

THE EFFECT OF POLITICAL CONNECTIONS, MULTIPLE DIRECTORSHIPS, COMPANY PERFORMANCE, AND TAX PLANNING ON EARNING MANAGEMENT IN REGISTERED STATE-OWNED COMPANIES AT BEI 2019-2022

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Abstract

This study aims to analyze the effect of political connections, multiple directorships, company performance, and tax planning on earnings management. This study used a sample of BUMN companies listed on the IDX in 2019-2022 as many as 44 samples using purposive sampling techniques totaling 11 companies with observations for 4 years. The analysis technique used here is to use multiple linear regression analysis which is processed using the IBM SPSS 26 program. The results of the study using the t test (partial) show that the variables of political connections, multiple directorships, solvency, profitability, and tax planning have no significant effect on the earnings management variable. While the liquidity variable has a significant positive effect on earnings management.

Keywords: *Political Connection, Multiple Directorships, Company Performance, Tax Planning, Earning Management.*

INTRODUCTION

As we know, currently Indonesia is targeting to become a developed country by 2045. To achieve this target, it requires qualified human resources, infrastructure, and economic strength. The Covid-19 pandemic has successfully hit BUMN profits. At that time, the performance of state-owned companies in 2020 was predicted to fall by 60% due to the Covid-19 pandemic. This decline in performance is also in line with the economic conditions that have contracted or are minus. However, after the pandemic, these companies again posted brilliant performance. The following is Figure 1.1, a graph of profit development from 2019 to 2022.

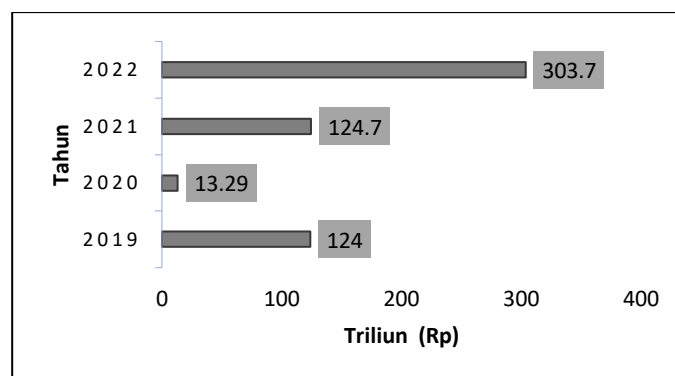


Figure 1 Profit Development Graph
Source: CNBC Indonesia Research (2023)

It can be seen from the graph above that profit development began to grow rapidly after the Covid-19 pandemic. Therefore, BUMN plays a very important role as one of the backbones of this target. As a business entity owned by the government, BUMN acts as an agent of value creator and agent of development. According to Karina (2020), Profit is a benchmark for a company's performance, companies are required to maintain good quality profit

reporting as a result of delivering relevant, reliable, and adequate information to investors, the quality of information required by investors is the quality of profit information that must reflect the financial conditions of a company, and finally profit management information becomes very important.

According to Sri Mulyani (2020), Earnings management can convey specific information that describes the behavior of managers in preparing business activity reports for a certain period, namely encouraging them to manage financial data by conveying motivation. According to Primary (2016), Profit management is an action implemented by a company's management as an intervention in the preparation of financial reports that has the aim of benefiting the related company parties. The occurrence of earnings management can be caused by several factors. The author focuses on the variables of political connections, multiple directorships, company performance, and tax planning. The first factor that can cause profit management in a company is the variable of political connections. Companies that have political connections are companies that implement certain ways of having political ties or trying to have closeness with politicians or the government. (Pranoto & Widagdo, 2016). Companies that are politically connected in several countries usually receive incentives, including a greater tendency to pay lower taxes, looser regulatory oversight of the companies concerned or tighter oversight of their competitors. (Chaney et al., 2011). However, according to (Braam et al., 2015) Politically connected companies are more visible to the public and have a higher risk of detection. Politically connected companies will engage in earnings management practices to take maximum advantage of their connections.

According to research results Anthony & Tampubolon (2019), entitled "The analysis of tax avoidance, deferred tax expense, and political relation on earnings management" states that political connections do not affect earnings management. According to the research results Princess (2021), entitled "The Effect of Political Connections and Cash Holding on Earnings Management (Study on Financial Companies Listed on the Indonesia Stock Exchange in 2015-2019)" states that political connections do not affect earnings management. According to the research results Ryantama, M, et al. (2021), entitled "The Influence of Family Ownership, Political Connection and Firm Characteristics on Earnings Management Practices with Tax Aggressiveness as a Moderating Variable" states that Political connection has a positive and significant effect on earnings management. According to the research results The Last Supper (2023), entitled "The Influence of Political Connections and Multiple Directorships on Earnings Management (Study of Consumer Companies Listed on the Indonesia Stock Exchange in 2019-2021)" states that Political connections have a positive and significant effect on earnings management.

Then the factor of earnings management in a company is that the company has multiple directorships (Dual Directorships). Multiple directorships, namely individuals who serve as directors in several companies, can potentially influence earnings management. (Nugraha & Zulaikha, 2023). Research result Noble (2019), entitled "The Influence of Multiple Directorships and Political Connection on Earnings Management (Study at Manufacturing Companies listed on LQ45 Index in Indonesia Stock Exchange Period 2013-2018)" that multiple directorships have a positive and significant effect on earnings management. The results of the study (Nugraha & Zulaikha, 2023), entitled "The Influence of Political Connections and Multiple Directorships on Earnings Management (Study of Consumer Companies Listed on the Indonesia Stock Exchange in 2019-2021)" that multiple directorships do not have a significant effect on earnings management.

Furthermore, the factor of profit management in a company is a company that has company performance. Good company performance indicated by high company profit reporting also has high pressure for company management to maintain good reports, so that profit management practices will continue to occur in companies in Indonesia. (Karina, 2020). In maintaining company performance, profit management is a profit-increasing practice that is often used by companies to accommodate company motivation. (Cahyaningrat et al., 2018). Research result (Tang & Fiorentina, 2021), entitled "The Influence of Company Characteristics, Company Performance, and Management Entrenchment on Profit Management" that company performance when viewed from short-term and long-term debt has a positive and significant effect on profit management. While the results of the study (Wandani & Triyono, 2022) entitled "The Influence of Good Corporate Governance Mechanisms, Company Performance and Company Size on Earnings Management (Case Study of Consumer Goods Companies Listed on the Indonesia Stock Exchange for the 2016-2020 Period)" that company performance when viewed from short-term debt does not have a significant effect on earnings management and long-term debt does not have an effect on earnings management.

Another factor that can cause profit management in a company is tax planning. Tax is one of the important sources of state revenue to finance state development. One of the largest tax sectors obtained by the state is income tax. Income Tax (PPh) is a tax imposed on individuals and corporations based on the amount of income received during one year (www.online-tax.com). Tax planning is the process of organizing a taxpayer's business whose ultimate goal is to minimize tax debts, both income tax and other taxes, as long as they are within the framework of

applicable tax regulations. Therefore, tax planning is a legal action because it is permitted by the government as long as it is within the scope of the applicable tax laws in Indonesia. Several studies have shown that there are uncertain results regarding the influence of these variables on earnings management.

According to research Rioni et al. (2021), entitled "The Effect of Tax Planning on Profit Management in Non-Manufacturing Companies Listed on the Indonesia Stock Exchange" that tax planning does not have a positive effect on profit management. According to the Research Princess (2022), entitled "The Influence of Institutional Ownership, Tax Planning and Tax Avoidance on Earnings Management" that tax planning has a positive influence on earnings management. In 2019 in Indonesia there was a phenomenon related to profit management. Based on information obtained from CNN Indonesia on May 31, 2019, in addition to PT. Garuda Indonesia, there is a BUMN company that managed to record good performance at the end of 2018, namely the State Electricity Company (PLN), where PLN managed to beautify its financial report in order to obtain a drastically increased net profit. PLN managed to record a net profit of IDR 11.57 trillion during 2018. The profit increased by 161.90% or almost three times the profit in 2017, which was IDR 4.42 trillion. On the other hand, PLN's revenue in 2017 was IDR 255.29 trillion to IDR 272.89 trillion in 2018. In addition, PLN's operating expenses were observed to increase from IDR 275.47 trillion in 2017 to IDR 308.18 trillion in 2018. PLN also experienced a foreign exchange loss from IDR 2.93 trillion to IDR 10.92 trillion.

LITERATURE REVIEW

The Relationship between Political Connections and Earnings Management

Companies with political connections can conduct political lobbying to tax authorities if the company they monitor is facing a tax audit or tax trial. This causes the company's management to be more aggressive in carrying out profit management activities (Subagyo, 2018). Although political connections have many advantages, it is still proven that political connections have their own disadvantages. Companies like this can cause problems in other managers and politically connected companies are more visible to the public and the risk of being detected is higher.

According to research Princess (2021), political connections do not affect earnings management. It is possible that political connections do not affect earnings management because financial companies with the largest capitalization on the stock exchange are more closely monitored by the public. This is in line with research (Antonius & Tampubolon, 2019). According to research The Last Supper (2023) Political connection has a positive and significant effect on earnings management. Because, companies that have political connections can increase the possibility of earnings management because companies with political connections have many advantages and receive special treatment. This is in line with research (Ryantama, Majid, et al., 2021).

The Relationship of Multiple Directorships to Earnings Management

Multiple directorships, where a director holds two or more positions in different companies, can affect earnings management. According to Chen et al. (2015), directors with multiple positions may face difficulties in supervising and exercising their cognitive abilities, increasing the potential for earnings management due to lack of supervision. Directors with multiple positions have access to information and earnings management practices in other companies (Cashman et al., 2012), and extensive business networks that can be utilized to facilitate earnings management (Wang and Huang, 2019). According to research Noble (2019) that *multiple directorships* influence on earnings management. The more externally connected directors are, the busier they are, the board loses its ability to effectively monitor the behavior of management/executive directors. This is in line with research (Baatour et al., 2017). Meanwhile, according to research The Last Supper (2023) *Multiple directorship* does not have a significant effect on *earnings management*. This result is in line with research (Baatour et al., 2017).

Relationship of Liquidity Ratio to Earning Management

The relationship between liquidity ratio and earnings management is very important because the level of liquidity of a company can affect management incentives to carry out earnings management practices. In companies with low liquidity ratios, management may tend to carry out earnings management to appear more liquid than they actually are. This can create instability in the long term because earnings management practices are usually unsustainable and can be detrimental to the company. Conversely, if the liquidity ratio is high, then management may have low incentives to carry out earnings management because the financial position is already quite strong. According to research Wandani & Triyono (2022), the liquidity ratio does not have a significant effect on earnings management. It can be said that earnings management is not always influenced by the liquidity ratio. There is a possibility that there are other factors that can affect earnings management practices. According to the study Ani &

Hardiyanti (2023), liquidity ratio has a significant positive effect on earnings management. Liquidity ratio is used as a measure of a company in managing finances or earnings management. If a company has a good liquidity ratio, it will affect the performance of a company's earnings management. This result is in line with research(Tang & Fiorentina, 2021).

Relationship between Solvency Ratio and Earning Management

There is a complex relationship between solvency ratio and earnings management. On the one hand, companies with low solvency ratios tend to be more susceptible to earnings management. This is because the company may feel compelled to improve its financial statements to look better and avoid financial problems. If companies with high solvency ratios also tend to do earnings management. This may be due to pressure from external parties, such as investors who expect companies with high solvency ratios to have good financial performance. According to researchTang & Fiorentina (2021) solvency ratio has a significant positive effect on earnings management.It can be said that a high solvency ratio can reduce the amount of additional funds or loan funds because creditors want loans for the loan funds. This result is in line with research(Aldona & Listari, 2020). Meanwhile, according to researchKurniyanto et al. (2023)solvency ratio does not have a significant effect on earnings management. It can be said that not all companies have a significant effect on earnings management, there are times when this ratio has no effect on earnings management. This is in line with research(Wandani & Triyono, 2022).

Relationship between Profitability Ratio and Earning Management

In relation to earnings management, profitability ratio can influence managers to implement earnings management. If the profitability received by the company is small, usually managers will implement earnings management actions to secure their performance.According to researchSulistyoningsih & Asyik (2019), profitability does not have a significant effect on earnings management. which means that the higher or lower the return on assets obtained by the company does not affect earnings management. This is in line with research(Thalabah, 2021). According to researchChandra (2021), profitability has a significant positive effect on earnings management. It can be said that if a company's return on assets is bad, then the management will carry out earnings management actions by increasing the margin method, conversely if the company's business is good, the management will carry out earnings management actions by lowering the margin method. This result is in line with research(Fitria et al., 2023).

The Relationship between Tax Planning and Earnings Management

Tax planning is done to influence managers in carrying out profit management. The relationship between tax planning and profit management is interrelated. Where the company will carry out tax planning as effectively as possible, with the aim of obtaining benefits in fiscal terms and also to gain benefits in obtaining additional capital from investors through the sale of company shares (Pratita, 2017). The higher the tax planning carried out by the company, the higher the profit management that will be implemented in the company.

According to researchRioni et al. (2021)tax planning has no significant effect on earnings management. This can be caused by various factors, such as changes in tax regulations, the complexity of the company's structure, or even the manager's preference in managing the company's earnings. In such a situation, even though the company has carried out careful tax planning, managers can still use various earnings management methods without being influenced by the tax planning ratio that should be relevant. This study is in line with research(Rossa & Indrawati, 2017). Meanwhile, according to researchSAM Princess (2022)Tax planning has a positive effect on earnings management. The higher the company carries out tax planning or tax management, the higher the opportunity for managers to carry out earnings management. This is in line with research(Rajagukguk, 2022).

Conceptual Framework

The conceptual framework is a description that explains the relationship between independent variables and dependent variables that have been formulated in the formulation of the problem based on the theory of existing concepts systematically. The conceptual framework of this study can be seen in Figure 2.1 below.

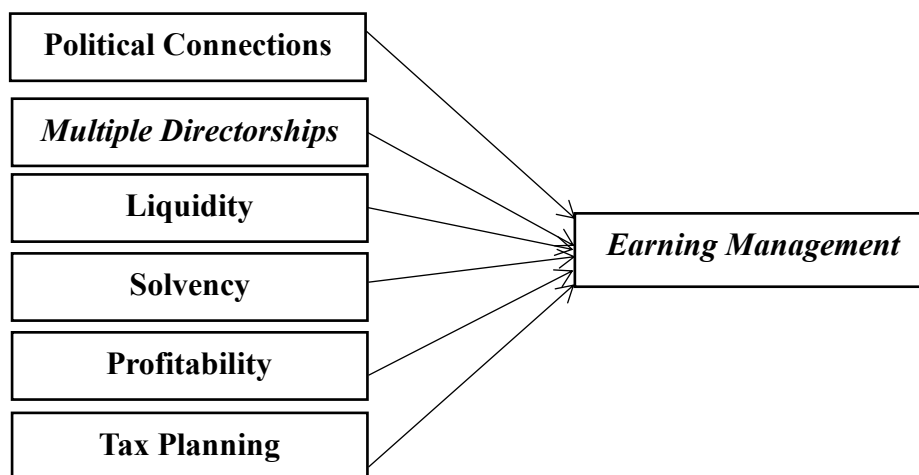


Figure 2 Conceptual Framework

Source: Processed Data, 2024

Research Hypothesis

Hypothesis is a temporary answer to the formulation of research problems. It is said to be temporary because the answer given is only based on relevant theories and has not been based on empirical facts obtained through data collection. The hypotheses in this study are:

- H1: Political connections have a positive effect on earnings management in state-owned companies listed on the IDX in 2019-2022.
- H2: Multiple directorships have a positive effect on earnings management in state-owned companies listed on the IDX in 2019-2022.
- H3: The liquidity ratio has a positive effect on earnings management in state-owned companies listed on the IDX in 2019-2022.
- H4: The solvency ratio has a positive effect on earnings management in state-owned companies listed on the IDX in 2019-2022.
- H5: The profitability ratio has a positive effect on earnings management in state-owned companies listed on the IDX in 2019-2022.
- H6: Tax planning has a positive effect on earnings management in state-owned companies listed on the IDX in 2019-2022.

METHOD

The location of this research is on state-owned companies listed on the Indonesia Stock Exchange (BEI) via the website www.idx.co.id by selecting the research objects, namely political connections (X1), multiple directorships (X2), company performance (X3), tax planning (X4) and earnings management (Y). According to The Last Supper (2019), explaining that Population is a generalization area consisting of objects or subjects that have certain quantities and characteristics determined by researchers to be studied and then conclusions drawn. The population is for example the population in a certain area, the number of students in a certain school and so on. Population is not only people, but also objects and other natural objects.

Population is also not just the number of objects/subjects being studied, but includes all the characteristics/properties possessed by the objects/subjects. Based on this opinion, the population in this study is state-owned companies listed on the Indonesia Stock Exchange (IDX) during 2019-2022, totaling 27 companies. A

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sample is a portion of the number and characteristics of a population, or a small part of the population members taken according to a certain procedure so that it can represent the population. In sampling there are several techniques. Sampling techniques can basically be grouped into 2 (two) types, namely probability sampling and non-probability sampling. However, this study uses a non-probability sampling technique. Non-probability sampling is a technique that does not provide equal opportunities for each element or member of the population to be selected as a sample, where this technique has several methods, namely Systematic Sampling, Quota Sampling, Accidental Sampling, Purposive Sampling, Saturated Sampling and Snowball Sampling. Based on the statement above, the sampling technique in this study uses non-probability sampling with the purposive sampling method, which is a sampling determination technique with or special selection based on criteria. The sample in this study was all state-owned companies listed on the Indonesia Stock Exchange (IDX) during 2019-2022, totaling 11 companies. Sampling uses a periodic data approach (Time Series) with an annual scale, so it can be concluded that the total sample in this study was 44 samples. This study uses Multiple Linear Regression. The multiple linear regression analysis model is used to determine the direction and test how much influence the independent variables have on the dependent variable (Ghozali, 2018). This study examines the relationship between political connections, multiple directorships, firm performance, tax planning, and earnings management using multiple regression.

RESULTS AND DISCUSSION

Normality Test

Kolmogorov-Smirnov test, it can be seen that the results of the Kolmogorov-Smirnov test are 0.098 with a significance of 0.200 which means it is greater than 0.05. This shows that the significance meets the requirements that state normal data, namely significance > 0.05, so that the residual value can be said to be normally distributed.

Multicollinearity Test

The results of the multicollinearity test show that the independent variables show a Tolerance value greater than 0.1 and the Variance Inflation Factor (VIF) result is less than 10, so it can be concluded that there is no multicollinearity in the regression model.

Heteroscedasticity Test

Resultsshow that the square value of 0.248 is multiplied by the number of samples, so that it shows the calculated chi square value of 10.912 where the chi square table value is 11.070, with that the calculated chi square value < the chi square table value. So it can be concluded that there is no heteroscedasticity problem."

t-Test Results

Table 1
t-test

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.066	.057		-1.149	.258
	KP	.026	.020	.238	1.276	.210
	MD	-.026	.035	-.126	-.741	.463
	Lk	.047	.019	.438	2.492	.017
	Sv	-.004	.007	-.099	-.556	.582
	Pf	-.002	.002	-.194	-1.053	.299
	PP	.037	.037	.166	.998	.325

a. Dependent Variable: EM

Source: Data Processed With SPSS 26, 2024

Based on the results of table 1 above, it shows that:

1) Political Connections Have No Significant Effect on Earnings Management

Based on the results of testing the influence of political connections on earnings management, a regression coefficient of 0.026 was obtained. With a t value of 1.276 < 2.0226 with a significant value of 0.210 > 0.05, political connections do not have a significant effect on earnings management. So it can be said that H1 is rejected.

2) Multiple Directorships No Significant Impact on Earning Management

Based on the test results of the influence of multiple directorships on earnings management, a regression coefficient of -0.026 was obtained. With a t value of -0.741 < 2.0226 with a significant value of 0.463 > 0.05, multiple directorships do not have a significant effect on earnings management. So it can be said that H2 is rejected.

3) Liquidity Has a Significant Impact on Earning Management

Based on the results of testing the effect of liquidity on earning management, a regression coefficient of 0.047 was obtained. With a t value of 2.492 > 2.0226 with a significant value of 0.017 > 0.05, liquidity has a significant positive effect on earning management. So it can be said that H3 is accepted.

4) Solvency Does Not Have a Significant Effect on Earnings Management

Based on the test results of the influence of solvency on earnings management, a regression coefficient of -0.004 was obtained. With a t value of -0.556 < 2.0226 with a significant value of 0.582 > 0.05, solvency does not have a significant effect on earnings management. So it can be said that H4 is rejected.

5) Profitability Does Not Have a Significant Effect on Earning Management

Based on the test results of the effect of profitability on earning management, a regression coefficient of -0.002 was obtained. With a t value of -1.053 < 2.0226 with a significant value of 0.299 > 0.05, profitability does not have a significant effect on earning management. So it can be said that H5 is rejected.

6) Tax Planning Has No Significant Impact on Earning Management

Based on the results of testing the effect of tax planning on earning management, a regression coefficient of 0.037 was obtained. With a t value of 0.998 < 2.0226 with a significant value of 0.325 > 0.05, tax planning does not have a significant effect on earning management. So it can be said that H6 is rejected.

Testing the Coefficient of Determination (R² Test)

Adjusted R Square 0.055 or 5.5%. This shows that the dependent variable Earning Management can be explained by the independent variables of political connections, multiple directorships, company performance, and tax planning by 5.5% while the remaining 94.5% is explained by other variables not included in this study.

The Influence of Political Connections on Earnings Management

Based on the results of the regression model equation test in table 4.6, it shows that political connections do not have a significant effect on earnings management in state-owned companies listed on the IDX in 2019-2022, this shows that there are situations where political connections in a company do not have an impact on earnings management practices. This can be caused by several factors, such as transparency in financial reporting, good corporate governance, or even strict regulations in certain industries. It can be concluded that the presence or absence of political connections in a company does not always affect earnings management.

The results of this study are not in line with agency theory, which describes this theory. relationship between agent (management) and principal (investor). The principal delegates the authority to manage the company to the agent and receives compensation for his performance. (Ricardo & Faisal, 2015). While in this study obtained contradictory results because politically connected companies tend to be more monitored by the public and are at greater risk of being detected. While those who do not have political connections tend to be more careful in carrying out earnings management practices. This is in line with the research Anthony & Tampubolon (2019) and research The Last Supper (2023) which states that political connections do not have a significant influence on earnings management.

The Influence of Multiple Directorships on Earning Management

Based on the results of testing the regression model equation in table 4.6 stated that multiple directorships do not have a significant effect on earnings management in state-owned companies listed on the IDX in 2019-2022. This means that a director's membership in several boards of directors does not affect the company's tendency to

practice earnings management. Meanwhile, earnings management practices are more based on internal company factors, such as management policies, organizational structures, and incentive policies implemented. However, the results of this study are not in line with agency theory, because the theory assumes that directors with multiple positions will be less effective in supervising management, which should increase earnings management. However, the results of the study indicate that internal company factors, such as management policies and organizational structure, play a greater role in earnings management, not the number of directorships held by a director. This study is in line with research Baatour et al. (2017) and research The Last Supper (2023) which states that multiple directorships do not have a significant effect on earnings management.

The Influence of Company Performance on Earning Management

The Influence of Liquidity on Earnings Management

Based on the results of testing the regression model equation in table 4.6 shows that the liquidity ratio has a significant positive effect on earnings management in state-owned companies listed on the IDX in 2019-2022. This means that the higher the liquidity ratio, the higher the earnings management practices carried out in a company. By practicing earnings management, companies can manipulate financial reports and can show better financial health to attract investors. The results of this study are in line with agency theory, where there is relationship between agent (management) and principal (investor). The principal delegates the authority to manage the company to the agent and receives compensation for his performance. (Ricardo & Faisal, 2015). This result is in line with research Tang & Fiorentina (2021) and research Ani & Hardiyanti (2023), which shows that the liquidity ratio has a positive and significant effect on earnings management.

The Influence of Solvency on Earnings Management

Based on the results of testing the regression model equation in table 4.6, it states that solvency ratio does not have a significant effect on earnings management in state-owned companies listed on the IDX in 2019-2022. This means that earnings management is not affected by the high or low solvency ratio to earnings management if a company has a stable and healthy capital structure. And companies that have a long-term focus on financial management tend to prioritize long-term financial health over short-term benefits that can be obtained from profit manipulation. However, the results of this study are not in line with agency theory, because the theory assumes that managers will tend to do earnings management to avoid poor financial conditions or achieve certain targets. However, in state-owned companies that have a stable capital structure and long-term focus, managers prioritize long-term financial health over short-term profit manipulation, so that the solvency ratio does not affect earnings management. The results of the study are in line with research Wandani & Triyono (2022) and research Kurniyanto et al. (2023) which states that the solvency ratio does not have a significant influence on earnings management.

The Influence of Profitability on Earning Management

Based on the results of testing the regression model equation in table 4.6 shows that the profitability ratio does not have a significant effect on earnings management in state-owned companies listed on the IDX in 2019-2022. This means that profitability is not always the main factor influencing earnings management practices. Although the company's profitability ratio is high, it illustrates the level of incentive to carry out earnings management practices to be low. The results of this study are not in line with agency theory, because the theory assumes that managers will tend to reduce earnings manipulation when profitability is high. However, in BUMN, managers may still engage in earnings management because of other incentives such as bonuses, pressure from shareholders or regulators, and political or social reasons. The results of this study are in line with research Sulistyoning Sih & Asyik (2019) and research Thalabah (2021) shows that the profitability ratio does not have a significant effect on earnings management.

The Impact of Tax Planning on Earnings Management

Based on the results of testing the regression model equation in table 4.6, it states that tax planning does not have a significant effect on earnings management in state-owned companies listed on the IDX in 2019-2022. This can be caused by various factors, such as changes in tax regulations, the complexity of the company's structure, or even the manager's preference in managing the company's profits. In such a situation, even though the company has carried out careful tax planning, managers can still use various profit management methods without being influenced by the tax planning ratio that should be relevant. Thus, it is important for companies to understand that although tax planning can help optimize the tax burden, it does not always have a direct impact on profit management practices.

However, the results of this study are not in line with agency theory, because the theory assumes that managers will use tax planning to manage earnings for personal gain or to meet targets. However, in BUMN, there are other factors such as strict supervision by the board of directors, internal audits, and external audits that can help ensure that tax planning is carried out by considering the long-term interests of the company and shareholders, so that tax planning does not have a significant effect on earnings management. The results of the study are in line with research The Last Supper (2017) and research Rioni et al., (2021) shows that tax planning does not have a significant effect on earnings management.

CONCLUSION

Based on the results of the analysis and discussion regarding the influence of political connections, multiple directorships, company performance, and tax planning on state-owned companies listed on the IDX in 2019-2022 and supported by the theories underlying the previous chapters, the author draws the following conclusions:

- a. Political connections do not have a significant effect on earnings management. This means that the presence or absence of political connections in a company does not always affect earnings management practices. This can be caused by several factors, such as transparency in financial reporting, good corporate governance, or even strict regulations in certain industries.
- b. *Multiple directorships* does not have a significant effect on earnings management. This means that a director's membership in several boards of directors does not affect the company's tendency to practice earnings management. Perhaps earnings management practices will be more based on internal company factors, such as management policies, organizational structure, and incentive policies implemented.
- c. Liquidity ratio has a significant effect on earnings management. This means that the higher the liquidity ratio, the higher the earnings management practices carried out in a company. By practicing earnings management, companies can manipulate financial reports and can show better financial health that attracts investors.
- d. Solvency ratio does not have a significant effect on earnings management. This means that earnings management is not affected by high or low solvency ratios if a company has a stable and healthy capital structure. And companies that have a long-term focus in financial management are more likely to prioritize long-term financial health over short-term benefits that can be obtained from earnings manipulation.
- e. Profitability ratio does not have a significant effect on earnings management. This means that profitability may not always be the main factor that influences earnings management practices. Although a high company profitability ratio illustrates the level of incentive to practice earnings management is low.
- f. Tax planning has no significant effect on earnings management. This means that even though the company has carried out careful tax planning, managers can still use various earnings management methods without being affected by the tax planning ratio that should be relevant.

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