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Empirical Testing of Real Profit Management, Good Corporate and Corporate Value in The Financial Services Sector in Indonesia

Mamay Komarudin

Universitas Bina Bangsa
e-mail: mamaykomarudin2014@gmail.com

Abstract

The purpose of this research is 1) to analyze the effect of real profit on the value of the company; 2) to analyze the influence of managerial ownership on the value of the company; 3) to analyze institutional ownership as a moderation variable in the effect of real profit on company value.3) to analyze managerial ownership as a moderation variable in the effect of real profit on company value. This research is based on exoplanet research. The population is all financial sector service companies as many as 77 companies. Based on the sample criteria, it was selected into 25 companies. Data analysis method using Moderating Regression Analysis. Based on the results of data analysis shows the following conclusions.1) real profit management to the value of the company; 2) institutional ownership has a significant effect on the company's value; 3) managerial ownership has no significant effect on the company's value; 4) Significant institutional ownership moderates in the effect of real profit on the value of the company. 5) Managerial ownership does not significantly moderate in the effect of real profit on the value of the company.

Keywords: Management, Real Profit, Operating Cash Flow, Good Corporate and Value

1. Introduction

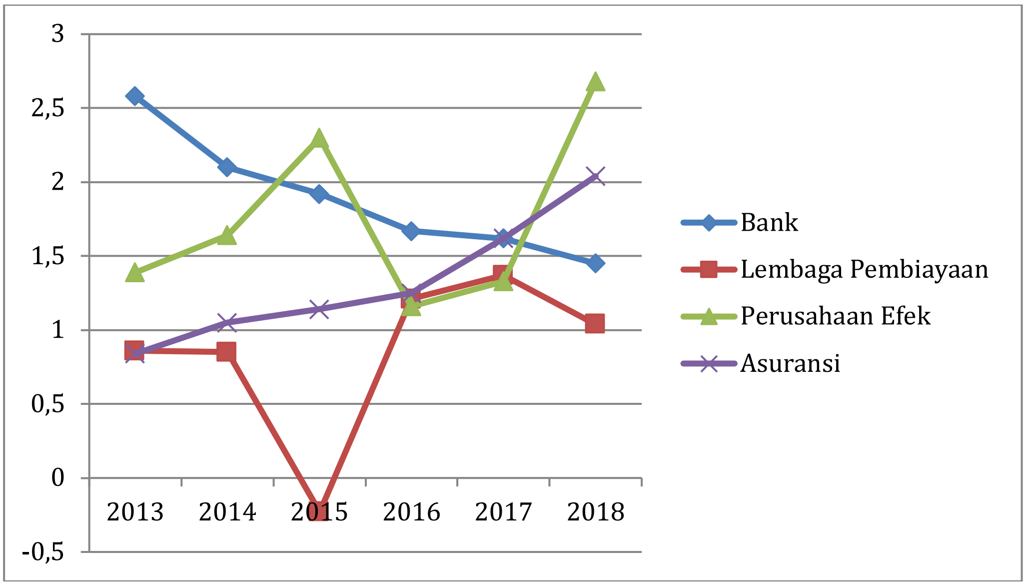
Indonesia Stock Exchange (IDX) is a capital market for various financial instruments that can be traded in the form of debt or capital itself. IDX plays a big role for the country's economy because IDX as a capital market provides facilities that bring together two interests, namely those who have excess funds and parties who need funds, as well as provide opportunities to obtain rewards (returns) for fund owners in accordance with the characteristics of the selected investment.

The existence of capital market is expected to increase economic activity, because the capital market is an alternative funding for companies to be able to increase corporate income and ultimately can provide prosperity for the wider community Service industry is not a stand-alone business field, but rather the role of sub-sectors of companies that influence each other, so as to encourage development in the sector.

The service sector is a service company sector divided into various subs. different types of corporate sectors, but the main role is the same as improving the national economy. The main objective of the company is to maximize the value of the company. The value of the company is the investor's perception of the company that is often associated with the share price (Handayani, 2015). The increase in the value of the company can illustrate the welfare of the company owner, so that the owner of the company will encourage the manager to work harder by using various intensive to maximize the value of the company. The high value of the company becomes the desire of the owners of the company, because with a high value shows the prosperity of shareholders is also high.

The company's value can also be measured using the Price to Book Value (PBV) ratio. PBV describes how much the market appreciates the book value of a company's shares (Sunarsih and Mendra, 2012). The PBV ratio is a comparison between the share price and the equity book value. The higher this ratio indicates that the market is increasingly confident in the company's prospects. The ratio of the share price to book value of the company or Price to Book Value (PBV) indicates the level of the company's ability to create value relative to the amount of capital invested.

One of the sub-sectors of service companies is the financial sub-sector. During 2013-2018 experienced the development of company value as measured by PBV as pictured below.



Translation:
1. Bank = Bank
2. Lembaga Pembiayaan = Financing Institution
3. Perusahaan Efek = securities companies
4. Asuransi = Insurance

Figure 1. PBV Development of Financial Sector Companies

Source: IDX Fact Book 2014-2018

Figure 1 shows how PBV decreases and increases. Furthermore, the increase and decrease in the company's niai can be more clearly known by looking at the percentage of PBV of each financial sub-sector registered in the IDX during 2014 to 2018 in table 1 below:

Table 1. Percentage increase and decrease in Price to Book Value in Financial Sub Sector

Sub-Sector	2014	2015	2016	2017	2018	Average
Bank	-18,60%	-8,60%	-13%	-3%	-10,50%	-10,74%
Financing Institution	-1,20%	-127,10%	426,10%	13,20%	-24,10%	57,38%
Securities Company	18%	40,20%	-49,60%	14,70%	101,50%	24,96%
Insurance	25%	8,60%	9,60%	29,60%	25,90%	19,74%

Source: IDX Fact Book 2014-2018

Table 1 shows the increase and decrease in PBV during 2014 to 2014. From the average over the past 5 years, the Financial sub-sector that experienced the highest PBV increase was the Financing Institution with an average PBV of 57.4%, then Securities Companies with an average PBV of 25% and Insurance with an average PBV of 19.7%. Meanwhile, the Financial sub-sector that experienced a decrease in THE PBV was the Bank with an average PBV decrease of -10.7%. The Price to Book Value (PBV) ratio compares between the share price and the company's equity book value, the higher the share price, the higher the company's value.

The company in increasing the value of the company by increasing the profit of the company that is the goal. Profit is a benchmark for financial report users to assess management performance, taxation, dividend policies, investment guidelines, and decision making. Profit reflects the company's overall performance. That is because current year profit is of good quality if the profit is a good indicator for future profit, or strongly related to future operating cash flow (Penman and Cohen, 2003). Accounting policy is managed by the company so that the profit generated has high quality so that the company's activities can take place continuously. Low profit quality can cause stakeholders to make wrong decisions so that the company's value can be reduced (Siallagan and Mahfoedz, 2006). If the prosperity of shareholders is higher then it is due to the high value of the company so that shareholders will invest capital in the company (Haruman, 2008)

Profit management is a management action to influence profit reporting. Agency problems that occur can cause profit management where there is a conflict of agency between the manager as an agent and the owner / shareholder. The relationship between principal and agent can lead to a condition of information imbalance (asymmetrical information) because the agent is in a position to have more information about the company than the principal. The imbalance of information it has will encourage agents to hide some information that is not known to the principal on the assumption that individuals act to maximize self-interest. Agents can influence the accounting figures presented in financial statements by performing profit management. The existence of profit management can generate pseudo profit that can lower the value of the company in the future (Siallagan and Mahfoedz 2006). Managers who have information on the company's net profit will act opportunistic to perform profit management by maximizing current profits or keeping them for the coming year.

Stakeholder supervision mechanisms are needed to reduce the opportunistic behavior of such managers. The supervisory mechanism is called good corporate governance which is one of the key elements in improving economic efficiency, among others, a series of relationships between the management of the company, the board of commissioners, shareholders, and other stakeholders. Good Corporate Governance deals with investor confidence where managers control managers (Shleifer and Vishny, 1997). Corporate governance serves to reduce or lower agency costs. The mechanism of good corporate governance is characterized by institutional ownership, managerial ownership, audits and independent commissioners. Institutional ownership and managerial ownership are believed to limit the behavior of managers in making profit management. Darmawati (2003) found that the existence of audit committees and independent commissioners of the company proved effective in preventing profit management practices, because the existence of audit committees and independent commissioners aimed to supervise the company's activities in achieving the company's objectives. Taheer and Salem (2017) also found that institutional ownership and the board of directors influenced the value of the company.

Real profit affects the value of the company with corporate governance mechanisms. Roychowdhury (2006) found that real profit management performed by the company's management will show good performance in the short term or increase the value of the company. However, the next period of profit will decrease resulting in the value of the company to fall in the long term. Kamil and Hapsari (2014) found that accrued profit management has no effect on the value of the company, while corporate governance mechanisms simultaneously have a significant effect on the company's value. However, in part, managerial ownership and institutional ownership are moderating variables in the influence of profit management on the value of the company, while independent commissioners are not moderating variables. Ultimately (2012) shows that accrual profit management can reduce the value of the company. Ferdawati (2008) found that real profit has a significant positive effect on the company's value. Partami, Sinarwati and Darmawan (2014) concluded that there is a negative effect of real profit on the company's value. The higher the real profit, the lower the value of the company. Yuyetta and Haryudanto (2010) found there was no significant influence between accrued profit management on the company's value.

Good corporate governance consisting of institutional ownership, auditors, managerial ownership can moderate real profit management at the value of the company. Vajriyanti, Widanaputra, Putri (2010) concluded that good corporate governance can moderate the influence of real profit management on the value of the company. The lower the real profit, the higher the value of the company, especially for companies that implement high good corporate governance practices.

2. Literature Review

Agency Theory

Agency theory is basically a theory that arises because of a conflict of interest between principals and agents. This theory assumes that everyone is solely motivated by his or her own self-interest resulting in a conflict of interest between the principal and the agent. Agency theory is often used as a basis in previous research on corporate governance, especially about the existence of committees. This is due to the importance of aspects of monitoring for the realization of good corporate governance. When viewed from the agency's perspective, there are two general management supervision mechanisms, namely internal supervision and external supervision. The internal supervisory mechanism is the board of commissioners and committees (Chen et al. 2009), while the external supervisory mechanism is the external auditor (Subramaniam et al. 2009).

Real Profit and Company Value

The profit presented by the manager in the financial statements is often a reference for shareholders or owners of the company to know the state of the company. While the manager as the manager of the company knows more internal information and the company's prospects. This can lead to information gaps. This condition is often referred to as informational asymmetry (Jensen and Meckling, 1976). Because of this information asymmetry, the owner of the company cannot know the actual condition of the company and its prospects in the future that can be utilized by the manager to conduct profit management. Managers basically do profit management to increase the value of the company. This activity can increase the value of the company in the short term but can decrease the value of the company in the future. The hypotheses proposed are:
H_1: real profits have a significant effect on the value of the company

The Effect of Good Corporate Governance on Corporate Values

Effect of Institutional Ownership on company value

Concentration of institutional ownership is the shares of companies owned by institutions or institutions such as insurance companies, investment companies and ownership of other institutions. Institutional ownership plays an important role in minimizing agency conflicts between managers and shareholders. The existence of institutional investors is an effective monitoring mechanism in every decision taken by managers because these investors are considered to have competencies related to

investment and management of the company. Sabrina (2014) proves that institutional ownership has a significant effect on the value of the company (Tobins'Q) therefore the hypothesis of the influence of institutional ownership on the value of the company can be formulated as follows.
H_2 : Institutional ownership has a positive effect on the company's value

Effect of Managerial Ownership on company value

Jensen and Meckling (1976) in Edgina (2008) said that increased managerial ownership in the company encourages managers to create optimal company performance and motivate managers to act carefully, as they bear the consequences for their actions. Thus, the existence of managerial ownership in a company raises expectations will provide added value for the company. Rachmawati and Triatmoko (2007) stated that in their research managerial ownership has a positive effect on the value of the company, therefore, the hypothesis of the influence of institutional ownership on the value of the company can be formulated as follows:
H_3 : Managerial ownership has a positive effect on the company's value

The Effect of Real Profit on Company Value by Moderated Good Corporate Governance Institutional Ownership

Institutional ownership can control management through an effective monitoring process to reduce profit management. Cornet (2006) concluded that the company's supervisory actions by institutional investors can encourage managers to focus their attention more on the company's performance to reduce opportunistic or selfish behavior. The hypotheses that can be proposed are:
H_4 : The effect of real profit on the value of the company is weakened by the existence of institutional ownership.

Managerial Ownership

Midiastuty and Machfoedz (2003) stated that managerial ownership is one of the mechanisms that can limit the opportunistic behavior of managers in the form of earnings management, although Wedari (2004) concluded that managerial ownership also has other motives. In this study refers to the existing theory that managerial ownership can serve as a mechanism of corporate governance to reduce the actions of managers in manipulating profits. This means managerial ownership is negatively related to earnings management. The hypotheses that can be proposed are:
H_5 : The effect of real profit on the value of the company is weakened by the existence of managerial ownership

3. Methods

The population of this research is the entire financial services industry listed on the Indonesia Stock Exchange in 2014-2018. Sampling using purposive sampling method with the following criteria:

a. The company has never conducted acquisition and merger activities during 2014-2018.
b. Financial statements for 2014-2018.

Secondary data collected from the Indonesia Capital Market Directory 2018 and the Company's published Financial Statements. The independent variable in this study is Real Profit (Em) which has three proxies namely Abnormal Cash Flow Operation (ABCFO). Dependent variables, i.e., company value (Q) with Tobins Q. Good Corporate Governance as moderation variables measured by institutional and managerial diversity. The calculation of each variable, among others:

a. Abnormal Cash Flow Operation (ABCFO)

Real profit management (operating cash flow). ABNCFO annually is the residual value of the estimated model of the regression equation. The Company is suspected of conducting real profit management through cash flow of operating activities if the average cash flow of abnormal operating activities is negative. The current regression model of normal operating activities is as follows (Roychowdhury, 2006):

$$CFO_t/A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \alpha_2(S_t/A_{t-1}) + \alpha_3(\Delta S_t/A_{t-1}) + \varepsilon_t$$

b. Company value

The company's value in this study is defined as market value. The company's value is calculated using the Tobin's Q model, a ratio developed by James Tobin (1967) that shows current financial market estimates. If the Q ratio is above one then this indicates that the investment in the asset will generate a return that provides a higher value of investment expenditure, this will attract new investment. Whereas if the Q ratio is below one then the investment in the company is not attractive (Herawaty, 2008). Calculation of company values using the formula:

$$Q = \frac{MVE + D}{BVE + D}$$

Description:
Q = company value
MVE = equity market value (MVE = closing price x number of shares outstanding) closing price is the share price obtained at the close of trading at the end of the trading period on the stock exchange.
D = book value of total debt
BVE = book value of total assets

c. Managerial ownership (KM)

Managerial ownership (KM) is shares owned by management personally as well as shares owned by subsidiaries of the company and its affiliates (Susiana and Herawaty, 2007). Managerial ownership is measured using a ratio scale through a percentage of the number of shares owned by the management of all outstanding shares of the company.

$$KM = \frac{\text{Number of shares owned by management}}{\text{Total outstanding share capital of the company}}$$

d. Institutional ownership (INST)

Institutional ownership (INST) is the ownership of shares of the company by financial institutions such as insurance companies, banks, pension funds, and investment banking (Siregar and Utama 2005). Institutional ownership is measured by the ratio scale through the number of shares owned by institutional investors compared to the company's total shares.

$$INST = \frac{\text{Number of shares owned by institutional investors}}{\text{Total outstanding share capital of the company}}$$

Data analysis methods used include Moderating Regression Analysis analysis, classical assumption test and hypothesis test with t test.

4. Results and Discussion

Based on the sampling process, the total of financial sector service companies as many as 77 companies consisting of 41 banks, financing institutions 15 companies, securities companies there are 10 companies and insurance companies as many as 15 companies. Based on the criteria, it was selected into 25 companies.

Descriptive statistics explain the average value, standard deviation, minimum value, and maximum value for research variables. Descriptive statistical results presented except variables in the form of dummy do not need to be done descriptive statistics. Descriptive statistical results are presented in Table 3.

Table 3. Descriptive Statistical Variables

Variable	Minimum	Maximum	*Mean*	*Std. Deviation*
Company Value (Q)	0,017	3,930	1,000	0,875
Institutional Ownership	0,214	0,800	0,378	0,108
Managerial ownership	0,000	0,253	0,029	0,066
Abnormal Cash Flow Operation (ACFO)	-0,492	0,506	0,006	0,147

Based on Table 3 shows descriptive statistics of each research variable. The description of the company value proxied with Tobin's Q has an average value of 1.0005. Standard deviation of 0.8755 which means that the size of the spread of the company's value data is quite large, this is supported by the standard deviation value that increasingly avoids the average value and the size of the spread is getting larger. The lowest value of the company size is 0.0174 and the highest value of the company size is 3.9306.

Managerial ownership has an average value of 0.0298. The standard deviation of 0.0668 which means that the size of the managerial ownership data spread is quite large, this is supported by the standard deviation value that is getting away from the average value and the size of the spread is getting larger. Lowest score Managerial ownership is 0.0000 and the highest value of managerial ownership is 0.2536.

Institutional ownership has an average value of 0.3781. The standard deviation of 0.1085 which means that the size of the distribution of institutional ownership data is quite large, this is supported by the standard value of deviation that increasingly avoids the average value and the size of the spread is getting larger. The lowest value of institutional ownership was 0.2143 and the highest value of institutional ownership was 0.8000.

Real profit management (operating cash flow) has an average value of 0.0063. Standard deviation of 0.1475 which means that the size of the spread of real profit management data is quite large, this is supported by the standard value of deviation that increasingly avoids the average value and the size of the spread is getting larger. The lowest real profit management value is -0.4926 and the highest real profit management value is 0.5062.

After going through the descriptive statistical analysis stage to obtain a real picture of the variables studied, then the data that has been collected is further analyzed in the stages of inferential statistical analysis. The statistical tool used is multiple linear regression analysis with moderate variables.

Multiple regression analysis relates to the study of dependency of a dependent variable on one or more independent variables with the aim of knowing how much influence independent variables have on dependent variables. The results of the Moderated Regression Analysis between independent variables of real profit management with GCG moderating and enterprise value dependent variables are shown in Table 4.

Table 4. Results of Moderated Regression Analysis

Research Variables	*Unstandardized Coefficients*		*Standardized Coefficients*	t	Sig.	Description
	B	Std. Error	Beta			
(Constant)	0,680	0,083		8,237	0,000	-
Abnormal Cash Flow Operation (ACFO)	-0,867	0,615	-0,146	-1,408	0,159	Insignificant
Institutional Ownership (INST)	2,409	0,993	0,299	2,426	0,015	Significant
Managerial ownership (MAN)	-0,221	0,354	-0,017	-0,626	0,532	Insignificant
INST*ACFO	18,447	7,227	1,126	2,552	0,011	Significant
KM* ACFO	-0,075	2,619	-0,001	-0,029	0,977	Insignificant
R			= 0,713	DW		= 1,836
R *Square*			= 0,508	F count		= 48,259
Adjusted R *quare*			= 0,497	Sig. F		= 0,000

Based on the test results t shows the following results.

a. Real profit management (operating cash flow) had a significance of 0.159. This value has a p-value of this amount of 0.159 over α (= 0.05) with an estimated coefficient value of -0.867, meaning that partial real profit management (operating cash flow) has no effect on the company's value. The first hypothesis (H1) which states that real profit management (operating cash flow) positively affects the value of the company is not proven.
b. Institutional ownership has a significance of 0.015. This value of p-value is 0.015 less than α (= 0.05) with an estimated coefficient value of 2,409, meaning that institutional ownership partially affects the value of the company. The second hypothesis (H2) which states institutional ownership has a positive effect on the value of the company is proven.
c. Managerial ownership has a significance level of 0.532. This value has a p-value of this amount of 0.532 over α (= 0.05) with an estimated coefficient value of -0.221, meaning partial managerial ownership has no effect on the company's value. The third hypothesis (H3) which states managerial ownership positively affects the value of the company is proven.
d. Institutional ownership as moderation has a significance level of 0.011. This value of p-value of this amount of 0.011 is more than α (= 0.05) with an estimated coefficient value of 18,447, meaning institutional ownership cannot moderate real profit management (operating cash flow) against the company's value. The fourth hypothesis (H4) which states institutional ownership moderates real profit management (operating cash flow) against the company's value is not proven.
e. Managerial ownership as moderation has a significance of 0.977 This value of t-calculate significance (p-value) of this amount of 0.977 more than α (= 0.05) with an estimated coefficient value of -0.075, meaning managerial ownership cannot moderate real profit management (operating cash flow) against the company's value. The fifth hypothesis (H5)

which states insignificant managerial ownership moderates the moderating of real profit management (operating cash flow) against the value of the company is not proven.

Based on the results of multiple regression analysis can be known Adjusted R Square (R2) value of 0.497. This indicates that 49.7% of the company's value variables can be explained by independent variables. While the remaining 50.3% is influenced by other variables outside the variables used

Discussion

The Effect of Profit Management on The Company's Value

Profit management through operating cash flow had no significant effect on the company's value. It shows that the first hypothesis (H1) which states that the management of profit through operating cash flow has a significant effect on the company's value, is not proven. The Company is suspected of conducting real profit management through cash flow of operating activities if the average cash flow of abnormal operating activities of negative value cannot increase the value of the company. This cash flow statement will provide useful information about the company's ability to generate from operating activities, make investments, pay off obligations, and pay dividends. The cash flow statement reports the size of cash flow for three business activities: operations, investment, and funding. Operating cash flow or cash flow from operating activities is the equivalent of a cash base for accrued net income, more generally, cash flow information assists in assessing the company's ability to meet its obligations, pay dividends, increase capacity, and obtain funding.

Cash flow from operations (CFO) is an indicator that determines whether the company's operational activities can generate sufficient cash flow to pay off short-term loans, maintain the company's operational capabilities, and finance expenses for operational activities. Cash flow from operating activities contains the receipt and flow of cash obtained and used for the company's operational activities. Identification of cash flow components of operating activities include cash receipts from customers, payments to suppliers, employees, and others, tax payments, interest payments, and other operating activities. This result is in accordance with the results of research Oktarina and Hutagaoul (2008) found that companies that are suspected of tending to manage real profits are influenced by the value of the company.

The Effect of Institutional Ownership on Company Value

Based on the test results obtained that institutional ownership has a significant effect on the value of the company. It shows that institutional ownership can increase the value of the company. If institutional ownership is getting better, then the value of the company will be better. It shows that the second hypothesis (H2) which states that institutional ownership has a significant effect on the value of the company, is proven to be true.

Concentration of institutional ownership is the shares of companies owned by institutions or institutions such as insurance companies, investment companies and ownership of other institutions. An institution is an institution that has a great interest in investments made including stock investments. So usually, the institution hands over responsibility to a particular division to manage the investment of the company. Because institutions professionally monitor the development of their investments, the level of control over management actions is so high that financial potential can be suppressed (Lastanti, 2004).

The existence of this institution is capable of being an effective monitoring tool for companies. Institutional ownership acts as a party that monitors the company in general and managers as managers of the company. The greater the institutional ownership, the more efficient the utilization of company assets and is expected to also act as a prevention against waste carried out by management. A high level of institutional ownership will lead to greater scrutiny by institutional investors, thus hindering the opportunistic behavior of managers. Institutional ownership has a significant effect on shareholder value. This means showing that institutional ownership becomes a reliable mechanism to motivate managers in improving their performance which can ultimately increase the value of the company. This result is in accordance with Sabrina's research (2014) proving that institutional ownership has a significant effect on the company's value

Effect of Management Ownership on Company Value

Based on the test results obtained that management ownership has no significant effect on the value of the company. It shows that management ownership cannot increase the value of the company. Although management ownership is getting better it does not necessarily increase the value of the company. It shows that the third hypothesis (H3) which states that management ownership has a significant effect on the value of the company, is not proven.

The insignificant influence is caused by agency problems between shareholders and managers. Managerial ownership is the proportion of shareholders from the management who actively participate in the company's decision making. With the ownership of management in a company, it would be interesting to assume that the value of the company does not increase because of increased management ownership so that there will be agency conflicts. Ownership by large management will be effective in monitoring the company's activities. With a high ownership proposal, the manager will feel that they have the company, so they will do their best to take actions that can maximize their prosperity. It is based on the logic, that an increase in the proportion of shares owned by managers will decrease the tendency of managers to take excessive actions. Thus, it will unite the interests of managers with shareholders, this has a positive impact on increasing the value of the company. The greater the ownership of shares by management, the less the tendency of management to optimize the use of resources, resulting in an increase in the value of the company and when the ownership of shares by management is low, then there is a tendency of opportunistic behavior of managers that will increase as well. Management's ownership of the company's shares is seen as aligning potential differences of interest between outside shareholders and management.

Agency problems are assumed to be lost if a manager is also an owner. Managers who are both shareholders will not increase the value of the company. The results of this study are inconsistent with the research of Rachmawati and Triatmoko (2007) stated in his research managerial ownership has a positive effect on the company's value

The Effect of Profit Management on The Company's Value with Good Corporate Governance as a moderating variable

The test results of Good Corporate Governance as moderation variables are described as follows.

a. Institutional ownership moderates the effect of earnings management on firm value

The test results show that real earnings management through operating cash flow, real earnings management through production costs and real earnings management through discretionary costs to firm value with institutional ownership as moderation are not proven. The test results of real earnings management (operating cash flow) on firm value with institutional ownership as moderation are not proven to have a significant effect. This shows that the fourth hypothesis (H4) which states that real earnings management (operating cash flow) has a significant effect on firm value with institutional ownership as moderation, is not proven. This means that institutional ownership does not strengthen or weaken the effect of real earnings management (operating cash flow) on firm value.

The test results show that real earnings management through operating costs on firm value with institutional ownership as moderation is not proven to have a significant effect. This shows that the fifteenth hypothesis which states that real earnings management through operating costs has a significant effect on firm value with institutional ownership as moderation, is not proven. This shows that although high institutional ownership cannot strengthen or weaken the effect of real earnings management through production costs on firm value. This is not in accordance with the opinion of Jiambavo, et al. (1996) stated that there is a feedback effect from institutional ownership which can reduce the company's earnings management. If the management of earnings is efficient, high institutional ownership will improve earnings management by the company which is not opportunistic, so high institutional ownership will reduce earnings management. Cornet et al. (2006) stated that the act of company supervision by institutional investors can encourage managers to focus more attention on company performance so that it will reduce opportunistic or selfish behavior.

b. Management Ownership Moderates the Effect of Earnings Management on Firm Value

The test results of real earnings management (operating cash flow) on firm value with management ownership as moderation are proven to have a significant effect. This shows that the seventeenth hypothesis which states that real earnings management (operating cash flow) has a significant effect on firm value with management ownership as moderation, is rejected. Testing the effect of real earnings management through discretionary costs on firm value with management ownership as moderation is proven to have a significant effect. This shows that the fifth hypothesis (H5) which states that real earnings management through discretionary has a significant effect on firm value with management ownership as moderation, is rejected.

The moderating variable of managerial ownership has no effect on the relationship between profit management and the value of the company. This research indicates that companies in the sample did not use managerial ownership to reduce profit management actions. This may be due to the loosening of company rules or the lack of proper supervision due to the owner acting as an agent. Thus, the greater the managerial ownership, the greater the profit management action carried out, so there is a tendency for managers to act at will and be less responsible.

The concept of corporate governance is a separation between ownership and management within the company to minimize a conflict due to differences of interest between the two, so effective rules and control mechanisms are required. One of the efforts that can be done is to pay attention to the ownership structure of the company as the basis for identifying the distribution of power between various parties. However, the results of this study found that managerial ownership as an internal control mechanism cannot regulate and control the company to provide and increase the value of the company to shareholders. This is because the company that sampled the research is mostly the proportion of its managerial ownership is so small that it is possible that the manager has not felt the benefits of such ownership. Theoretically when management ownership is low, then the incentive to the possibility of opportunistic behavior of managers will increase. This means that if the shareholding by the manager is enlarged so that the manager will not manipulate the profit for his benefit. This research is in accordance with Herawaty (2008) which states that managerial ownership variables are not moderation variables between profit management and company value, while this research contradicts the research of Rachmawati and Triatmoko (2007) which found that there is a relationship between the value of the company and the percentage of shares owned by the management of the company.

5. Conclusion

Based on the results of data analysis shows the following conclusions.1) real profit management to the value of the company; 2) institutional ownership has a significant effect on the company's value; 3) managerial ownership has no significant effect on the company's value; 4) Significant institutional ownership moderates in the effect of real profit on the value of the company. 5) Managerial ownership does not significantly moderate in the effect of real profit on the value of the company. Suggestions that can be submitted include: For creditors, investors, financial analysts, and auditors it is advisable to be careful in understanding the earnings reported by management in financial statements. Given that the reported profit can be raised or lowered by utilizing the flexibility of financial accounting standards and government regulation. Future research should use other company value measurement models that are expected to provide better comparisons

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