaky Machmuddaha , Mucharna and Syafruddinb	2020
Stakeholder Theory	Zaky Machmuddaha , Muchamad Syafruddinb , Dul Muide	2016
Moral Hazard Theory	Yusuf Mangkusuryo , A Waluyo Jati	2017
Asymmetry Theory Information	Yusuf Mangkusuryo , A Waluyo Jati	2020
Prospect Theory .	Eva Vajrianti , Imam Subekti and Abdul Ghofar	2016

^a. Source : Processed Data

The table above show a number of the most common theory used in discussion implementation of GCG. In addition to the theory agency theory signals are also used For know How company give signs or commonly called with signal information to party external stakeholders about information about environment capable company become opportunity for company . Disclosure environment company is signal relate with quality its management .

In theory asymmetry say that party external A little know information about opportunities and risks company . Usually many internal parties know information compared to party external like this investor is what is called the occurrence asymmetry information . Miscellaneous level difference reception information started from higher level tall even very low level . Asymmetry This information provides good impact to decision finance . (Atmaja , 2008). Other theories that are often used is theory accountancy positive Where This theory was discovered by William H. Beaver (1986). This theory attempts to... explain or predict phenomenon real related practice accountancy .

Moral hazard theory explains that problems that arise consequence conflict interest between agents and principals who will cause emergence perspective or assumptions that every individual often do something matter only For interest self Alone It means agent No will give information that is not true and often hide things that are likely profitable himself . (Achim & Borlea , 2013).

METHOD

A. Types of research

This research is a type study qualitative with use method *Systematic Literature Review* (SLR) was conducted with review And identify article from 2014-2020 in a way systematic Which on every the process reviewed and analyzed For know how much Lots topics discussed

practice management profit as well as theory What just the most frequent used (Sugiyano , 2019).

B. Scope of Literature

Researcher look for article with use it say key Which has determined , such as GCG and management profit Furthermore reporting stage , researcher write results from every adequate article For made into report .

a) Research Question

Researcher use a number of question For get description from implementation of GCG towards practice management profit sample selected articles from 2014-2020 there are questions asked as following

RQ 1 : element What Which often used in GCG And How He influence management profit ?

RQ 2 : What just motive, theory , Which used in measure practice management profit in study ?

b) Search Process

Researcher in this process looking for articles related with using the keyword . “ Management profit ” is keywords used . Data base used in This research is Accredited National Journal

c) Inclusion and Exclusion Criteria

This stage is determination criteria the article that will used . Criteria the is :

C1 . Articles published in 2014-2020

C2. Articles originating from from journal that has been determined

C3. Data Which used only paper journal Which related with practice management profit on governance company

LITERATURE REVIEW

A. Agency Theory

In English theory agency or barbaric called theory agency called Agency Theory which means existence connection between principal (investor) with agent (management). In this case, Management is party agents and holders share as a principal in his job agent will be

responsible answer in accordance with principal 's request contract , For principal interests (Bernandhi and Muid 2014). There is existence relatedness difference function between ownership and control a company , where ownership be in hand holder shares , while control carried out by management (Jao and Pagalung 2011).

The existence of this difference is often cause differences and often become problem connection kegenan . Problem this difference occurs Because control management usually No in accordance with the principal wishes of this issue will be cause case cost agency costs .

B. Good Corporate Governance

In arranging problem between party external with internal parties , sometimes company must emit cost more so that the problem the can minimized . One of the method supervision is with apply *corporate governance* in a company . With GCG (*good corporate governance*) the goal main increase mark holder share in term long with still notice interests of other stakeholders. (Wardani et al., 2019)

Draft *corporate governance* submitted as form improvement performance company through supervision or performance monitoring management as well as ensure accountability management towards stakeholders with based on the framework regulations (M. Nasution and D. Setiawan, 2007). The concept of corporate governance was proposed in order to achieve management more companies transparent for stakeholders. System *corporate governance* give results effective for stockholders and stakeholders so they will Certain to obtain return return on investment with true . Corporate governance also helps create climate conducive to the creation of efficient and sustainable growth in the sector corporation .

Corporate governance is arrangement or rules used For arrange connection between party management and parties holder share or other principal , usually called with connection between agent and principal accordingly with rights and obligations . GCG is also used For needs For building an efficient , transparent and consistent market in accordance with legislation . The implementation of GCG is necessary supported by three interrelated pillars related , namely the state and its apparatus as a regulator, the business world as market players and society as user business world products and services .

C. Principles of Good Corporate Governance

FCGI (2003) states that every company must ensure that GCG principles are applied to every aspect business and in all ranks company . The principles of GCG are transparency , accountability , responsiveness , independence as well as equality and fairness required For reach sustainable performance with still notice stakeholders interests . The following are explanation each GCG principles put forward by FCGI (2003).

1. Transparency

For guard objectivity in operate business , meaning company serve information in a way transparent with material and relevant presentation easy accessed orleh anybody especially for stakeholders interests . Matters that are informed No only issues required by regulations but also to inform matter printing for stakeholders interest use For taking decision .

2. Accountability

Accountability means company can be responsible answer his job in a way transparent and fair . In this case the company sued For run with good and correct , in a way measurable and appropriate with interest company with No forget consider as well as take into account interests of other stakeholders . Accountability be one of condition important things needed For achievement good and sustainable performance .

3. Responsibility

Regulation legislation must be obeyed in implementation not quite enough answer company to society and its environment . These regulations must be obeyed so that can create connection continuity business in term long and get confession as *good corporate citizen* .

4. Independence (*Independency*)

For to launch implementation GCG principles , company must managed in a way independent so that each company organ No each other dominate and not can intervened by the party other .

5. Equality and Fairness in implementing its activities ,

the company must always notice interest holder shares and stakeholders interest other based on principle equality and fairness .

D. Profit Management

Management profit is a state in which management do intervention in the process of being drafted report finance For party external , can flatten , add , or reduce profit . *earnings management* happen when management do decision in change report finance with objective For make user report finance Confused about condition performance economy company (Udayana, 2017) .

leverage ratio is one of the factor affecting management profit measurement its assets through debt . With debt that is too big will endanger company Because company trapped in high debt and difficulty For off from matter said . Because the company must Can balancing in take debt and have to Can find out in How method pay the debt (Astuti et al., 2017) .

E. Profit Management Techniques

A number of ptechnician in management profit According to Joan Wallach Schot (2009) , it is:

- a) Taking a Bath - this technique is used when company get pressure or reorganization When a company feel benefited when they report losses incurred Enough big Because This action is expected will useful For raise level profit them in the future .
- b) Income Minimization – This technique is similar with Taking a bath company do manipulation when experience improvement very high profit so that profit in period upcoming will be estimated experience decline and overcome with take profit in the period previously .
- c) Income Maximization - Done at the time profit down . This technique is done For report profit for more bonus goals high too. Debt violations are one of the reasons why this technique is carried out by companies .
- d) Income Smoothing – This technique is done For alignment profit so that avoid fluctuation too much profit big Because will impact on investor confidence . Investors are more like relatively stable profits .

Aspect important which is also necessary be noticed is a motive that becomes trigger done management profit . There is a number of the reason that became incentive use management

profit (Rahman et al., 2013). A number of popular techniques For detect management profit (Omar, Rahman, Danbatta , & Sulaiman, 2014) is :

- a) Use aggregate or total accrual
- b) Through accrual specific (specific)
- c) Through allocation cost or shift cost
- d) Through inspection or audit of real activities (*real action*)

There are 3 types of management strategies profit For reach objective management profit term prolonged that is (Astria et al., 2021) :

1. Manager raise profit period now
2. Manager do decline profit this period .
3. Manager leveling profit

F. Topics Study

This study analyzed 20 topics research that discusses about Topics related management profit . The most popular topic Lots interesting attention study about management profit is good corporate governance as many as 5 articles . Topic other is lavage as many as 1 article , and the size of the audit committee as many as 3 articles , size company as many as 1 article and topics others . Here Topics study related management profit .

Table 2. Topics Study

No	Research Topics	Article
1	Good Corporate Governance	5
2	Leverage	1
3	Audit Committee Size	3
4	Company Size	1
5	Audit Reputation	1
6	Profitability	1
7	Return On Assets	1
8	Company Values	2
9	Audit Quality	1
10	Intellectual Capital	1
11	Accrual Earnings Management	1
12	Real Earnings Management	1
13	Net Profit Margin Ratio	1
14	Growth (Groeth)	1
15	Company performance	2

^b. Source : Processed Data

G. Distribution Year Study

Distribution year study from 2014-2020 can seen in the following diagram

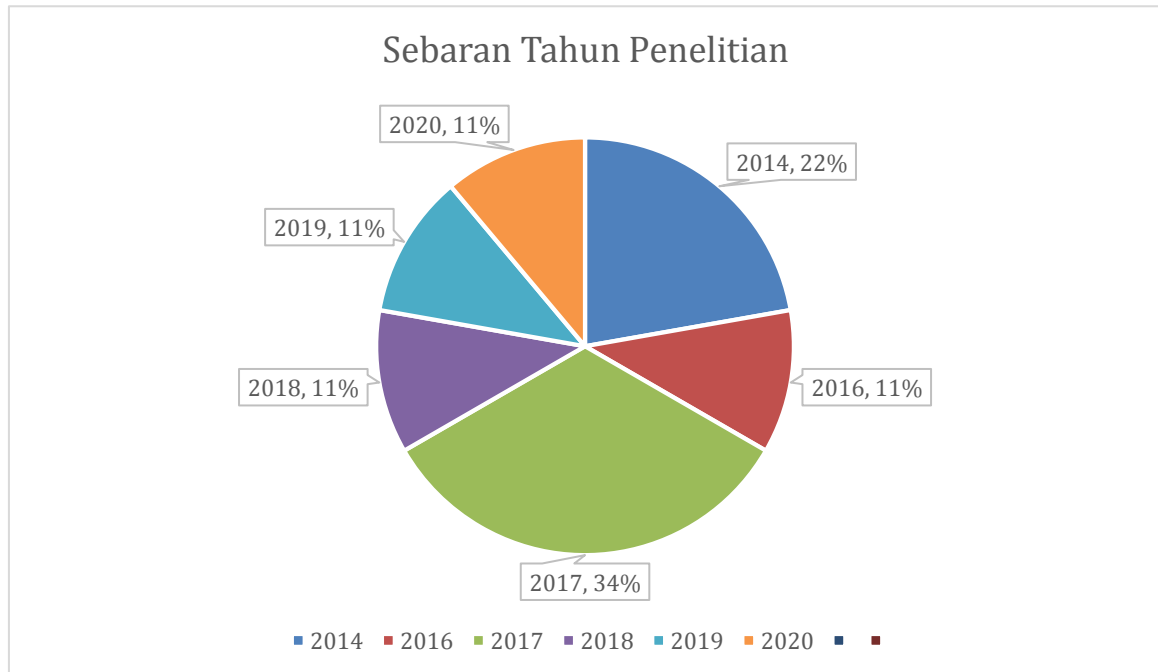


Figure 1. Distribution Year Study
(Source : Processed Data)

Can seen from picture on that distribution research that discusses about GCG in practice management profit from 2014 to 2020 the most researched in 2017 , namely as much as 34% of other topics . In 2014 the second most in distribution year study namely 22% and followed by with amount the same percentage , namely 11% in 2016, 2018, 2019 and 2020.

H. Distribution of Research City of Origin

In the picture following can seen distribution city origin study consists of from the cities of Jakarta, Aceh, Bekasi, Bandung, Bengkulu, Madiun , Madura, Malang from to eight city distribution city most are in Jakarta and Bekasi. This is proven from the amount

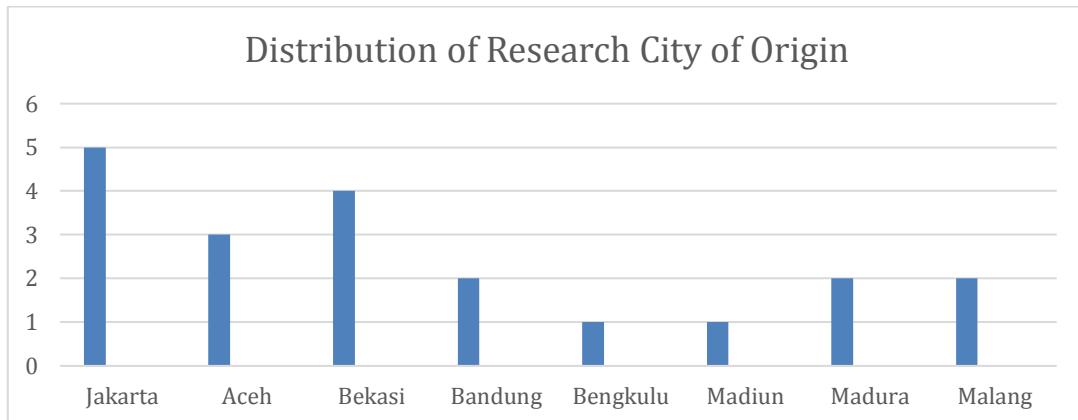


Figure 2. Distribution of Cities of Origin of Research
(Source : Processed Data)

RESULTS AND DISCUSSION

From the study literature on there is a number of underlying theory in study management Theory As for the theory as runway is stakeholder theory , theory signal , theory accountancy positive moral hazard theory and theory prospect (Arifiyati & Machmuddah , 2019) . Signal theory discuss about How company give information as sign to other companies regarding How A company disclose environment his company can made into sign or signals for stakeholders interests . Companies that seek to put forward information the environment considered is one of activity from CSR itself . This signal is in the form of related matters with quality management . Ulum (2009) explains that stakeholders are A group or influential individual or influenced in fulfill need or objective his organization . According to with This theory is activity management executed and reported must in accordance to stakeholders.

The stakeholder theory itself functioning For increase the value of company , as well as shrink loss from the stakeholders possible interests happened at the time corporations and stakeholders run connection they (Ulum , 2009). Moral hazard theory discusses about possible problems happen between agent and principal so that cause the emergence assumption that every individual often do action that is not ethical with prioritize its importance personal . So that force agent For manipulate information as well as hide it with No display incident Actually to principal (Achim & Borlea , 2013).

Asymmetry very relevant information with *agency theory* and its existence connection agency . The reason is that because the agent is considered own information more Lots from

the principal this is the result agent utilise symmetry information For hide detrimental information for him or in other words information that is not profitable for him , they will only serve information in accordance with his wish just like on study (Hayn, 1995), (Burgstahler & Dichev , 1997), (Roychowdhury, 2006), and (Vajriyanti et al., 2016). Manipulating internal data this is done manager For change profit to be on point meaningful reference profit on point reference or point zero means get profit positive which means company indicated good and vice versa if company be under point reference or point zero so company will indicated with poor performance , and can result in giving signal information to investors who will later will harm party management . When the company experience loss so company sued For can face cost more expensive transactions with stakeholders (Burgstahler & Dichev , 1997).

The review results show of the 20 articles , there are five proxies the most widely used GCG measurement used in practice management profit , namely ownership institutional , ownership managerial , size of the board of commissioners , independent commissioners and audit committee . Data can be seen in the following table :

Table 3. GCG Measurement

Proxy	Amount Literature Influential Positive	Amount Literature Influential Negative
Ownership Managerial	4	3
Independent Commissioner	1	
Size of the Board of Commissioners	3	
Audit Committee	3	5
Ownership Institutional	3	1

Source : Processed Data

The above data show that in frequent proxy GCG discussion used is ownership managerial Where in ownership managerial greatly influences in the management process profit followed by with size of board of commissioners , audit committee , ownership institutional and yag final is independent commissioner . Literature data shows the most negative influence that influences is audit committee in this is considered by the audit committee capable influence in the management process profit that will be will impact on management company If there is error . Then followed by with ownership managerial and ownership institutional .

CONCLUSION

Study regarding GCG and what influences it has Lots studied by researchers previously as can seen in review literature from 2014 to 2020. Governance the most frequent companies made

into Topic main to be examined and become one reject measure it with see Good whether or not performance his finances whether can reliable or not by the stakeholders interest both investors and creditors or other .

Based on article review results as many as 20 literatures can concluded that practice management profit done use For demonstrate good governance for company . These GCG elements are often found in practice . Theory that is often use is agency theory, theory signal , theory asymmetry information and theory accountancy positive , stakeholder theory , moral hazard theory , theory asymmetry information , theory prospects

Distribution in This research discusses about GCG in activity management profit consists of from a number of city namely Jakarta, Aceh, Bekasi, Bandung, Bengkulu, Madiun , Madura, and Malang. The trend of use GCG elements are increasingly Lots used by a number of company big although practice management profit often carried out by the party manager in operate his job For achieve performance targets finances that have been determined by the company . The existence of the implementation good GCG principles in a way simultaneously , through optimal supervision by a professional board of commissioners , supported by committee audit And auditor external from office accountant public Which credible , board of directors Which competent , through ownership institutional and ownership managerial , as well as implementation principle conservatism accounting , then detrimental action stakeholders interest in practice management profit opportunistic can pressed

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