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Taxation Aspects, Information Asymmetry and Earnings Management (Empirical Study on Goods and Consumer Goods Sector Listed on Indonesia Sharia Stock Index (ISSI) in 2016-2020 Period)

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Abstract

Purpose: The act of manipulating the presentation of financial statements by increasing or decreasing profits can be misleading and cause losses to other parties. Various factors motivate managers to take earnings management actions. This study aims to analyze earnings management actions by taking several indicators in terms of taxation aspects which include tax planning and deferred tax expense and indicators of information asymmetry owned by managers.
Methodology: The objects used as research samples are manufacturing companies in the goods and consumption sector listed on the Indonesia Sharia Stock Index (ISSI) in 2016-2020. Companies were selected based on predetermined criteria using a purposive sampling method to obtain a sample of 130 observations. The analysis technique uses panel data regression which is processed with Eviews v.12 programs.
Findings: The results show that tax planning, deferred tax expense and information asymmetry have a significant positive effect in detecting earnings management actions.
Novelty: This study uses manufacturing companies in the goods and consumption sector as an object, and adds information asymmetry variable to the study. Furthermore, this study also measured earnings management by using the modified Jones model discretional accrual proxy.

Keywords: Earning Management, Tax Planning, Deferred Tax Expense, and Information Asymmetry

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Introduction

The uncertainty of economic conditions and competition in the increasingly assertive business world encourages management to show its best performance in managing the company (Wahyudin & Solikhah, 2017). Management performance is a benchmark for investors to consider whether the company performs business success or fails to achieve operational goals (Arora & Sharma, 2016). As the Statement of Accounting Standards Concepts states, management performance related to profit reflects the ability to manage resources owned to fulfil long-term representative needs (sustainable earnings) (Asghar, Sajjad, Shahzad, & Matemilola, 2020).

The preference to pay more attention to earnings information triggers managers to take unfit actions (dysfunctional behaviour) (Chen, 2020). Based on agency theory, which demonstrates that when the owner (principal) is unable to manage the company, the owner must give authority to the manager (agent) to carry out tasks following the employment contract agreement (Ikhsan & Suprasto, 2008). This

agency concept activates a conflict of interest between managers and owners, and both parties try to maintain their respective levels of interest by taking inappropriate actions, such as controlling profits that are not known by interested parties by manipulating the numbers in the financial statements to be presented (Asghar et al., 2020). Excessive representation of financial statements to mislead investors is known as earnings management (Baskaran, Nedunselian, Ng, Mahadi, & Rasid, 2020).

Earnings management is related to behaviour influencing management in determining accounting procedures (Saksessia & Firmansyah, 2020). Management has the choice to choose procedures that will be used to minimize costs and maximize firm value (Baskaran et al., 2020). Based on empirical facts, firm managers have widely used earnings management practices to maximize reported income (Zhang, Zhu, He, & Chan, 2020). According to El-Halaby, Albarrak, & Grassa (2020), this practice has become an interesting research phenomenon in the discourse on the development of accounting theory. Most earnings management actions are influenced by certain factors that encourage managers to perform to engineer earnings Anggraeni & Kurniawan (2020). Tax motivation is one of the factors for managers to practice earnings management to reduce the amount of corporate tax owed (Rajput & Marwat, 2019).

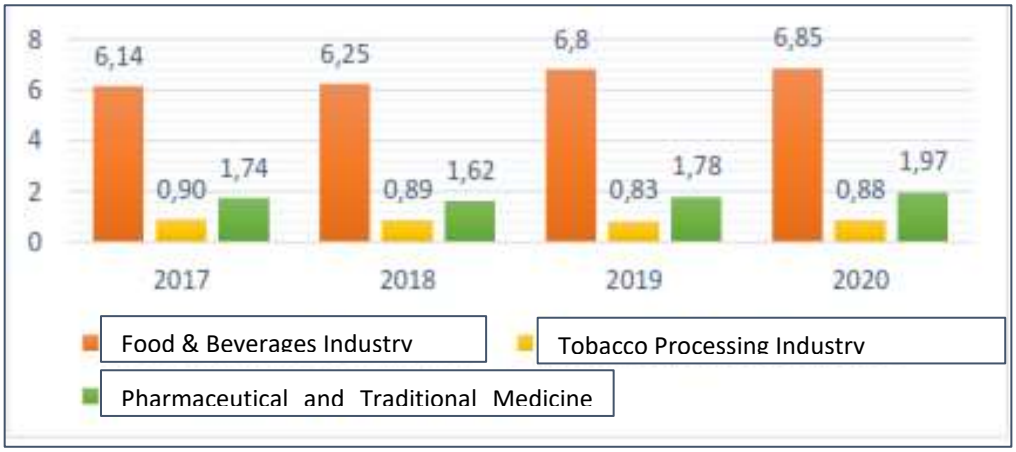


Figure 1 Graph of Contribution of Consumer Goods Industry Sector to GDP

The graph above reveals that the consumer goods and industrial company sector significantly contributes to GDP growth in Indonesia. In 2020, it was reported that the growth rate of companies in the consumer goods industry sector advanced aggressively during the economic pressure due to the COVID-19 pandemic (Ministry of Industry, 2020). This is supported by data received from the Central Statistics Agency (BPS), which states that although the Indonesian economy contracted by -2.19% or IDR 15,434.2 trillion in the fourth quarter of 2020 year-of-year (yoy), this condition improved from the previous quarter of -3.49 year-of-year (yoy) (BPS, 2020). Data from the Ministry of Industry of the Republic of Indonesia (Kemenperin) revealed that the manufacturing industry is still the biggest supporter of Indonesia's GDP, reaching 17.89% (Kemenperin, 2020). This condition shows the goods and consumption industry's stability compared to other sectors.

Based on data from the Sharia Securities List (DES) of the Indonesia Stock Exchange (IDX), there are 50 manufacturing companies in the goods and consumer goods sector that are included in the Indonesia Sharia Stock Index (ISSI) (IDX, 2020). Manufacturing companies in the consumer goods sector are included in sectors that tend to persist amid the economic downturn and environmental uncertainty during the COVID-19 period as it is today (Ministry of Industry, 2020). This is because companies in the consumer goods sector deliver products for people's basic demands. In addition, the continued population growth impacts the high amount of public demand to meet their basic needs (Siagian et al., 2020). As one of the sectors with a large enough demand, the profit generated by the company is optimized (As'ari & Pertiwi, 2021). This condition raises an important question of whether

companies in the goods and consumption industry sector carry out earnings management to maximize or minimize profits, given the large costs that the company must incur.

One of the earnings management cases in the consumer goods sector is from PT Tiga Pilar Sejahtera Food Tbk (AISA) (Fajrian, 2020). In 2021, the Jakarta District Court determined that the AISA case was a capital market crime (Soenarso, 2021). This case originated from the Ernst & Young (EY) Public Accounting Firm in 2019, which issued contrasts between internal data and the 2017 external financial statements. The second fraud committed was sketchy disclosure to affiliated parties. In addition, there are several allegations that in the 2017 financial statements, the company recorded overstatements in inventory, accounts receivable and fixed assets of Rp 4 trillion, sales accounts totalling Rp 662 billion, and profit before tax of Rp 329 billion. This fraud indicates that earnings management actions involve manipulating the numbers in the financial statements with certain motivations (OJK, 2019). Based on this case, the earnings management phenomenon is interpreted as a negative effort detrimental to the company because it is oriented towards manipulating accounting data and information (Mellado & Saona, 2020).

Several factors that can predict earnings management in a company vary greatly, researchers use tax planning variables as a form of corporate tax motivation in practising earnings management (Allen, Francis, Wu, & Zhao, 2016). Prior empirical studies have investigated the effect of tax planning on earnings management, including research by Mulatsih, Dharmayanti, & Ratnasari (2019) and Sulistianingsih (2019) showing proof that tax planning has a significant positive effect on corporate earnings management. Nevertheless, in contrast to the results of research by Kałdoński & Jewartowski (2020) and Khairiyahtussolihah & Herawaty (2020) which show that tax planning does not influence earnings management, the difference in the goal of minimizing taxes is not in line with the prospect for increased profits.

The next factor is deferred tax expense. The authors use deferred tax expense as a predictor of managers' preference to show a decrease in reported earnings (Phillips, Pincus, & Rego, 2003). According to Waluyo (2008), deferred tax expenses and deferred tax benefits that have been recognized in the period will impact reducing net income or loss. Proven in the statement conducted by Phillips (2003), Sulistianingsih (2019) and Anggraeni & Kurniawan (2020), which show that the deferred tax expense has a significant positive relationship in predicting earnings management to shift losses and lost profits. This increase shows that companies can engineer earnings (Soliman, 2020) in contrast to empirical research from (Görlitz, 2021), which shows that the deferred tax expense does not affect the opportunity for earnings management practices.

The authors are interested in adding information asymmetry variables to this study; according to Suwardjono (2014), conditions where managers have more knowledge about important internal information and future company opportunities than stakeholders, thus triggering opportunities for managers to manage earnings to manipulate the company's economic conditions. The inequality of information between the manager (agent) and the owner (principal) is referred to as information asymmetry (Lisa, 2021). The existence of information asymmetry motivates managers to take advantage of the situation to achieve their interests through fraudulent acts, such as hiding information from the principal and deceiving the conditions presented in the financial statements, especially those related to earnings information (Anggraeni & Kurniawan, 2020).

The conditions of the empirical phenomenon above triggered the author's interest in examining the extent of exposure of these variables and their influence on increasing earnings management practices in manufacturing companies in the consumer goods sector. The difference between this research and prior research is the first because the object of this research uses manufacturing companies

in the goods and consumption sector, which are included in the Indonesian Sharia Stock Index (ISSI) for the 2016-2020 period. The author uses tax planning and deferred tax expense and adds another independent variable to the study: information asymmetry. The dependent variable of this study is earnings management which is measured using the modified Jones model discretional accrual proxy directing to the research of Dechow, Sloan, & Sweeney (1995), who argue that this model shows a better ability to detect earnings management than several other models (Costa & Soares, 2021). Third, the results of previous studies show different results, so the authors hope to contribute to better results through the authors.

Furthermore, knowing the effect of tax planning, deferred tax expense and information asymmetry on advancing earnings management practices is important. In addition, this study analyzes whether there is an influence of predictor variables in detecting firms' earnings management practices. The author then divides this essay into six sections: introduction, literature review, data and methods, conclusion, and suggestions for further research.

Literature Review

Agency Theory

Agency theory states that there is an association that appears between the agent (manager) and the principal (owner or shareholder) (Eisenhardt, 1989). Jensen & Meckling (1976) and Scott & Lane (2000) describe that the agency relationship occurs because of the contract set between the principal and the agent, where there is a split of ownership and control over the company as a result of the principal's interest in the agent's processes. According to Bosse, DA, & Phillips (2016), when the owner cannot manage the company, the principal permits an agent to run the company according to the approved contract.

Agency theory assumes that company owners and management have different interests, so each party tries to accomplish its interests (Elsayed & Elbardan, 2018). Owners tend to be more interested in improving profitability from the investment they invest in the company. In contrast to managers who receive satisfaction from bonus rewards for performance and additional compensation for their involvement in financial relationships (Bendickson et al., 2016). Based on this assumption, managers tend to prioritize their usefulness before providing benefits to owners through the policies that will be taken (Elsayed & Elbardan, 2018). This condition is an agency problem (Asghar et al., 2020).

Signalling Theory

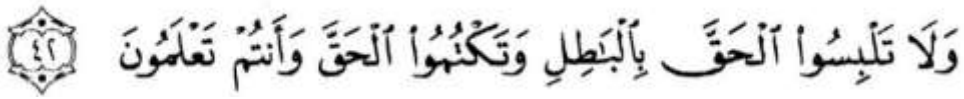
Signalling theory presents information disclosure. Directors with more information will signal investors about a company's condition to grow the company's value in the capital market. Good company conditions reflect an increase in financial performance that refers to information on assets, liabilities and equity positions, especially the achievement of company profits in a certain period presented in the financial statements to increase market trust (Ambarish, John, & Williams, 1987).

This theory emphasizes the important role of corporate earnings information as a basis for consideration of investment decision-making by parties outside the company. Good information is characterized by relevance, accuracy, timeliness and completeness of presentation, which are indispensable for investors in the capital market. Disclosure of information by managers to the market lowers information asymmetry and tells a good signal from the market (Hughes, 1986).

Earning Management

Sulistyanto (2008) defines *earnings management* as management intervention in preparing external financial reports to mislead the company's financial performance and condition so that management will act to increase or decrease reported earnings. According to (S. G. Scott & Lane, 2000), Earnings management is an intended act to increase or decrease earnings which has an impact on lowering the credibility of financial statements to mislead investors in assessing company performance and affect contract outcomes.

Concerning truth engineering, Islam has ordered every Muslim always to state the truth information. This is hinted at in the Qur'an in various places, one of which is in Q.S Al-Baqarah [1]: 42. The verse is conveyed as follows:



Meaning: Do not mix truth with falsehood or hide the truth knowingly."

Based on this conveyance, earnings management is a deliberate act of mixing truth and falsehood; the truth will be hidden so that what appears is falsehood in information. Meanwhile, they know this has a very big danger for society, i.e., they will be misled into the loss. This needs to be known and learned by every Muslim so that they act more decisively to deliver and obtain the truth of information so that it can be managed and utilized properly following the commands of Allah and His Messenger without misleading and harming other parties.

Tax Planning

Tax planning is the initial stage of tax management, carried out by collecting and analyzing tax regulations to determine effective and appropriate tax-saving methods. Tax planning aims to minimize tax liabilities by engineering reported profits so that the tax burden can be reduced as low as possible by taking advantage of weaknesses in applicable tax regulations. However, as long as it is still within the applicable tax regulations, tax planning is legalized by the government (Suandy, 2011).

Tax planning is one of the means to fulfil tax obligations by reducing costs to obtain the profit and liquidity expected by management. The company will minimize tax liabilities by engineering reported profits so that the tax burden can be reduced to a minimum by taking advantage of weaknesses in tax regulations (Mulatsih et al., 2019). This is intended to report higher profits but with a tax burden that does not increase along with the increase in company profits. The relationship between tax planning and earnings management can be explained through agency accounting theory. Agency theory explains the problems regarding the interest differences between agents and principals. Problems that arise in the agency relationship between stakeholders and the government as the principal and the company as the agent are caused by differences in information in the presentation and use of information in the company's financial statements.

Research by Sulistianingsih (2019), Achyani & Lestari (2019), Mulatsih et al. (2019), and Mudjiyanti (2018) show that the relationship between tax planning and earnings management is a significant positive effect. The higher the level of tax planning carried out, the higher the company's earnings management practices, in contrast to the research of Bunaca (2019) and Sugiyanto (2021), which shows the results that tax planning has a negative effect on earnings management. Based on the description that has been presented, it can be formulated into the following hypothesis:

H1: Tax planning has a positive effect on earnings management behaviour.

Deferred Tax Expense

According to Phillips et al., (2003), deferred tax expense arises due to temporary differences between accounting profit (profit in financial statements to external parties of the company) and taxable income (profit used as the basis for tax calculation). Temporary differences occur due to differences in commercial accounting time and fiscal time. The difference from the arising difference will result in positive or negative corrections. A positive correction will result in a deferred tax asset, while a negative correction will result in a deferred tax liability. Deferred taxes increase or decrease the tax burden that must be paid in the future (Soliman, 2020).

The standard accounting policy gives managers discretion in determining the accounting principles and methods to be used compared to those allowed by tax regulations. The greater the deferred tax to the company's total tax indicates the flexibility of the accounting standards policy. This is consistent with positive accounting theory that predicts the action of policy selection of accounting procedures. Companies can manage their finances through the most efficient policies by utilizing accounting policies that minimize contract costs to achieve management efficiency (Watts & Zimmerman, 1990). The way that can be done is to postpone revenue and accelerate cost recognition to minimize taxes, one of which is by engineering tax expenses. Research (Phillips et al., 2003) proves the existence of earnings management practices that use deferred tax expense instruments intending to avoid a decrease in company profits and losses.

Research conducted by Sulistianingsih (2019), Anggraeni & Kurniawan (2020), Fernando, Dewiyanti, & Yanny (2021), and Bunaca (2019) shows the results that deferred tax expense has a positive effect on earnings management, deferred tax expense provides an opportunity for management to manage earnings. The increase in deferred tax expense allows companies to increase earnings management practices. The results of this study contradict the research of Trisnawati (2015), Achyani Lestari (2019), Mulatsih et al. (2019), Soliman (2020) and Görlitz & Dobler (2021) show the results that deferred tax expense does not influence earnings management. Based on this explanation, it can be formulated into the following hypothesis:

H2: Deferred tax expense has a positive effect on earnings management practices.

Information Asymmetry

Information asymmetry reveals a condition where the agent can have more information about the company's overall ability and environment than the principal (Suwardjono, 2014). In line with signal theory, the agent's obligation to the principal to present financial reports reduces information asymmetry behaviour (S. G. Scott & Lane, 2000). By the Statement of Financial Accounting Standards, No.1 (PSAK 1), the purpose of the company to make financial statements is to provide information relating to financial position, performance and changes in a financial position that are useful for users of accounting information.

The presentation of accounting information through financial statements by agents with information asymmetry can be freer to manipulate financial reporting to maximize their interests (Hughes, 1986). The assumption that the agent will act to maximize his interests encourages the agent to hide some information unknown to the principal so that it can affect the accounting numbers presented in the financial statements through earnings management (Anggraeni & Kurniawan, 2020).

Research conducted by Trisnawati (2015) and Sugiyanto (2021), who used information asymmetry to predict earnings management practices, showed that information asymmetry positively influences company behaviour in manipulating profits. This contradicts the results of research conducted by Nasution & Putri (2020), which state that information asymmetry cannot influence management in

practising earnings management. Based on this explanation, it can be formulated into the following hypothesis:

H3: Information asymmetry has a positive effect on earnings management.

Based on the theoretical basis and literature review that has been described, the research framework is shown as follows:

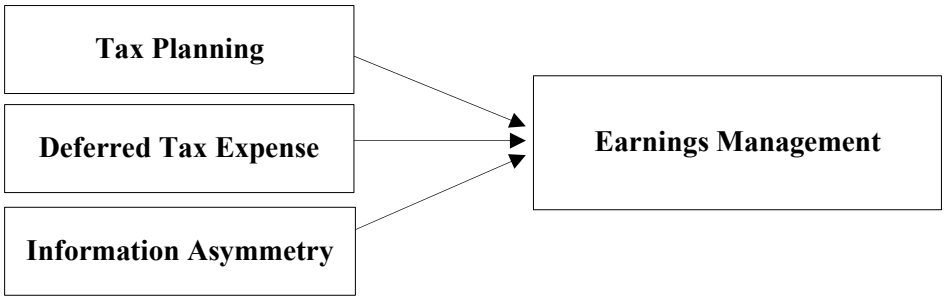


Figure 2 Research Framework

Methodology

The type of study is a quantitative study. Indriantoro & Supomo (2016) explain that quantitative study tests theories through variable measurements presented in numbers and requires statistical data analysis. Secondary data was used in this study. Certain parties have processed secondary data and obtained it indirectly through intermediaries (Sugiyono, 2014).

Secondary data used in this study comes from annual reports of manufacturing companies listed on the Indonesian Sharia Stock Index (ISSI) obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id) and the official websites of related companies. The population used in this study is manufacturing companies in the goods and consumption sector listed on the Indonesian Sharia Stock Index (ISSI) for the 2016-2020 period.

The sampling technique uses purposive sampling method with sample characteristics: Manufacturing companies in the goods and consumption sector that are included in the Indonesian Sharia Stock Index (ISSI) and are listed on the Indonesia Stock Exchange (IDX) and are not delisted during the study period, i.e. 2016-2020, publish annual reports during the study period, use rupiah currency in their financial statements, and present comprehensive financial data and information required during the study period. Based on these characteristics, a sample of 26 companies was obtained from 63 consumer goods companies on the IDX that fulfilled the criteria. Thus, there are 130 analysis data used as study objects.

This study uses earnings management as the dependent variable to understand and explain the variables that influence it. Assih & Gudono (2000) define *earnings management* as a process deliberately carried out by management to increase or decrease reported earnings at a certain level through accrual activities by utilizing the limitations of financial accounting standards.

There are various models for measuring earnings management, including the Healy model (1985), DeAngelo model (1986), Jones model (1991), Modified Jones Model (1995) and Dechow & Dichev's Industry model (1991). This study measures the dependent variable of earnings management using the Modified Jones Model (1995) by using total accruals that separate non-discretionary accruals to find the value of discretionary accruals. This model is considered to provide the most robust results in measuring earnings management compared to other models (Dechow et al., 1995; Islam, Ali, & Ahmad, 2011; Peasnell, Pope, & Young, 2000; Putri Senjani, 2013). The first step is to determine the value of total accruals (TA), which is formulated in the following equation:

$$\mathbf{TAit = NIit - CFOit}$$

TAit = Total Accruals
NIit = Net income
CFO = Operational Cash flow

Second, determine the parameter values β1 β2 and β3 by entering the total accruals value into the following OLS (ordinary least square) regression equation:

$$\mathbf{TA/Ait\text{-}1 = \beta1\ (1/Ait\text{-}1) + \beta2\ (\Delta REVit\text{-}REVit\text{-}1/Ait\text{-}1) + \beta3\ (PPE/Ait\text{-}1) + e}$$

In the third step, the value of the parameters β1 β2 and β3 obtained from the OLS regression is used to determine the value of non-discretionary accruals, which is calculated using the following formula:

$$\mathbf{NDAit = \beta1\ (1/Ait\text{-}1) + \beta2\ (\Delta REV\text{-}\Delta REC/Ait\text{-}1) + \beta3\ (PPE/Ait\text{-}1) + e}$$

The fourth step, after obtaining the value of total accruals and non-discretionary accruals, is to determine the value of discretionary accruals as a proxy for earnings management which is calculated using the following formula:

$$\mathbf{DA = TA/Ait\text{-}1 - NDAit}$$

β1, β2, β3 = Amount of regression coefficient
NDAit = non-discretionary accruals
Ait = Total Assets
REVit = Total Revenue
REVit-1 = Total Revenue of the previous year
PPEit = Fixed Asset
RECit = Account Receivable
RECit-1 = Account Receivable of the previous year

Based on the equation above, the last step is to solve the total value of discretionary accruals to detect whether there is earnings management action in the company. Moreover, the definitions of variables are explained in table 1:

Table 1. Variables Explanations

Variables	Variable Operation
Earnings Management (EM)	$DA = TA/A_{it\text{-}1} - NDA_{it}$
Tax Planning (TP)	$TRR_{it} = \frac{Net\ Income_{it}}{Income\ before\ tax_{it}}$
Deferred Tax Expense (DTE)	$DTE_{it} = \frac{Total\ Deffered\ Tax\ Expense_{it}}{Total\ Asset_{t-1}}$
Asymmetry Information (AI)	$SPREAD = \frac{Ask_{it} - Bid_{it}}{((Ask_{it} - Bid_{it})/2)} \times 100\%$

The data analysis technique used in this study is a panel data analysis method using Eviews. Panel data combines two types of data: time-series and cross-sectional (Ghozali, 2018). The procedures used to analyze panel data in this study are descriptive statistics analysis, model testing, panel data regression model estimation, classical assumption test, and hypothesis testing.

Results and Discussion

Result

Descriptive Statistics Analysis

Table 2 provides a summary of the descriptive statistics analysis of the variables.

Table 2. Descriptive Statistics

	N	Mean	Median	Max	Min	Std. Dev
EM	130	0.526071	0.457803	4934578	0,016084	0,46758
TP	130	0,716095	0.747827	1.204.023	-1.095,09	0,237676
DTE	130	0,002109	0,000343	0.079741	-0,068278	0,015797
AI	130	-3.218.712	-1.970.491	1.138.520	-3.170.732	4332579

Based on Table 2 the dependent variable Earning Management (EM) shows an average value of 0.526071 with a median of 0.457803. The highest variable value of 4.934578 comes from PT Merck Tbk (MERK), and the lowest value of 0.016084 comes from PT Pyridam Farma Tbk (PYFA) and shows a considerable distance in value. The deviation value of 0.467580 is lower than the average, indicating that variable Y data distribution is low and homogeneous.

Next, the independent variable Tax Planning (TP) with a mean value of 0.716095 with a centre value of 0.747827. The maximum value is 1.294023 from Indofarma Tbk (INAF), and the minimum is -1.095087 from PT Mustika Ratu Tbk (MRAT), which shows a distance between values that is not too far, amounting to 0.237676. Smaller than the average value indicates that the deviation of the distribution of variable X1 data is low and homogeneous.

The descriptive statistical test results show the independent variable Deferred Tax Expense (DTE) with an average value of 0.002109 with a centre value of 0.000343. The maximum value is 0.079741 from PT Industri Jamu dan Farmasi Sido Muncul Tbk (SIDO). The minimum value is -0.068278 from the same company and shows the distance between values that is not too far, amounting to 0.015797. Higher than the mean value indicates that the deviation of the data distribution of variable X2 is heterogeneous, which means that the variation of the deviation of the data distribution occurs quite well.

The descriptive statistical test results show the independent variable Asymmetry Information (AI) with a mean value of -3.052312 with a centre value of -1.970491. The maximum value is 1.138520 from PT Mayora Indah Tbk (MYOR), and the minimum is -31.70732 from PT Langgeng Makmur Tbk (LMPI), showing a considerable distance between values of 4.332579. Higher X2 is heterogeneous, which means that the variation in the deviation of data distribution occurs quite well.

Model Testing

Additionally, we performed model testing before testing the hypothesis. Table 4.2 contains the results of the Chow test to determine the appropriate research model between the common effect model (CEM) and fixed effect (FEM). If the resulting chi-square probability value is more significant than 0.05, accept the null hypothesis, and the selected model is a common effect. The selected model is a fixed effect if the chi-square probability value is less than 0.05. Based on the table, the chi-square probability value is greater than 0.05, which means accepting the null hypothesis so that the best model to use is the common effect.

Table 3. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.213770	(25,101)	0.2465
Cross-section Chi-square	34.151167	25	0.1047

Next, Table 4.3 contains the results of the hausman test. Based on the table, the probability value of 0.6076 is greater than 0.05, which means accepting the null hypothesis so that the best model that can be used is the common effect. Because the Hausman test result is zero, the test can proceed to the Lagrange multiplier test.

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq.d.f.	Prob.
Cross-section random	1.833.906	3	0.6076

Then we continue to the Lagrange multiplier (LM) test to determine the appropriate research model between the common effect model (CEM) and the random effect model. If the chi-square probability value is less than 0.05, the selected model is a random effect. Based on the test table below, it can be seen that the Breusch-Food cross section is 0.5856> 0.05, which means accepting the null hypothesis so that the best model that can be used is the common effect. The result of the LM test is as follows:

Table 5. LM Test

	Cross-section	Test hypothesis time	Both
Breusch-Pagan	0.297292	0.901287	1.198.579
	(0.5856)	(0.3424)	(0.2736)
Honda	0.545245	0.949362	1.056.846
	(0.2928)	(0.1712)	(0.1453)
King-Wu	0.545245	0.949362	1.083.959
	(0.2928)	(0.1712)	(0.1392)
Standardized Honda	0.672616	1.457.631	-2.921.977
	(0.2506)	(0.0725)	--
Standardized King-Wu	0.672616	1.457.631	-1.791.457
	(0.2506)	(0.0725)	--
Gourierioux, et.al	--	--	1.198.579
			(>=0.10)

After that, panel data regression analysis was conducted to determine the effect of the independent variables on the dependent variable The result of the panel data regression analysis is as follows:

Table 6. Panel Data Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.455097	0.092660	-4.911.463	0.0000
TP	0.366453	0.125827	2.912.350	0.0042
DTE	4.040.836	1.160.352	3.482.432	0.0007
AI	0.127738	0.038294	3.335.702	0.0011

Based on the table above, the panel data multiple linear regression model can be formulated in the following equation:

EM = -0.455 + 0.366TP + 4.041DTE + 0.128AI

The negative constant value, amounting to -0.455, indicates that if the tax planning, the deferred tax expense, and the information asymmetry are 0, earnings management decreases. The regression coefficient value of the tax planning (X1) is 0.366, which assumes that every increase in tax planning increases by 1, increasing earnings management by 0.366. The regression coefficient value of the deferred tax expense (X2) is 4.041, which assumes that every increase in deferred tax expense increases by one will increase earnings management by 4.041. The regression coefficient value of the information asymmetry (X3) is 0.128, which assumes that every increase in Information Asymmetry increases by 1, increasing earnings management by 0.128.

Classic Assumption Test

After the model test is carried out, the classical assumption test is performed. Based on the table below, the probability value is 0.167961> 0.05. It shows that the data distribution of each variable demonstrates expected results so that it can be stated that the data is normally distributed and passes the classical assumption normality test.

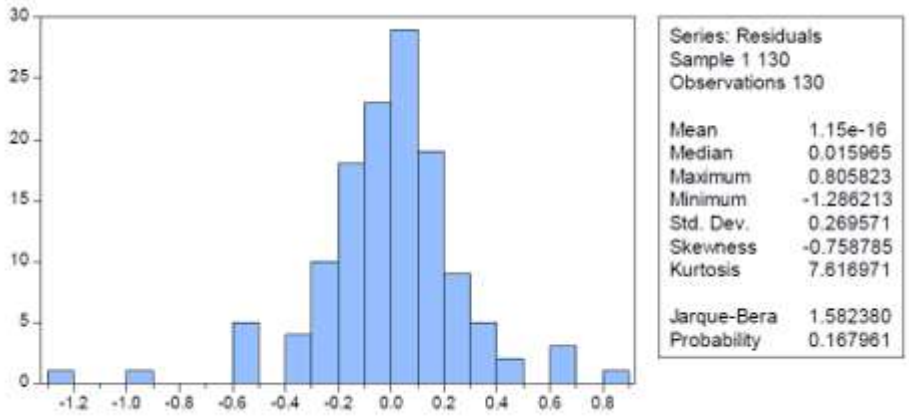


Figure 3. Normality Test

Next, the multicollinearity test is continued to determine the correlation between independent variables in a regression model by looking at the variance inflation (VIF) value. The table below shows that the tax planning variable has a VIF value of 1.0474458 < 10, the deferred tax expense variable is 1.050199 < 10, and the information asymmetry variable is 1.056423 < 10. It is concluded that the multicollinearity test conducted using the VIF method shows the results that in this regression model, the independent variables are free from multicollinearity issues.

Table 7. Multicollinearity Test

Variables	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.008586	1.500.250	NA
TP	0.015832	1.217.015	1.047.458
DTE	1.346.416	1.100.314	1.050.199
IA	0.001466	2.712.140	1.056.423

Then we continued to heteroscedasticity test to determine whether or not there is an inequality in the variance of the residuals between observations. If the variance of the residuals is fixed or has the same value, it can be said that the data is homoscedasticity. If it is different, it is called heteroscedasticity (Ghozali, 2018). Based on the following table, it can be seen that the Prob. Chi-Square value of 0.9745> 0.05 so that the data for each research variable does not have heteroscedasticity issues.

Table 8. Heteroscedasticity Test

F-statistic	0.070875	Prob. F(3,126)	0.9754
Obs* R-squared	0.219005	Prob.Chi-Square (3)	0.9745
Scaled explained	0.680670	Prob. Chi-Square (3)	08777

Furthermore, the autocorrelation test is carried out to test whether the data distribution correlates with errors in the current and previous periods (Ghozali, 2018). Based on the table below, it can be seen that using LM Brusch-Godfrey, the Prob. The chi-Square value of 0.3524> 0.05 means there is an autocorrelation issue in this regression method.

Table 9. Autocorrelation Test

F-statistic	1.010.992	Prob. F (2,124)	0.3668
Obs*R-squared	2.085.811	Prob. Chi-Square (2)	0.3524

Hypothesis Testing

Next, we performed hypothesis testing, including t-statistic, to determine how much influence each independent variable has on the dependent variable individually. The result of the t-statistic is as follows:

Table 10. T-Statistic Test

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	-0.455097	0.092660	-4.911.463	0.0000
TP	0.366453	0.125827	2.912.350	0.0042
DTE	4.040.836	1.160.352	3.482.432	0.0007
IA	0.127738	0.038294	3.335.702	0.0011

The tax planning variable (X1) shows that the significance value is 0.0042 <0.05, meaning that partially tax planning influences earnings management with a coefficient value of 0.366453 which shows a positive direction. This means that the tax planning coefficient value can explain earnings management by 36.64%; each unit change in the tax planning variable can result in a change in earnings management of 36.64%. The tax planning variable has a significant positive effect on earnings management. Therefore, the statement of hypothesis one (H1) is supported.

Also, the deferred tax expense variable (X2) shows a significance value of 0.0007 <0.05, which means that partially deferred tax expense influences earnings management with a coefficient value of 4.040836 which shows a positive direction. This means that the coefficient value of deferred tax expense can define earnings management by 40.04%; each unit change in the tax expense independent variable

is 40.04%. So the deferred tax expense variable shows a significant positive effect on the earnings management variable. That way, the statement of hypothesis two (H2) is supported.

Furthermore, the Information Asymmetry Variable (X3) shows a significance value of 0.0011 <0.05, which means that the information asymmetry variable influences earnings management with a coefficient value of 0.127738 which shows a positive direction. This means that the coefficient value of information asymmetry can explain earnings management by 12.77%; each unit change in the information asymmetry variable can result in a change in earnings management of 12.77%. The information asymmetry variable has a significant positive effect on earnings management. In this regard, hypothesis three (H3) is supported.

Next, we look at the f-statistic value to determine whether all the independent variables used simultaneously influence the dependent variable. In addition, we also look at the coefficient of determination to determine the extent of the model's influence in explaining the variance of the independent variable. The result of the f-statistic & r-squared is as follows:

Table 11. F-Statistic & R-Squared

R-squared	0.261232	Mean dependent var	-0.306769
Adjusted R-squared	0.243643.	S.D. dependent var	0.313631
S.E. of regression	0,272762	Akaike info criterion	0.269848
Sum squared resid	9.374.255	Schwarz criterion	0.358080
Log-likelihood	-1.354.013	Hannan-Quinn criter.	0.305700
Prob(F-statistic)	1.485.143	Durbin-Watson stat	2.024.644

Based on the table, it can be observed that there is a simultaneous influence of the tax planning, deferred tax expense, and information asymmetry on the dependent variable earnings management because the prob f value is 0.000000 <0.005, it can be concluded that the three independent variables influence the dependent variable. Moreover, it can be seen that the R-square value is 0.261232. This shows that tax planning, deferred tax expense, and information asymmetry influence 26.21% of earnings management variables. While other variables outside the model influence the remaining 73.88%.

Analysis

The test analysis results show that tax planning can influence earnings management. The relationship between tax planning and earnings management practices are caused by several potentials, one of which is the company's success in utilizing the shortcomings of tax regulations with adequate tax savings. If the company successfully implements tax planning, it profits from fiscal and commercial aspects. In line with research (Mudjiyanti, 2018), companies that carry out earnings management aim to avoid a decrease in profits. (Mulatsih et al., 2019) To show an increased profit report, but the tax burden does not increase. It is different from the results of Alfian & Bunaca Rocky (2019) and Sugianto (2021) that the tax planning variable shows no effect on earnings management due to differences in purposes, where minimizing taxes is not in line with the potential for increasing profits through earnings management.

Furthermore, the test analysis results show that deferred tax expense can influence earnings management. The relationship is influenced by management taking policies by deferring revenue and accelerating cost recognition to minimize future tax burdens. Based on the agency theory perspective, the company will choose policies that are considered the most effective to achieve management cost efficiency in managing finances. This research is in line with (Sulistianingsih, 2019) (Anggraeni & Kurniawan, 2020), (Fernando, Dewiyanti, & Yanny, 2021), and (Alfian & Buanaca Rocky, 2019) state that the opinion regarding the results of their research shows that deferred tax expense provides an opportunity for managers to perform earnings engineering. In contrast to the research results from

(Trisnawati, 2015), (Achyani Lestari, 2019), (Multasih et al., 2019), (Soliman, 2020), and (Gorlitz & Dobler, 2021) state that the relationship between deferred tax expense and earnings management has no significant effect, due to restrictions in tax regulations regarding tax calculation procedures, which directly recognize income and expenses when received or incurred.

The test analysis results also show a significant positive relationship between asymmetry and earnings management. When the agent has more information about the company's overall capacity and environment than the principal, the level of information asymmetry is also greater. Agency theory assumes that self-interest through actions is improper, such as hiding and engineering information from the principal by avoiding the conditions presented in the financial statements, especially those related to earnings information (Anggraeni & Kurniawan, 2020). In line with research from (Trisnawati, 2015) and (Sugiyanto, 2021), information asymmetry can be a predictor of corporate earnings management actions. Nevertheless, these results contradict the statements in research (Nasution & Putri, 2020), which show that asymmetry variables cannot motivate managers to act to engineer earnings; it is possible because market reactions tend to stabilize after earnings announcements by companies that carry out earnings management.

Conclusions

Based on the results of the data analysis examination of the effect of the relationship between tax planning, deferred tax liabilities, and information asymmetry on earnings management in manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period, it shows that three independent variables simultaneously influence earnings management and partially the tax planning variable, deferred tax liabilities and information asymmetry have a significant positive effect on earnings management, so all the three hypotheses are supported.

This study uses agency and signalling theories as the theoretical basis for research. Agency theory assumes that company owners and management have different interests in which each party seeks to make policies that benefit itself (self-interest). This study also supports signal theory which assumes that when the company is in a loss position, the company tends to try to signal an increase in financial performance; on the other hand, if the company is in a position to increase profits, the company tends to try to engineer certain accounts to reduce expenses to attract investor attention.

However, this research still has limitations that can be the basis for consideration and development of future research to obtain better results, i.e., The study only took research samples from manufacturing companies in the goods and consumption sector in ISSI in the 2016-2020 period, the study only used three independent variables, i.e. tax planning, deferred tax expense and information asymmetry with a coefficient of determination of 26.12% while the other 73.88 was explained by other variables that had a possible influence on the dependent variable. Furthermore, suggestions for future research are: It is wished to take research samples from other sectors and not be limited to one sector. Future research is also expected to take the population of several other Islamic stock indices, such as the Jakarta Islamic Index (JII).

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