

# ANALYSIS OF THE EFFECT OF RISK PROFILE, EARNING, AND CAPITAL ON PROFIT MANAGEMENT IN INDONESIA PERSERO BANK

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## Abstract:

This study aims to examine and provide empirical evidence regarding the effect of risk profile, earnings, and capital on earnings management. The number of samples in the study were 4 state banks listed on the Indonesia Stock Exchange in 2013 - 2017. Hypothesis testing was carried out using a t-test with the SPSS (Statistical Program for Social Science) program. The results showed that there was an influence of risk profile, earnings, and partial capital on earnings management. There needs to be another analysis that can predict earnings management actions in banks.

**Keywords:** *Analysis of Bank Soundness, RBBR, Profit Management, and State Banks*

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## INTRODUCTION

Banks are the backbone of the economic system. This can not be separated from the function of banks as intermediary institutions, namely institutions that are able to connect those who have excess funds with those who need funds. Therefore, in order to run smoothly, banking institutions must run regularly, especially state banks, which are the main factors driving Indonesia's economy.

In order to maintain its operational continuity, state banks need a lot of capital. In order to strengthen the capital of state banks, many ways have been done including issuing bonds, registering shares on the IDX (Indonesian Stock Exchange) until the government's plan to establish a banking BUMN Competition to get investors and ensure that the position as the parent of a banking BUMN holding can be a trigger for earnings management actions carried out by state banks.

Earnings management is one result of an agency theory, in which the interests of managers and investors conflict. Information asymmetry between managers and investors is the most important consequence of the separation of management and owners in the company (Embrahimi, Bahraminasab and Seyedi, 2017).

One way to suppress earnings management activities is to conduct an assessment of the bank's soundness on a regular basis. This bank soundness assessment can be carried out based on the RBBR (Risk Based Bank Rating) approach with an assessment of the value of the risk profile, earnings and capital factors (PBI No.13 / 1 / PBI / 2011). In SE BI No. 13/24 / DPNP dated October 25, 2011 explained the assessment of risk profile is an assessment of the risks inherent in business activities that have the potential to affect financial position. Indicators for assessing inherent risk include credit risk, market risk and liquidity risk. Credit risk is a risk due to failure of the debtor or other parties to fulfill obligations to the bank.

Credit risk can be proxied by the ratio of Non Performing Loans (Rahman, Sudjana and Zahroh, 2016). Market risk is risk in balance sheet and administrative account positions including derivative transactions, due to changes in market conditions. Market risk includes, among others, interest rate risk which can be measured by the Interest Rate Risk (Yessi, Rahayu and Endang, 2015). Liquidity risk is a risk due to the inability of banks to fulfill maturing obligations. The usual liquidity risk is proxied by Loan Credit to Deposit Ratio. This ratio shows the ability of a bank to provide funds to its debtors with capital owned by banks and funds collected from the community (Tahayyuuniyah, 2017).

Earning generally describes the overall banking performance. Earning factor assessment can include quantitative and qualitative aspects. For that Earning can be proxied by the ratio of Earning Quality Ratio (Embrahimi, Bahraminasab and Seyedi, 2017).

Capital is one element that needs to be assessed. The evaluation includes capital adequacy and capital management adequacy. Capital can be assessed by Capital Adequency Ratio (Embrahimi, Bahraminasab and Seyedi, 2017).

Similar research has also been done before. Lukman (2015) concluded that the value of LDR, growth, and CAR is the value of manipulation resulting from earnings management practices. Salhuteru and Wattimena (2015) explain that CAR is not significant for earnings management at state-owned banks but is significant for private banks. RORA is not significant for earnings management in each bank. ROA does not affect the state-owned banks but vice versa on private banks. NPM has a significant effect on earnings management in each bank. Positive LDR at BUMN Banks and negative for private banks on earnings management. MR ratio is not significant in state-owned banks and is positive for earnings management in private banks. Tahayyuunihayah (2017) conducted a research on the Effect of CAR, RORA, ROA, NPM, and LDR on Profit Management. From the results of the study it was found that only RORA had a significant effect on earnings management. Ebrahimi, Bahraminasab and Seyedi (2017) in their research on the

CAMEL index of earnings management, concluded CA, MQ, EQ and LQ had a relationship to earnings management. AQ is the only variable that does not have a meaningful relationship to earnings management.

Based on this to suppress the occurrence of earnings management practices that can disrupt banking activities, as well as there is still little research on the relationship of the RBBR method with earnings management and research gaps from previous research, the authors are interested in examining "**Effect Analysis of Risk Profile, Earning and Capital on Profit Management At a state bank**".

## **LITERATURE REVIEW**

### *Agency Theory (Agency Theory)*

The concept of agency theory according to Jensen and Meckling (1976) states "the agency is said to exist when there are contracts between persons, principals, and another persons, agents, to perform some service on the principal's behalf involves a delegation of a decision-making authority to the agent. "Principles and agents are assumed to be motivated solely by self-interest, that is, to maximize their utility and to be aware of their common interest."

### *EarningsEarnings*

Managementmanagement is one result of agency theory, where the interests of managers and investors conflict . Information asymmetry between managers and investors is the most important consequence of the separation of management and owners in the company (Embrahimi, Bahraminasab and Seyedi, 2017).

There are fundamental reasons why managers do earnings management. The market price of a company's stock is significantly affected by profit, risk, and speculation. Therefore, companies whose profits always increase from period to period consistently will result in the risk of this company experiencing a greater decline than the percentage increase in profits. This is what causes many companies to manage and manage earnings as an effort to reduce risk. (Putri and Titik, 2014)

So it can be concluded that earnings management is a manager's action to increase, decrease or smooth the current reported income from a unit

that is the responsibility of the manager, in accordance with the interests of each manager.

**Assessment of the Soundness Level of a Bank**

Health Bank is the result of an assessment of the condition of the bank carried out on the risks and performance of the bank. Banks are required to maintain and / or improve Bank Soundness by implementing prudential principles and risk management in carrying out business activities. Banks are required to assess Bank Soundness individually by using a risk approach as such, the assessment of bank soundness in this study is measured by a risk factor profile that consists of credit risk, market risk, and liquidity, earnings and capital risks (PBI No.13 / 1 / PBI / 2011).

**Credit Risk Factors Credit**

risk is a risk due to the failure of the debtor or other parties to fulfill obligations to the bank. Credit risk generally occurs in all Bank activities whose performance depends on the performance of counterparts, issuers, or the performance of borrowers (borrowers). Credit risk can also be caused by concentrating the provision of funds to debtors, geographical areas, products, types of financing, or certain business fields. This risk is commonly called Credit Concentration Risk and must be taken into account in the assessment of inherent Risk. (SE BI No.13 / 24 / DPNP)

**Market Risk Factors Market**

risk is risk in balance sheet and administrative account positions including derivative transactions, due to changes in market conditions, including the risk of changes in option prices. Market risks include, among others, interest rate risk, exchange rate risk, equity risk, and commodity risk. Interest rate risk can come from both the trading book position and banking book position. The implementation of risk management for equity and commodity risks must be applied by banks that consolidate with subsidiaries. The scope of trading book and banking book positions refers to Bank Indonesia regulations regarding the minimum capital provision obligations taking into account market risk (SE BI No. 13/24/DPNP).

**Liquidity Risk Factors**

In SE BI No. 13/24 / DPNP explained that liquidity risk is a risk due to the inability of the Bank to meet the maturing obligations of the cash flow funding sources, and / or from high-quality liquid assets that can be pledged, without

disrupting the activities and financial condition of the bank. This risk is also called funding liquidity risk. Liquidity risk can also be caused by the inability of banks to liquidate assets without being subject to material discounts due to the absence of active markets or severe market disruption. This risk is referred to as market liquidity risk. SE BI No. 13/24/DPNP.

**Earning Quality Earning Factor**

is the level of profit achieved by a bank, earnings are a picture of management performance that can be directly seen in financial statements. Earnings factor assessment can include quantitative and qualitative aspects (SE BI No. 13/24/DPNP).

**The Capitalfactor**

Capitalis one element that needs to be assessed. The evaluation includes capital adequacy and capital management adequacy. In calculating capital, banks must follow the provisions regarding the obligation to provide minimum capital (SE BI No. 13/24 / DPNP).

CAR is one of the ratios in assessing the health and financial performance of banks and financial institutions. Banks must have sufficient capital to cover the risk of their activities and must be careful so that damage does not affect others. Therefore, they must have the appropriate minimum capital to cover their operational risks (Ebrahimi, Bahraminasab and Seyedi, 2017).

**Previous research by**

Abaoub, Homrani and Gamra (2013) in research on earnings management was played by Tunisia, which stated that earnings management was related to operational risk and loan loss provision. Besides that systematic risk, total risk and dividend per share does not explain the practice of earnings management.

Manzalawy and Rwegasira (2013) found that many companies in the Egyptian Stock Exchange practice earnings management, one reason being to influence stock prices. Another finding states that respondents believe the management of some companies can and do use some accounting items in conducting earnings management.

Ugbede, Lizam and Kaseri (2013) concluded that earnings management can be investigated with Jones modification models in banks in Malaysia and Nigeria. In addition, there were also

differences in the structure and practice of bank governance in Malaysia which tended to be better than banks in Nigeria.

Putri and Titik (2014) analyzed how the influence of managerial ownership, leverage, firm size on earnings management in food and beverage companies listed on the IDX. Where in its conclusions found simultaneously and partially independent variables did not significantly influence earnings management.

Aprina and Khairunnisa (2015) examined the effect of company size, profitability and bonus compensation on earnings management. The results of the study mention that together the independent variables have a significant effect on earnings management. While partially only company size and profitability have a significant influence on earnings management.

Lukman (2015) concluded that financial performance factors and non-financial factors influence earnings management in the banking industry in Indonesia. This is because according to research the value of LDR, growth, and CAR is the value of manipulation resulting from earnings management practices.

Latif and Abdullah (2015) examined the effectiveness of corporate governance in inhibiting earnings management. The results of this study indicate that CEO Compensation and Leverage have no relationship with earnings management. Board Independence, CEO Duality, Size Board, Meeting Board, Size of Audit Committee, Insider Shareholding, Institutional Shareholding, and Firm Size have a positive relationship to earnings management. Audit of the independence committee has a negative relationship with earnings management. So that it can be concluded that audit of independence committee can effectively hinder the practice of earnings management.

Patrick, Paulinus and Nympha (2015) who conducted the study entitled "The Influence of Corporate Governance on Earnings Management Practices: A Study of Some Selected Quoted Companies in Nigeria. The results of this study reveal that Board Size, Firm Size, Board Independence, Audit Strength have a significant influence on earnings management.

Salhuteru and Wattimena (2015) explain that CAR is not significant for earnings management at state-owned banks but is significant for private banks. RORA is not significant for earnings management in each bank. ROA does not affect the state-owned banks but vice versa on private banks. NPM has a significant effect on earnings management in each bank. Positive LDR at BUMN Banks and negative for private banks on earnings management. MR ratio is not significant in SOEs and positive for earnings management in private banks.

Yessi, Rahayu and Endang (2015) assessed the level of bank health by the RGEC method at PT Bank Sinar Harapan Bali. The results of the risk profile assessment, good corporate governance, earnings, and capital state that Bank Sinar Harapan Bali has no problem. Bank Sinar follows all policies issued by Bank Indonesia based on the RGEC method.

Marlisa and Fuaditi (2016) conclude that leverage, company size, independent commissioners, audit committees, and audit quality simultaneously have a significant effect and make a large contribution to earnings management. But partially found leverage, independent commissioners and audit committees have no significant effect on earnings management, while company size and audit quality have a significant effect.

Rahman, Sudjana and Zahroh (2016) assessed the performance of 4 state-owned banks and 2 BUMD banks for the period of 2012-2014. The results of the study stated that NPLs increased reflecting the increase in problem loans. LDR increases reflecting the bank's liquidity level decreases. Management management through GCG assessment aspects is good. ROA and NIM which illustrate the company's profits experienced an increase in the period of 2013 and fell in 2014. The CAR that describes the company's capital adequacy fell in 2013 and rose in 2014. The results of assessments of BNI, BRI, Bank Mandiri and Bank Jatim banks received a very healthy predicate. while BTN and BJB banks are in the healthy predicate.

Baihaqy (2017) revealed that the assessment of bank soundness that has an effect on profits at sharia commercial banks is NPF, BOPO, and Composition and Profit-Based Financing Levels.

Whereas CAR does not affect Profit in Islamic Commercial Banks.

Consoni, Clauto and Lima (2017) say that research based on voluntary disclosure contributes to the reduction or elimination of information asymmetry and lower information asymmetry is more difficult to engage in earnings management. But the results of the study show that the use of voluntary disclosure variables to explain earnings management cannot be concluded, because voluntary disclosure is not a determining factor in the involvement of companies in earnings management in Brazil.

Ebrahimi, Bahraminasab and Seyedi (2017) in their research on the CAMEL index of earnings management, concluded CA (Capital Adequacy), MQ (Management Quality), EQ (Earning Quality) and LQ (Liquidity Quality) had a relationship to earnings management. AQ (Asset Quality) is the only variable that does not have a meaningful relationship to earnings management.

Farhadvand and Jalilian (2017) analyzed the effect of bank risk and earnings management on bank credit risk in Tehran. The results of the analysis show that partially bank risk and earnings management have a positive effect on bank credit risk, while simultaneously not. It also found a positive meaningful relationship between bank risk and earnings management.

Nouri and Gilaninia (2017) formulated the results of research on The Effect of Free Cash Flow Surplus (SFCF) and Quality Audit (AQ) on Earnings Management where SFCF was significantly significant, while AQ was significantly negative for earnings management. AQ also has a significant effect on SFCF relations and earnings management.

Ontorael and Geraldina (2017) analyze that earnings management costs influence bank decisions in conducting accrual and real earnings management. The results of the study prove that there is no trade-off between accrual and real earnings management which implies that real earnings management and accruals have not been proven to be substitute or complementary.

Tahayyuunihayah (2017) conducted a research on the Effect of CAR, RORA, ROA, NPM, and LDR on Profit Management. From the results of the study it was found that only RORA had a

significant effect on earnings management. This shows that the higher the RORA, the company tends to take earnings management actions.

### **Development of Hypotheses**

1. H1 : Credit Risk has a positive effect on Profit Management at state banks.
2. H2 : Market Risk has a positive effect on profit management at state banks.
3. H3 : Liquidity risk has a positive effect on profit management at state banks.
4. H4 : Earning has a positive effect on Profit Management at state banks.
5. H5 : Capital has a positive effect on profit management at state banks.

### **RESEARCH METHODS**

#### **Scope of**

Research This study focuses on analyzing the ratio of bank soundness to the risk based bank rating approach that is proxied by NPL, IRR, LDR, EQR, and CAR on earnings management which is proxied through ROE at state banks in Indonesia. Judging from the type of research this includes descriptive research. Destructive research is research conducted to determine the characteristics of the variables studied in a situation (Sekaran, 2006).

#### **Data The**

data used in this study are secondary data contained in the financial statements of companies that can be obtained from the official website of the object research bank, financial statements published on the Indonesia Stock Exchange, and financial reports published at Bank Indonesia.

#### **Population and Samples**

The population in this study are all state-owned banks in Indonesia that are listed on the Indonesia Stock Exchange (IDX) in the period 2013-2017. The entire population of four banks was used as research samples, namely PT. Bank Negara Indonesia Tbk., PT Bank Rakyat Indonesia Tbk., PT Bank Tabungan Negara Indonesia Tbk., And PT Bank Mandiri Tbk. Where later all samples will be examined from quarterly financial reports published for 5 years from 2013 - 2017.

#### **Variables and Definitions**

##### **Dependent Variable**

In this study using one dependent variable and four independent variables. The following are each operational definition in *this study*:

$$ROE = (\text{Net Profit}) /$$

(Shareholder Equity)

$$NPL = (\text{Non-Earning Credit}) /$$

(Total Credit)

$$IRR = (\text{Asset Interest Sensitivity}) /$$

(Interest Sensitivity Liabilities)

$$LDR = (\text{Total Credit}) / (\text{Third Party Funds})$$

$$EQR = (\text{Income earned with credit interest}) /$$

(Average loan amount)

$$CAR = \text{Capital} / (\text{Risk Weighted Assets})$$

### METHOD ANALYSIS

Data obtained in this study are then analyzed using the method statistics to test hypotheses and research variables used. The data was analyzed by multiple linear regression analysis using a tool in the form of a SPSS program.

Before the data is analyzed it must first meet the descriptive statistical test and classic assumption test. This is done to ensure that the model is free from data is not biased, so that it has high accuracy so that the results of the analysis can later be interpreted accurately and precisely.

### RESULTS ANALYSIS

#### Descriptive Analysis

Table 1

#### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	80	.954	3.411	.203256	.0646095
NPL	80	.0106	.488	.026812	.0097659
IRR	80	1.0868	1.2884	1.145764	.0396836
LDR	80	.8028	1.1149	.921524	.0922832
EQR	80	.1337	3.9444	.891966	.7763580

Source: Author

At The table above can be seen that the number of observations is 80 data taken from quarterly financial statements of state banks in the period 2013 - 2017.

#### Classical Assumption

#### Test Autocoleration Test

Table 2

	Unstandardized Residual
Test Value <sup>a</sup>	.00230
Cases < Test Value	39
Cases >= Test Value	40
Total Cases	79
Number of Runs	41
Z	.115
Asymp. Sig. (2-tailed)	.909

a. Median

From the table above it can be concluded that the runs test value is 0.00230 significant at 0.909 above 0.05 (0.909 > 0.05). So it can be concluded that H0 is accepted, which means random residual data (there is no autocorrelation), so the regression model can be used in this study.

#### Normality Test

Table 3

#### One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual	
N	80	
Normal Parameters <sup>a,b</sup>	Mean	0E-7
	Std. Deviation	.04072465
Most Extreme Differences	Absolute	.122
	Positive	.122
	Negative	-.098
Kolmogorov-Smirnov Z	1.088	
Asymp. Sig. (2-tailed)	.187	

a. Test distribution is Normal.

b. Calculated from data.

From the table above it can be concluded that the Kolmogorov-Smirnov value is not significant at the 0.05 level, but is significant at 0.187 which is far above 0.05 (0.187 > 0.05). So it can be concluded that H0 is accepted, which means that the residual data is normally distributed.

#### Multiple Regression Analysis

Table 4

#### Coefficients<sup>a</sup>

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.405	.243		1.670	.099		
X1	-3.228	.602	-.488	-5.362	.000	.648	1.542
X2	.019	.161	.012	.119	.905	.551	1.815
X3	-.109	.078	-.156	-1.404	.164	.435	2.298
X4	.027	.007	.326	4.077	.000	.842	1.187
X5	-.334	.208	-.121	-1.601	.114	.939	1.065

Dependent Variable: ROE

Regression analysis is used to determine and measure the effect of the analysis of bank soundness on earnings management at state banks. The general regression equation used in this study is as follows:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + e$$

Based on table 4, multiple linear regression equations can be arranged as follows:

$$Y = 0.405 - 3.228 \text{ NPL} + 0.019 \text{ IRR} - 0.109 \text{ LDR} + 0.017 \text{ EQR} - 0.334 \text{ CAR} + e$$

From the results of the multiple linear regression equation above can be analyzed as follows:

- a. The multiple linear regression equation has a constant of 0.405. This value indicates that if the independent variable is constant, the value of the dependent variable will increase by 0.405.
- b. The NPL regression coefficient of -3,228 indicates, if the NPL increases by 1%, the ROE falls by 3,228.
- c. The IRR regression coefficient of 0.019 indicates, if the IRR increases by 1%, the ROE value will increase by 0.019.
- d. The LDR regression coefficient of -0.109 indicates, if the LDR increases by 1%, the ROE value will be equal to 0.109.
- e. EQR regression coefficient of 0.017 indicates, if EQR increases by 1%, the ROE value will increase by 0.017.
- f. CAR regression coefficient of -0.333 indicates, if CAR increases by 1%, the ROE value will decrease by 0.334.

**The Coefficient of Determination (R2)**

Table 5

Model Summary<sup>a</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.776 <sup>a</sup>	.603	.576	.0420780

a. Predictors: (Constant), CAR, IRR, EQR, NPL, LDR  
 b. Dependent Variable: ROE

The coefficient of determination (R2) measures how far the model's ability to explain the variation of the dependent variable (bound). A value close to 1 means that the independent variables provide almost all the information needed to predict variations in the independent variable (Ghozali, 2013).

From table 4.6 it can be seen that the value of R Square is 0.603, this means that 60.3% of earnings management variables that are proxied as ROE (Return On Equity), can be explained by independent NPL (Non Performing Loan), IRR (Interest Rate Risk), LDR (Loan to Deposit Ratio), EQR (Earning Quality Ratio), and CAR (Capital Adequacy Ratio). The rest (100% - 60.3% = 39.7%) is explained by other variables outside the research model.

**Test the Hypothesis of the Statistical Test F**

Table 6  
ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.199	5	.040	22.451	.000 <sup>b</sup>
	Residual	.131	74	.002		
	Total	.330	79			

a. Dependent Variable: ROE  
 b. Predictors: (Constant), CAR, IRR, EQR, NPL, LDR

The F statistical test basically shows whether an independent variable referred to in the model has a simultaneous influence on the dependent variable. From table 6 it can be concluded that the calculated F value is 22,451 with a probability of 0,000. Significance value (probability) smaller than  $\alpha = 0.05$  (0,000 < 0.05) indicates the regression model can be used to predict ROE (Return On Equity). So it can also be concluded that NPL (Non Performing Loan), IRR (Interest Rate Risk), LDR (Loan to Deposit Ratio), EQR (Earning Quality Ratio), and CAR (Capital Adequacy Ratio) simultaneously influence earnings management which is proxied by ROE (Return On Equity).

**Test of t statistics**

Table 7

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.405	.243		1.670	.099		
	NPL	-3.228	.602	-.488	-5.362	.000	.648	1.542
	IRR	.019	.161	.012	.119	.905	.551	1.815
	LDR	-.109	.078	-.156	-1.404	.164	.435	2.298
	EQR	.027	.007	.326	4.077	.000	.842	1.187
	CAR	-.334	.208	-.121	-1.601	.114	.939	1.065

a. Dependent Variable: ROE

The t test statistic basically shows the extent to

which the influence of the independent variables individually explains the variation of the dependent variable.

From table 7 it can be seen how the influence of the independent variable on the dependent. The NPL variable (Non Performing Loan), LDR (Loan to Deposit Ratio) and CAR (Capital Adequacy Ratio) have a negative effect on ROE, while the IRR (Interest Rate Risk) and EQR (Earning Qulaity Rato) variables have a positive effect on ROE. From the table it can also be concluded that only the NPL and EQR variables are individually significant for ROE because they have a probability  $<\alpha = 0.05$ .

#### **Hypothesis Test of the Effect of Credit Risk on Profit Management**

From the results of the statistical test t between credit risk variables proxied by NPL with earnings management variables that are proxied by ROE, the value of t count is -5.326 with a significance value of 0.000, where the significance value is smaller than 0, 05.

The NPL regression coefficient of -3,228 indicates, if the NPL increases by 1%, the DA value will decrease by 3,228. This means that the NPL has a negative and significant effect on ROE. So the hypothesis that credit risk has a positive effect on earnings management is rejected.

#### **Hypothesis Test of the Effect of Market Risk on Profit Management**

From the results of the statistical test t between market risk variables proxied by IRR with earnings management variables that are proxied by ROE, the value of t count is 0.119 with a significance value of 0.905, where the significance value is greater than 0.05 . The IRR regression coefficient of 0.119 indicates, if the IRR increases by 1%, the DA value will increase by 0.119. This means that IRR has a positive and not significant effect on ROE. So the hypothesis that market risk has a positive effect on earnings management is accepted.

#### **Hypothesis Test of the Effect of Liquidity Risk on Profit Management**

From the results of the statistical test t between the liquidity risk variables proxied by LDR with

earnings management variables that are proxied by ROE, the value of t count is -1.404 with a significance value of 0.164, where the significance value is greater than 0, 05.

LDR regression coefficient of 0.295 indicates, if the LDR increases by 1%, the ROE value will decrease by 1.404. This means that the LDR has a negative and not significant effect on ROE. So the hypothesis that the liquidity risk has a positive effect on earnings management is rejected.

#### **Hypothesis Test of Earning Effect on Earnings Management**

From the results of statistical tests t between earnings variables which are proxied by EQR with earnings management variables that are proxied by ROE, the value of t arithmetic is 4.077 with a significance value of 0.000 where the significance value is smaller than 0.05. EQR regression coefficient of 4.077 indicates, if EQR increases by 1%, the ROE value will increase by 4.077. This means that EQR has a positive and significant effect on ROE. So the hypothesis which states that earnings have a positive effect on earnings management is accepted.

#### **Hypothesis Test on the Effect of Capital on Profit Management**

From the results of the statistical test t between the capital variables proxied by CAR and earnings management variables that are proxied by

ROE, the value of t count is -1.601 with a significance value of 0.114, where the significance value is greater than 0.05. CAR regression coefficient of -1.601 indicates, if CAR increases by 1%, the ROE value will decrease by 1.601. This means that CAR has a negative and not significant effect on ROE. So the hypothesis which states that capital has a positive effect on earnings management is rejected.

#### **DISCUSSION**

##### **The Effect of Credit Risk on Profit Management in Persero Banks**

The results of research on credit risk proxied by NPL (Non Performing Loans) on earnings management which are proxied by ROE (Return

On Equity), show a non-significant negative effect.

The results of the study which show a negative slope indicate that the more problem loans will reduce the possibility of earnings management. In theory this can happen because banks are different from most companies. Banks are institutions which are always monitored by the central bank. Therefore, when the NPL ratio of state-owned banks increases to a certain extent, Bank Indonesia as the central bank will increase supervision of banks in line with the increase in the NPL. The increasing NPL ratio of supervision will be increasingly tightened. Therefore, the possibility of an increase in NPLs which triggers an increase in supervision of banks will minimize the possibility of earnings management practices that will occur.

**The Influence of Market Risk on Profit Management in State Banks**

Research variables on market risk that are proxied by IRR (Interest Rate Risk) on earnings management that are proxied by ROE (Return On Equity), show a non-significant positive effect.

IRR yang diukur dengan Interest Sensitivity Ratio menunjukkan bahwa semakin tinggi rasio ini maka kemungkinan bank mengalami kerugian semakin rendah, secara otomatis laba akan meningkat. Dengan meningkatnya laba ini akan meningkatkan kemungkinan manajer melakukan manajemen laba, dalam hal ini sesuai dengan teori yang menyatakan bahwa salah satu motif manajemen laba adalah untuk meningkatkan kesejahteraan manajer.

**Pengaruh Risiko Liquiditas terhadap Manajemen Laba di Bank Persero**

Untuk penelitian tentang pengaruh risiko liquiditas yang diproksikan dengan LDR (Loan to Deposit Ratio) terhadap manajemen laba yang diproksikan dengan ROE (Return On Equity), menunjukkan pengaruh negatif yang tidak signifikan.

Namun secara teori hal sebaliknya bisa terjadi, dilihat dari rumusnya, yaitu total kredit dibagi dana pihak ketiga. Untuk meningkatkan LDR bisa saja terjadi peningkatan dalam kredit yang diberikan, namun juga berefek terhadap

peningkatan kredit bermasalah. Semakin tinggi kredit bermasalah semakin besar kemungkinan akan menurunkan laba, sehingga hal tersebut yang menjadi motivasi melakukan manajemen laba. Hal ini lah yang menyebabkan LDR berpengaruh positif terhadap manajemen laba.

**Pengaruh Earning terhadap Manajemen Laba di Bank Persero**

Variabel penelitian earning yang diproksikan dengan EQR (Earning Quality Ratio) terhadap manajemen laba yang diproksikan dengan ROE (Return On Equity), menunjukkan pengaruh positif yang signifikan. Terjadinya pengaruh negatif ini berdasarkan kepada teori yang menyatakan bahwa kenaikan earning terjadi akibat dari tindakan manajemen laba yang dilakukan oleh manajemen.

**Pengaruh Capital terhadap Manajemen Laba di Bank Persero**

Hasil penelitian ini menunjukkan pengaruh capital yang diproksikan dengan CAR (Capita Adequacy Ratio) terhadap manajemen laba yang diproksikan dengan ROE (Return On Equity), menunjukkan pengaruh negatif yang tidak signifikan.

Hasil penelitian ini yang menunjukkan adanya upaya bank melakukan manajemen laba dalam usahanya memenuhi ketentuan rasio kecukupan modal minimum yang ditetapkan oleh Bank Indonesia. Namun rata – rata CAR bank sebesar 18,27 %, yang jauh lebih besar dari pada standar minimal yang ditetapkan Bank Indonesia 8%, dicurigai membuat pengaruh yang tidak signifikan terhadap manajemen laba. Dilihat dari pemodal yang sehat masih memungkinkan bank untuk mengembangkan bisnis tanpa adanya manajemen laba.

**DISCUSSION**

**Conclusions**

Table 8

Hipotesis	Pengaruh	Signifikan
Risiko Kredit berpengaruh positif terhadap Manajemen Laba pada bank persero.	Negatif	Signifikan
Risiko Pasar berpengaruh positif terhadap Manajemen Laba pada bank persero.	Positif	Tidak Signifikan
Risiko Liquiditas berpengaruh positif terhadap Manajemen Laba pada bank persero.	Negatif	Tidak Signifikan
Earning berpengaruh positif terhadap Manajemen Laba pada bank persero.	Positif	Signifikan
Capital berpengaruh positif terhadap Manajemen Laba pada bank persero.	Negatif	Tidak Signifikan

## Limitation

- a. Penelitian ini hanya menguji sampel pada bank persero, hal ini tidak menginterpretasikan keseluruhan bank yang ada.
- b. Laporan keuangan yang digunakan adalah laporan keuangan triwulan, sehingga kurang mampu menjelaskan manajemen laba itu sendiri.
- c. Variabel ROE yang digunakan belum mampu menjelaskan manajemen laba itu sendiri.

## Recommendation

- a. Peneliti selanjutnya diharapkan bisa menggunakan sampel yang berbeda sehingga diperoleh hasil penelitian yang lebih baik.
- b. Peneliti selanjutnya diharapkan bisa mengganti variabel yang ada agar mampu menjelaskan manajemen laba itu sendiri.
- c. Peneliti selanjutnya diharapkan bisa menambah jumlah observasi yang akan diteliti sehingga hasil penelitian bisa menjadi lebih baik dan akurat.

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