

Determinant Factors of Earnings Management in Islamic Banks in Indonesia

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Abstract

This study expects to analyze impact corporate governance (sharia supervisory board and audit committee) and directors's diversity based on age, gender, and education level on earnings management, as well as examine the role of financial distress in moderating corporate governance. This study involves auxiliary information as yearly reports of Islamic banks enlisted with OJK during the 2015-2019 period with an aggregate of 62 examples. The analysis utilized in this study is a moderation regression analysis model. The discoveries of this study demonstrate that the sharia supervisory board has no negative effect on earnings management. Then, the audit committee has a negative influence on earnings management. Meanwhile, the diversity of the board in terms of age, gender, and education level has no effect on earnings management. This study also proves that the moderating does not strengthen of the sharia supervisory board on financial distress on earnings management only has an interaction. Meanwhile, the moderation of financial distress shows that it does not strengthen the negative influence of the audit committee on earnings management. The implications of the results of this study will increase the awareness of stakeholders about the implementation of corporate governance and the diversity of top management in Islamic banks to reduce earnings management actions.

Keywords

sharia supervisory board; audit committee; board diversity; financial distress; earnings management



I. Introduction

In the business world, profit is the main goal to be achieved by the company. On the other hand, profit is also the main focus for investors because it reflects business continuity. Therefore, in order to show that management is able to manage the company well, management takes earnings management actions. In fact, the application of earnings management is not permitted and cannot be avoided. In the Sharia business, management does not only prioritize profit but is clear, honest, and happy among business people. In addition, management upholds four things in business that were taught by the Prophet Muhammad SAW, namely monotheism, equality, free will, and responsibility. Earnings management in the Islamic perspective is actually not allowed. This is because one of the practices is to manipulate earnings. As stated in Surah Al-Baqarah (188) and Surah An-Nisa (29) it also clearly emphasizes that Allah forbids us to run our business in a vanity way and according to Islamic law is not justified (Indonesian Ministry of Religion, 2019). Basically, getting a profit is an important part of managing a business, but in Islam getting blessings is just as important.

Banks with Islamic business models have a lower potential to do earnings management actions than conventional banks because they run their business according to Islamic law. Undang-Undang No. 40 year 2007 concerning Limited Liability Companies

against article 109 reads that for organizations that do business utilizing Sharia standards, there should be a board that administers sharia organization. The presence of a Sharia Administrative Board that has a job as a Sharia bank supervisor can reduce earnings management work.

Then the existence of an audit committee in the organizational structure that plays a role in maintaining quality in the financial reporting process can also decrease earnings management. The presence of the Audit Committee also began to be more regulated in the Otoritas Jasa Keuangan Regulation Number 55/POJK.04/2015 concerning the Establishment and Guidelines for the Work Implementation of the Audit Committee.

Furthermore, the diversity of the board in a company can influence the company's policy selection decisions. The executive's choices can affect the organization's economy. Gender diversity itself has been specifically regulated in countries on the European continent by imposing a quota of women on the composition of the company's board of directors. Currently, in Indonesia there is nothing that is legally regulated, but awareness of the importance of gender diversity in the board of directors has been seen because several companies have run it with minimum one lady on the board of directors. Nevertheless. The diversity of the board which includes age, educational background and gender can influence decision making to be more ethical and can reduce earnings management practices.

The economic condition of the population is a condition that describes human life that has economic score (Shah et al, 2020). Financial distress indicated the economic condition of the company. This information becomes the consideration of stakeholders for the sustainability of the investment. Stakeholders will pay more attention to management's actions in addressing this condition and top management will be more cautious in settling on approach choices. In Indonesia itself, associated to financial distress, especially Banks, it is well regulated in Bank Indonesia Regulation Number 13/1/PBI/2011 regarding the Assessment of Commercial Bank Soundness Levels. The special role of financial distress in company Islamic banks when financial distress is high, the management motive in carrying out earnings management tends to decrease. Therefore, financial distress can be something that can moderate things that have an impact on earnings management.

If you look at the explanation on the background, the researchers have an interest in analyzing and making empirical tests related to how the influence between the Sharia Supervisory Board, the Audit Committee, and the Diversity of the Board of Directors on Earnings Management is moderated by Financial distress. The novelty of this research is the characteristics of the board of directors, which are seen from the age, gender, and education level as well as financial distress which is the moderating variable with the object of Islamic banks in Indonesia.

II. Review of Literature

2.1 Agency Theory

The agency's contact is triggered by an agreement between the principal who owns the capital and the agent who acts as the manager of the company. Jensen & Meckling (1976) observed that agency disputes arise because of different interests in the control (control) held by management and company owners. According to Anthony and Govindarajan (2010), agency theory assumes that each individual is exclusively driven by his or her own strengths, causing irreconcilable circumstances between the principal and the agent.

2.2 Signalling Theory

Signalling theory is defined as data that assumes a significant part in stakeholder decision-production on the financial state of the business before, present, or future (Sudarmanto, 2021). Purnamasari & Djuniardi (2021) explained that the signalling theory as an option chosen by managers can be a clue regarding future business continuity and information on management decisions in fulfilling the wishes of stakeholders. The trigger for the signalling theory also comes from differences in information, company managers try to maintain reserves and gain profits on investment opportunities by not selling shares at the lowest price (Suryanto et al., 2021).

2.3 Upper Echelon Theory

Top management has a role as the main strategic policy maker for the company that can have an affect on going concern of business (Hambrick, 2016). The emergence of the upper echelon theory of Finkelstein and Hambrick's thought in 1996 was based on this, where executives who carry the responsibility as decision makers, the characteristics inherent in themselves can specifically affect the organization such as age, gender, functional background, nationality, education, financial condition, work experience, leadership style, race, personality and cognitive. The essence of upper echelon theory in the view of Gomez, Lafuente, and Vaillant (2017) lies in the reason that decision make by leader about the circumstances they face, and thus their decisions and choices, are strongly influenced by their encounters, qualities, and character. Carroll (2016) considers upper echelon theory viewed by possibility that to all the more likely comprehend an organization, one should comprehend the chiefs who lead the organization.

2.4 Earnings Management

Subramanyam (2017) defines earnings management as having a role in intentional intervention by management during the earnings determination process, generally to achieve selfish goals. Scott and O'Brien (2019) explain that earnings management is a possibility for directors to decide accounting policies to achieve explicit goals. Earnings management itself becomes beautify if the directors manipulate accruals which in cash flow have no impact, but earnings management can also be pure if the behavior has an impact on cash flow which aims to correct earnings (Febriana, 2021).

The reasons for managing profits are for various reasons, such as increasing compensation, avoiding debts that are promised to be paid off, fulfilling forecast analysis, and controlling prices on the stock market. The strategies in earnings management, among others:

- a. Changes in accounting methods as a visible form of earnings management.
- b. Changes in accounting estimates and policies in determining accounting carrying values, which are the ulterior motives of earnings management.

2.5 Sharia Supervisory Board

According to Umam (2020), the Sharia Supervisory Board (DPS) is a company management representative that manages and guarantees that activities are as per Sharia standards. Soematri (2017) means that the Sharia administrative board is people who are placed in each institution in the context of fulfilling the guidance and supervision of sharia principles of Sharia business operations carried out by the MUI DSN. The Sharia supervisory board specifically exists in each institution to ensure the implementation of Sharia principles (Hasibuan, Annam, and Nofinawati, 2020). DPS requirements are

regulated in the DSN-MUI Rules No. PER-01/DSN-MUI/X/2017 states that the minimum number of DPS is 3 members, one of which is confirmed as chairman.

2.6 Audit Committee

The audit committee is a unit of corporate governance that is selected and responsible for commissioner representative and is a sovereign external party to the company and has a background in understanding accounting and finance (Ardianingsih, 2021). The audit committee is a group made to help the Leading body of Magistrates when doing its fundamental obligations and capacities, with the goal that it is capable to the Board of Commissioners (Franita, 2018). Sudarmanto, et.al (2021) states that independence is an important urgency for the audit committee because it determines the objectivity of the audit committee in carrying out its role and management achievements are considered accountable to stakeholders. Based on the Otoritas Jasa Keuangan Regulation Number 55/POJK.04/2015 Year 2015, the total audit committee is occupied by a minimum of 3 personnel, who consist of independent commissioners and external company and are led by an independent commissioner.

2.7 Diversity of the Directors

Abatecola & Cristofaro (2020) on the upper echelon theory, top management in this case the board of directors is making strategic choices to improve company performance seen from the directors structure both in terms of the diversity of characteristics and structures. Diversity in a company can make a business more advanced because diversity can present different views of innovation and solutions for companies (Robbins and Judge, 2019). The diversity of the directors increase the capacity for open information processing and creative discussion because the group has different information, capacities, and abilities and to depend on the help of a bigger interpersonal organization that might be critical to keep up with the organization (Buckley, 2019).

Diversity in age perspective often associated with the capacity to take risks. The older age group strongly chooses to avoid risk and look for alternative solutions with short results, but the younger group is more supportive of taking advantage and opportunities related to the demanding changes in the entity (Camiso and Gonzales, 2019). Gender variety in the top managerial is firmly connected with the mental side of choice making. Female chiefs are bound to be moral in their conduct and give preferable oversight and checking exercises over male chiefs (Damak, 2018). The diversity of directors in instructive levels brings about more options to innovatively tackle complex issues that emerge and build the viability and nature of their decision-production because of different encounters and added viewpoints (Buckley, 2019).

2.8 Financial Distress

Financial distress is position where the commitments possessed can't be satisfied by the organization's cash flow, so the company is forced to take corrective action (Arifin, 2018). Altman (2019) revealed that a company's financial distress is caused by business failure, inability to pay, failure to meet obligations, and bankruptcy related to financial health. A company does not suddenly experience financial distress, but the process is quite long and there are signs that can be seen (Hutabarat, 2021).

Tron (2021) companies in financial distress are companies that struggle to fulfill promises to creditors where there are 4 stages of the financial distress process.

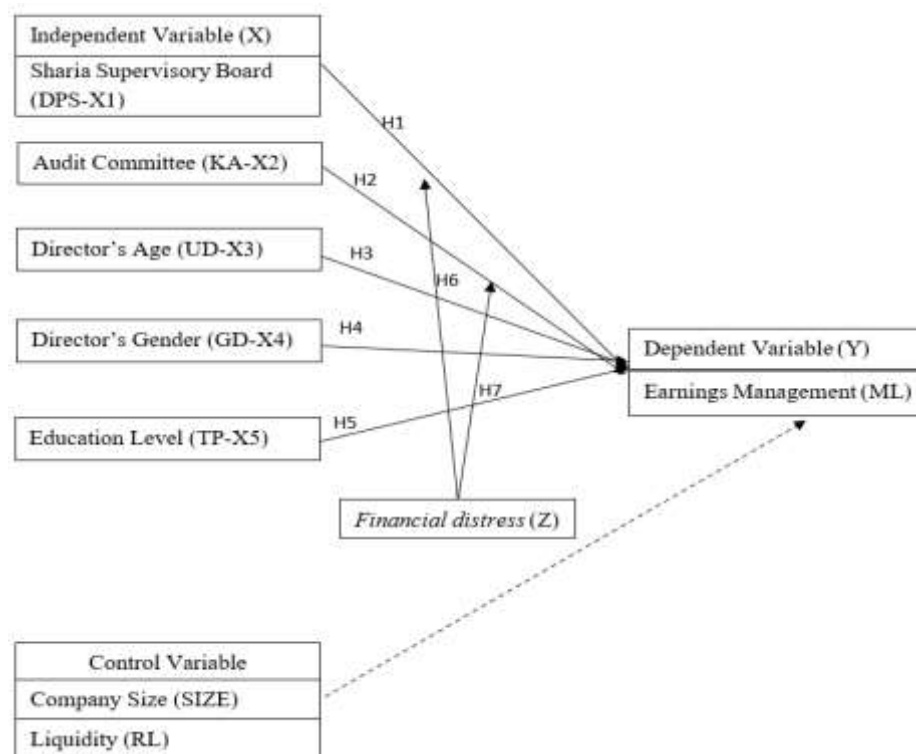
- a. Incubation stage where losses and financial imbalances occur
- b. Stages of maturity where economic loss occurs

- c. Stages of impact on financial flows and trust lack of cash, loss of credit and trust, loss of value
- d. Stages of consequences to stakeholders where there is an inability to pay which has an impact on financial problems or instability

2.9 Research Hypothesis

Based on the theory and argumentation above, the hypothesis proposed in this study is as follows:

- H1: Sharia Supervisory Board has a negative effect on earnings management
- H2: The Audit Committee has a negative effect on earnings management
- H3: The director's age has a negative effect on earnings management
- H4: The director's gender has a negative effect on earnings management
- H5: The education level has a negative effect on earnings management
- H6: Financial distress can strengthen the negative influence of the Sharia Supervisory Board with Earnings Management
- H7: Financial distress can strengthen the negative influence of the Audit Committee with Earnings Management



Source: Data processed by researchers (2021)

Figure 1. Conceptual Framework

III. Research Method

3.1 Research Design

This study intends to provide an analysis of the influence of the sharia supervisory board, audit committee, age of directors, gender of directors, and education level of directors on earnings management by using hypothesis testing and causal descriptive. The unit of analysis used in this investigation is in the form of an organization, namely Islamic

banking. The data used is pooling, namely Islamic banking written in the Sharia Banking Statistics published by the Financial Services Authority (OJK) in 2015-2019. The use of a quantitative research approach was applied to this research with the type of data in the form of secondary data. Then, the sample obtained in this study was through a saturated sample. The number of banks during the study period was 14 Islamic banks multiplied by 5 years. A total of 70 samples. Then, an outlier test was carried out so that there were disturbing samples, so that the total sample in this study was 62 samples.

3.2 Variable Operations

Table 1. Variable Operations

Variable	Formula	Description
Earnings management (Fatimah, 2019)	Stage 1 $TAC_{it} = NI_{it} - CFO_{it}$ Stage 2 $\frac{TAC_{it}}{TA_{it-1}} = 0 + \beta_1 + 2 + 3 \left(\frac{1}{TA_{it-1}} \right) \left(\frac{(\Delta REV_{it} - \Delta REC_{it})}{TA_{it-1}} \right) \left(\frac{PPE_{it}}{TA_{it-1}} \right) + e$ Stage 3 $NDAC_{it} = 0 + \beta_1 + 2 + 3 \left(\frac{1}{TA_{it-1}} \right) \left(\frac{(\Delta REV_{it} - \Delta REC_{it})}{TA_{it-1}} \right) \left(\frac{PPE_{it}}{TA_{it-1}} \right)$ Stage 4 $DAC_{it} = \frac{TAC_{it}}{TA_{it-1}} - NDAC_{it}$	TAC_{it}: Total accruals company i in period t NI_{it}: Net Operating Income of company i on period t CFO_{it} : Operating cash flow of company i in period t NDAC_{it}: Non discretionary accruals of company i in period t TA_{it-1} : Total firm i's assets in period t-1 REV_{it} : Company i's revenue in year t minus revenue t-1 REC_{it} : Accounts receivable of company i in year t minus accounts receivable year t-1 PPE_{it}: Property, Plant and Equipment of company i in year t e: Error DAC_{it} : Discretionary accruals company i in period t
Sharia Supervisory Board (August, 2021)	number of Sharia supervisory boards	
Audit Committee (Yosifa & Suryani Selamat, 2021)	number of audit committee	
Directors's Age (Fatimah, 2019)	Average age of directors	
Director's Gender (Fatimah, 2019)	Number of Female Company Boards/Number of All Company Boards	
Education Level (Fatimah, 2019)	Number of members of the board of directors who have taken master's degree/number of directors	

Company Size (August, 2021)	log natural total assets	
Liquidity (Brian, 2021)	Current Assets/Current Liabilities	
Financial distress (Son, 2021)	$1.2 T1 + 1.4 T2 + 3.3 T3 + 0.6 T4 + 0.999 T5$	T1= net working capital / total assets T2= retained earnings / total assets T3= EBIT / total assets T4= market value to equity / book value to total liabilities T5= sales / total assets

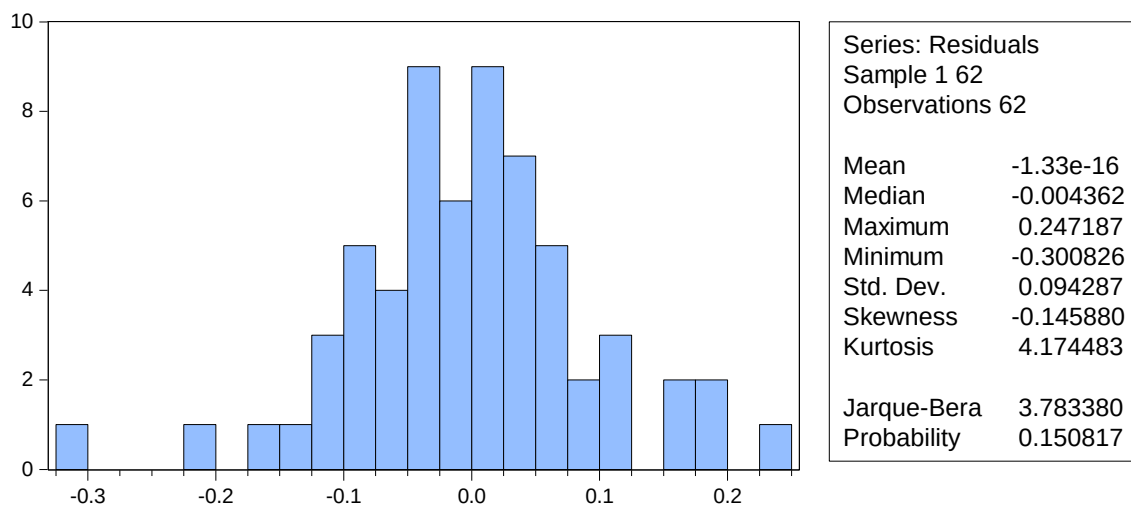
Source: By Researchers, 2021

3.3 Data Analysis Method

Starting with descriptive statistics to describe research variables, it can be given through the results of the mean, standard deviation, minimum and maximum values (Nuryanto, Pambuko, and Setiyo 2018). Ismanto, Hadi, & February (2021) explain that the appropriate regression model as a prerequisite must pass the classical assumptions with the BLUE criteria (Best, Linear, Unbiased, and Estimated). The assumption is tested through the following tests such as normality test, multicollinearity, autocorrelation test and heteroscedasticity test. After fulfilling the classical assumption test, then perform the F-Test, t-test, Coefficient of Determination, and Moderation Regression Analysis.

Classic Assumption Test

a. Normality Test



Source: Eviews Data Processing Results, 2021

Figure 2. Normality Test Results

b. Heteroscedasticity Test

Table 2. Heteroscedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistics	0.904760	Probability, F(9.52)	0.5282

c. Autocorrelation Test

Du : 2.581692 > 1.8889 --- there is no positive autocorrelation

Dl : 2.581692 > 1.3136 --- there is no negative autocorrelation

Table 3. Autocorrelation Test

Durbin-Watson statistics	1.418308
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d. Multicollinearity Test

Table 4. Multicollinearity Test

	DPS	KA	UD	GD	TP	SIZE	RL	DPS.FD
KA	0,3606							
UD	-0,352	-0,1048						
GD	-0,227	-0,0843	-0,148					
TP	0,1795	0,4179	0,1067	0,3577				
SIZE	0,0052	0,0661	-0,0058	-0,1809	-0,0894			
RL	-0,0366	0,1414	0,1757	0,0816	0,0004	0,1149		
DPS.FD	0,3816	0,2816	-0,0301	-0,1051	0,0505	0,0072	0,5961	
KA.FD	0,1791	0,5376	0,0009	-0,063	0,1518	0,0459	0,6375	0,8984

IV. Results and Discussion

4.1 Descriptive Statistics

Table 5. Descriptive Statistical Analysis Results

	<i>Mean</i>	Maksimum	Minimum	Standar Deviasi
ML	-3,3525	-3,022	-3,7267	0,1183
DPS	2,2581	3	2	0,4411
KA	3,9194	6	2	1,0604
UD	52,3675	58,25	42	3,4145
GD	0,1578	0,6667	0	0,1732
TP	0,7004	1	0,2	0,2176
SIZE	30,2348	32,3521	27,2184	1,0748
RL	0,0034	0,108	-0,1218	0,0354
DPS.FD	1,7762	5,8534	-0,3184	1,0238
KA.FD	3,1444	11,7068	-0,4775	2,0847

Source: Eviews Data Processing Results, 2021

In this study, the results of the descriptive statistics show in Table 5 and for earnings management stated that the minimum value obtained was -3.7267, while the maximum value was -3.0220. The mean value generated from earnings management is -3.3525. The sharia supervisory board is marked with in this study, the lowest value obtained is 2, while the maximum value is 3. The average value obtained is 2.2581 which means at least 2

people as a sharia supervisory board. The audit committee variable has the smallest value obtained of 2, while the largest value obtained is 6. The average number of audit committees in this study is 3.9194. Age of directors in this study the smallest value in the sample is 42 years, while the largest value in the sample is 58.25 years. The resulting mean for the average age of directors at Islamic Banks is 52.3675 years. In this study, gender was assessed from the composition of the number of women directors. The minimum value in the data was 0, while the maximum value was 0.6667. The average gender diversity at Islamic Banks is 0.1578. Then, in the fifth variable the education level which contains minimum value of 0.2 while the maximum value is 1. The average value generated is 0.7004 which means that 70% directors of Islamic Banks already have a high education level. Furthermore, the size of the company acts as a control variable known has a minimum value of 27.2184. Meanwhile, the maximum value of 32.3521. The average of size company is 30.2348. Liquidity (RL) also used as a control variable has the smallest - 0.1218, while the highest is 0.180. The average on liquidity is 0.0034 which indicates Islamic Banks are in an unhealthy condition, because it is less than 0.5%. The sharia supervisory board moderated by financial distress have the smallest amount of -0.3184, while the largest number is 5.8534. The average result is 1.7762. Finally, the audit committee variable moderated by financial distress shows a minimum value of -0.4775, while the maximum point is 11.7068. The average moderated by financial distress of 3.1444.

Table 6. Moderation Regression Analysis Results

Variable	Prediction	Coefficient	Prob.	Conclusion
C		-3.7259	0	
DPS	(-)	0.1467	0.0480 *	Ha1 Rejected
KA	(-)	-0.1037	0.0028 *	Ha2 Accepted
UD	(-)	0.0039	0.4312	Ha3 Rejected
GD	(-)	-0.0077	0.9386	Ha4 Rejected
TP	(-)	-0.0494	0.5477	Ha5 Rejected
SIZE		0.0073	0.5656	
RL		0.4061	0.4574	
DPS.FD	(-)	-0.19	0.0111 *	P8 Rejected, there is only interaction
KA.FD	(-)	0.1251	0.0026 *	Ha9 Rejected, weakens negative influence
R2	0.364513		F-statistics	3.314105
Adjusted R2 Before Moderation	0.107904			
Adjusted R2 After Moderation	0.254524		Prob (F-statistics)	0.002889

*Significance at level 0.05
Number of observations 62, ML = discretionary accruals modified Jones model, DPS = sharia supervisory board, number of sharia supervisory boards, X2 = audit committee, number of audit committees, UD = age of directors, average age of directors, GD = gender diversity, Number of women members of the board of directors divided by the number of directors, TP = education level, number of directors who have taken master's degree divided by the number of directors, SIZE = company size, natural log of total assets, RL = liquidity, current ratio, DPS.FD = Sharia Supervisory Board and Financial distress, Sharia supervisory board multiplied by financial distress, KA.FD = Audit Committee and Financial distress, audit committee multiplied by financial distress

Source: Eviews Data Processing Results, 2021

4.2 Moderation Regression Analysis

This research has been passed classic assumption test as show in Appendix part. Then perform a moderating regression analysis test. So, the equation from the moderated regression analysis are show in table 6 as follows:

$$ML = -3,7259 + 0,1467DPS - 0,1037KA + 0,0039UD - 0,0077GD - 0,0494TP + 0,0073SIZE + 0,4061RL - 0,19DPS.FD + 0,1251KA.FD$$

From table 6 above, it illustrated that any composition of the Sharia supervisory board cannot motivate management to take earnings management actions. The average earnings management in this study where the Islamic Bank group has a low value of -3.3525 with the condition of the sharia supervisory board in accordance with applicable regulations minimum 2 people in an organization, so this is reasonable occur. The calculation in earnings management itself focuses on the value in the financial statements only. Temporary, The sharia supervisory board supervises and ensures products and business operations based on sharia as taught in Surah Al-Maidah verse 1 which applies contracts according to sharia and keeps business away from false things such as using the rights of others (Surah Al-Baqarah verse 188 and Surah An-Nisa verse 29), avoiding usury transactions (Surah Al-Baqarah verse 275), and transactions that are unlawful (Surah Al-Maidah verse 90). The aftereffects of this study are in accordance with Agustin & Filianti (2021), Novitasari, Hisamuddin, & Maharani (2019), Putra (2019), and Pratama, Muwidha, & Kamayanti (2021) failed to find effect between the two.

Furthermore, in Table 6 show that the audit committee has a negative effect on earnings management. This is in accordance with agency theory where the presence of the audit committee itself helps reduce information asymmetry that occurs. It is undeniable that the assignment of the audit committee is to carry out in-depth supervision of financial reports and ensure that the information provided is adequate. As stated in verse 282 of Surah Al-Baqarah, in this case the audit committee has ensured that accounts payable have been recorded properly because they are authorized to audit and supervise financial reporting. These results also same as research conducted by Isa & Farouk (2018) and Putra (2019). However, these results do not support the results of Flayyih's study, Ali, & Mohammed. (2018), Khosheghbal, Amiri, & Homayoon (2017), Novitasari, Hisamuddin, & Maharani (2019), and Yosifa & Suryani Selamatrta (2021) who found that the results of the audit committee had no effect on earnings management.

From the variable of board variety, the exploration brings about the viewpoint of the age of the directors, orientation, and schooling level have neglected to track down a connection among them with profit management. Hypothesis 3 where the age of the directors has a negative effect on earnings management is rejected and is in line with the research results of Fatimah (2019). In the information of this review, the normal age of the Directors is 52 years, which is as of now entering the finish of the useful age, which is as yet insufficient to be an element that diminishes income the board. This study is additionally conflicting with the consequences of exploration that prevailed with regards to observing a negative connection between board variety and profit the executives directed by My Le, Nguyen, Pham, & Vo (2020) and Zwageri, Roekhudin, & Rahman, (2020) from an age perspective.

Then, hypothesis 4 which is formulated as gender has a negative effect on earnings management and is in accordance with the examination results of Fatimah (2019), Hala (2019), and Yudi & Harymawan, (2017). When viewed from the overall sample data, the gender diversity, is still lacking in Islamic banks as seen from the average only about 15% which means the current condition of Islamic banks in Indonesia does not require the presence of women in the structure of the board of directors. This study also has results that are not similar with the research that succeeded in finding a negative influence between gender diversity and earnings management carried out by Isa & Farouk, (2018), Orazalin (2020), Saona, Muro, San Martín, & Baier-Fuentes (2019), Damak (2018).

Furthermore, the level of education has a negative effect on earnings management also rejected. Based on research data, 70% of the directors of Islamic Banks have taken Masters's Degree, but this is not enough to suppress earnings management actions. The aftereffects of this study are in accordance with the consequences of exploration by Fatimah (2019) and My Le, Nguyen, Pham, & Vo (2020). Meanwhile, this study are not as per the research that education level has a negative effect on earnings management from previous researchers Yudi & Harymawan, (2017) and Zwageri, Roekhudin, & Rahman, (2020).

The results of this study also reject hypothesis 6 because it is found that financial distress cannot strengthen the negative effect between the sharia supervisory board and earnings management. This isn't something very similar as signal theory which considers financial distress as crucial, so that it will strengthen the negative influence of the Sharia supervisory board on earnings management. When viewed from the research data, the effect of the sharia supervisory board itself has a positive influence on earnings management, so that the presence of financial distress as moderating variable can debilitate the effect and is not in line with the research results. Jacoby, Li, & Liu (2019), Paramastri, Purbayati, & Danisworo (2021), and Ranjbar & Amanollahi (2018). However, this effect that only exists when viewed from a Shariah perspective is a good thing because this effect reduces the motivation for earnings management actions.

Finally, this study also finds that financial distress has not been able to strengthen the negative impact between the audit committee and earnings management. Financial distress as a signal that becomes information that becomes the attention of stakeholders to consider cooperation, has not had the option to reinforce the negative effect of the audit committee on earnings management. The output of the moderation regression analysis is not in line with the research results Jacoby, Li, & Liu (2019), Paramastri, Purbayati, & Danisworo (2021), and Ranjbar & Amanollahi (2018) where the results of low financial distress can strengthen the negative impact of the audit committee on profit management.

V. Conclusion

This study was led to prove whether the variables of the sharia supervisory board, audit committee, age of directors, gender, and education level can have an impact on earnings management. Through the results of the moderating regression analysis, conclusions can be drawn, including:

1. Sharia supervisory board has no influence effect on earnings management
2. The audit committee has a negative impact on earnings management
3. The age of the board of directors has no effect on earnings management
4. Gender has no effect on earnings management
5. Level of education has no influence on earnings management
6. Moderation of financial distress, does not strengthen the negative influence of the sharia supervisory board on earnings management is only an interaction
7. Financial distress moderation does not strengthen the negative influence of the audit committee on earnings management

In directing this review, the limits looked by analysts were 8 outliers, so they must be rejected from the examination information.

When examining further, the researcher wants to share input and hopes that for future research to add other causes that can contribute to influencing earnings management, such as dividend policy variables, capital structure, political costs, and debt covenants, it is hoped that research is not limited to Islamic banks in Indonesia. , but on Islamic banks in Southeast Asian countries or using certain index bases in increasing the scope of research.

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