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THE ROLE OF MEDIA COVERAGE ON THE INFLUENCE OF CORPORATE GOVERNANCE, RISK MANAGEMENT DISCLOSURE, AND FINANCIAL DISTRESS ON REAL EARNINGS MANAGEMENT IN TRANSPORTATION COMPANIES LISTED IN THE INDONESIAN RUPIAH

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ABSTRACT
This study aims to investigate the impact of media attention, corporate governance, risk management disclosures, and financial crises on the real profit management practices of the transportation industry on the Indonesia Stock Exchange (IDX) in 2020 and 2022. This study uses secondary data and targeted sampling techniques. The transportation industry's annual financial statements 2020-2022 and business reports available on the IDX website were used in this study. The independent variables, UDD, KA, RMD, MC, and FD, simultaneously had a significant effect on REM, according to a significance value of F of 0.021 or less than the probability value (p-value) of 0.05 (0.021 0.05). The results of this study imply that larger boards may be less likely to engage in profit management, especially in the transportation sector. This indicates that the ability of the audit committee to mitigate real-based profit management may be limited. Media publicity has no effect on real profit. Moreover, longitudinal studies on the effects of financial crisis on profit management could provide insights into how different phases of crises impact profit management over time.

INTRODUCTION

Profit management is the process of reporting a company's expenses and operations by using accounting methods to produce reporting results that display a positive situation (Andriani et al., 2021; Christiana, 2020; Gardi et al., 2021; Hernawati et al., 2021; Olayinka, 2022). Considering the many bankruptcy cases that occur in companies in Indonesia, sometimes, this fierce competition inspires management to falsify financial statements. There are actually gaps in the observation and recognition of harmful management behaviors, but they have been completely eradicated by Profit Management cases in various countries.

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Several examples of Earning Management techniques have been summarized by CNBC Indonesia, one of which is the transportation company PT Garuda Indonesia Tbk. On April 24, 2019, PT Garuda Indonesia has carried out legal proceedings by holding a General Meeting of Shareholders (GMS). Due to PT Garuda Indonesia's net profit, which was basically made possible by their cooperation with PT Mahata Aero Teknologi, the two commissioners in the GMS refused to accept the financial results. With a 15-year agreement, this cooperation is worth US$ 239.94 million or around Rp 3.48 trillion. This is really considered as a receivable. As a result, businesses that had previously experienced difficulties, experienced significant profits in the following period. The correctness and integrity of the accounting profit announced by the company is questioned by this announcement.

Garuda Indonesia's financial condition is not good. This business suffered a financial loss of US$898.65 million in 2021, or Rp12.85 trillion in rupiah. Since the first quarter of 2021, the record loss has increased, reaching US$ 384.35 million, or Rp 5.57 trillion in rupiah. However, Garuda's debt, which skyrocketed to Rp 70 trillion, became the main issue in the litigation process against this airline. The majority of this debt comes from aircraft rental costs that are not accurately reported in the company's financial statements in previous years. Indonesia's national airline is called Garuda. Garuda's position as a state-owned company means that its situation will be interpreted as a reflection of Indonesia, especially the state of the Indonesian government. Any mistake made by Garuda will quickly be considered as the result of the government's poor handling of its state-owned businesses. Whoever is in control at the time of Garuda's liquidation will bear a huge responsibility. The government's political opponents will undoubtedly exert significant political pressure, especially if the transition from the disappearance of Garuda to a better alternative does not work and results in further problems for Indonesian aviation. It is recommended to renegotiate with lessors, especially those who have ties to corruption cases. Renegotiation for those who have no connection to corruption cases must take into account the situation posed by the COVID-19 epidemic, which has impacted aviation globally. Garuda must also reduce the number of fleets to improve crew training and aircraft maintenance.

Financial distress is a factor that can encourage managers to do profit management. Financial distress is a situation experienced by an organization when its finances are experiencing difficulties and the organization is in danger of bankruptcy (Abdu, 2022; Bozkurt & Kaya, 2023; Burkova et al., 2023; Hazami-Ammar & Gafsi, 2021; Mashudi et al., 2021). The company's management results have declined and are still declining, which is the main cause of financial distress (Dirman, 2020; Habib et al., 2020; Susanti et al., 2020). Analyzing financial statements is one approach to find out if there are any financial difficulties.

A good corporate governance system oversees a business that offers value to all parties involved. Transportation companies use good corporate governance, a system that can provide control over the business to achieve a balance between management responsibilities to shareholders and the authority necessary to ensure sustainability, as one of the strategies to control profit management.

Risk management uses management functions to control risks, especially company risks, by planning, organizing, directing, and supervising risk management programs (Fraser et al., 2021; Hardy et al., 2020; Van Greuning & Bratanovic, 2020). The application of transportation risk management is a way to assess specific risks and develop strategies to deal with these risks. Risk variability and pressure to meet demand while reducing costs force companies to be serious in analyzing transportation risks. There is too much data to collect and analyze manually and the data is constantly changing, prompting companies to take their analytics capabilities to the next level with the use of modern technology.

Apart from various transportation issues, there is a growing emphasis on the function of media governance in relation to online transportation service providers in this modern age. Social media is one strategy. This study examines the relationship between actual profit management and media coverage, media involvement in the creation of reputation systems, and CEO profit management behavior. The media can see managerial opportunism, which reduces profit management. If operating as an independent supervisor, media coverage can improve corporate governance, which affects profit management. However, it is believed that management can be forced to manage profits opportunistically, at the expense of shareholders' capital, if the media exerts undue market pressure on them.

Real profit management techniques are significantly influenced by corporate governance (Murhadi, 2021). Devi (2018) found results that contradict their findings, namely that Corporate Governance does not have an impact on Real Profit Management. Regarding the relationship between Real Profit Management and Financial Distress. Real profit management is significantly harmed by financial turmoil (Tsaqif & Agustiningsih, 2021). However, profit management is also affected by financial difficulties (Mubarokah & Hadiprajitno, 2023).

It is necessary to conduct research on profit management, especially in the service industry, so that real-based profit management options can be considered. Examining the impact of media attention, corporate governance, risk management, and financial crisis on the real profit management of the transportation industry on the Indonesia Stock Exchange in 2020 and 2022 is the main objective of this study.

This study aims to investigate the impact of financial difficulties, risk management disclosure, and corporate governance on the real profit management practices of transportation companies listed on the Indonesia Stock Exchange (IDX). The study will also investigate how media coverage of these topics influences these practices. Effective oversight by good corporate governance is intended to reduce profit manipulation tactics, and the disclosure of risk management information openly helps stakeholders to evaluate the financial health of the business. This study is the first to look at how corporate governance relates to real profit management. The study contributes to the fields of corporate governance, financial management, and accounting by offering new perspectives and empirical evidence on the factors influencing real profit management in the transportation industry on the IDX.

METHODS

This research is categorized as a type of quantitative research according to the difficulty being studied. Secondary data for this study comes from transportation companies listed on the Indonesia Stock Exchange (IDX) in 2020-2022. This study uses purposive sampling in accordance with these guidelines:

1) Businesses recorded between 2020 and 2022 on the IDX, especially in the transportation industry
2) Present audited financial statements and annual reports during the research period.
3) Format of financial statements in rupiah currency disclosed on the IDX and published annually from 2020 to 2022.
4) Have all research variable data reports for 2020 and 2022.

This study uses secondary data and targeted sampling techniques. This research will use the annual report of the transportation industry for 2020-2022 from the Indonesia Stock Exchange (www.idx.co.id). The report uses the financial statements of companies listed on the IDX. Secondary data collected by the authors were used in this study. The transportation industry's annual financial statements 2020-2022 and business reports available on the Indonesia Stock Exchange (www.idx.co.id) website were used in this study.

RESULTS

Transportation businesses listed on the Indonesia Stock Exchange between 2020 and 2022 will be examined in this study. The annual report and financial statements of the transportation company will be examined. The website of the Indonesia Stock Exchange (www.idx.co.id) provides most of the data of the report. Purposive sampling is a sampling method used, and its purpose is to collect samples based on pre-established standards. These standards are used to collect data from 45 transportation industry companies, with the following details:

Table 1. Sample

Criteria	Sample
Companies that have been listed on the IDX throughout the period 2020 - 2022, especially the transportation sector	45
Issuing audited financial statements and annual reports throughout the research period	39
Form of financial reporting in the form of Rupiah reported at the end of each year throughout 2020 -2022 that have been listed on the IDX	21
Have complete data reports throughout the period 2020 - 2022 on the variables concerned	10
Sample	10
All Sample (x 3 years)	10 x 3
Total of All Sample	30

Source: Data processing

Descriptive Statistical Test Results

The results of the descriptive statistical testing of the research variables are shown below:

Table 2. Descriptive Statistical Test Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
REM	30	0.0018	1.4674	0.3601	0.2851
UDD	30	0.13	1.00	0.3742	0.17755
Ka	30	3.00	28.00	5.8710	4.76223
RMD	30	0.01	0.01	0.0092	0.00050
MC	30	0.00	10.00	1.3333	2.52523

Information: Y= Real Earnings Management, UDD= Size of the Board of Directors, KA= Audit Committee, RMD = Risk Management Disclosure, MC= Media Coverage, FD = Financial Distress Source: Data processed (2024)"

Classic Assumption Test Normality Test

The Kolmogorov-Smirnov test was used to determine the normality of the data, and Asymp. Sig (2-tailed) is the result. The regression test assumptions were met, as shown by the findings of the normality test, which resulted in a p-value of 0.080 greater than 0.05.

Table 3. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		30
Normal Parametersa,b	Mean	.0000000
	Std. Deviation	.54481115
Most Extreme Differences	Absolute	.082
	Positive	.082
	Negative	-.060
Test Statistic		.082
Asymp. Sig. (2-tailed)		.080c,d

Test distribution is Normal.

Calculated from data.

Lilliefors Significance Correction.

This is a lower bound of the true significance.

Source: Data processed (2024)

Multicollinearity Test

Multicollinearity is not an acceptable feature of a good regression model. This multicollinearity test is designed to find out whether the free variables in the regression model are correlated with each other or not.

Table 4. Multicollinearity and Heterokedaness Test

Variable	Tolerance	VIF	Sign P Value
UDD	.822	1.217	0.492
KA	.466	2.146	0.693
RMD	.955	1.047	0.916
MC	.575	1.740	0.779
FD	.786	1.273	0.263

Information: "Y= Real Earnings Management, UDD= Size of the Board of Directors, KA= Audit Committee, RMD = Risk Management Disclosure, MC= Media Coverage, FD = Financial Distress Source: Data processed (2024)"

It can be concluded that the research variables do not show multicollinearity because the VIF value is less than 10 and the table above has a VIF value greater than 0.1.

Heteroscedasticity Test

This heteroscedasticity test aims to find out whether there is a residual inequality and variation from one observation to another in the regression model. The results of the Glejser statistical test show that, as shown in table 3, all variables have a p-value greater than 0.05.

Autocorrelation Test

Autocorrelation does not exist if the Durbin-Watson value is within the range of dU < dw < 4-dU. The regression model uses only 8 variables, and the Durbin-Watson test yields dW = 1,967 with 93 variables, so there is no autocorrelation. The Durbin Watson table yields a dU of 1,907. If the dU < dW < (4-dU), then the interval of 1.852 < 1.907 < 2.148 meets the requirement of no autocorrelation. It seems that these variables are not correlated.

Hypothesis Test (T Test)

Table 5 displays the partial test findings from the regression analysis as follows:

Table 5. Hypothesis Test

	Expectation	B	Sig (One tailed)	Result
Constant		0.537	0.1875	1
UDD	-	-0.292	0.0485	H1 received
KA	-	-0.015	0.0460	H1 received
RMD	-	48.653	0.0475	H2 received
MC	-	0.002	0.4435	H4 rejected
FD	-	-0.015	0.0120	H3 received
F		0.021		
Adjusted R Square		0.110		

Dependent variable: REM

Information : “Y= Real Earnings Management, UDD= Board of Directors Size, KA= Audit Committee, RMD = Risk Management Disclosure, MC= Media Coverage, FD = Financial Distress”

Source : Secondary data processed (2024)

Based on the table above, the logistic regression model obtained is as follows:

REM = 0.537 -0.292 UDD -.0.015 KA + 48.653 RMD -0.002 MC -0.115 FD

Model Conformance Test

Based on Table 6, 11.0% can be explained by the variation of the dependent variable (REM) by independent variables (UDD, KA, RMD, MC, and FD) with adjusted R2 (determination coefficient) = 0.110. The remaining 100% - 11% = 88.9% is a fluctuation of additional independent factors that affect REM but were not studied in this study. The independent variables, UDD, KA, RMD, MC, and FD, simultaneously had a significant effect on REM, according to a significant value of F of 0.021 or less than the probability value (p-value) of 0.05 (0.021 < 0.05). For this reason, this research model is adequate.

The Influence of Corporate Governance on Real Earnings Management

Corporate governance mainly focuses on two areas: the size of the board of directors and the audit committee. The coefficient for the size of the board of directors is -0.292 and the significance level is 0.0485, which is smaller than the threshold of 0.05. This leads us to conclude that H1 is correct. When it comes to managing real profits, the size of the board of commissioners and directors is crucial. Larger boards have a bad impact on real profit management. In other words, the results of this study imply that larger boards may be less likely to engage in profit management practices, especially in the transportation sector.

The Audit Committee has a coefficient of -0.015 and a significance level of 0.0460, both of which are below the 0.05 limit. In view of this, it can be said that the Audit Committee views H1 as an example of poor real profit management. Real profit management is negatively affected by the Audit Committee. This indicates that this study proves the ability of the audit committee to mitigate real profit management, especially in the transportation industry.

The Effect of Risk Management Disclosure on Real Earnings Management

Risk Management Disclosure has a significance level of 0.0475, which is greater than the significance level of 0.05, because the coefficient value is 48.653. Since actual profit management is not affected by risk management disclosures, it can be concluded that H2 is accepted. The findings of this study support the research of Nusantari et al. (2021), which found that disclosure of risk management practices can lower real profit management actions. The application of risk management disclosure does not seem to prevent management from using real profit management methods, although it should strengthen corporate governance.

The Effect of Financial Distress on Real Earnings Management. A significance level of 0.0120 and a coefficient value of -0.015 indicate that the information asymmetry is more than 0.05 and is directly related to the direction of the hypothesis. Thus, H3 was accepted, indicating that financial turmoil has an effect on profit management.

The Effect of Media Coverage on Real Earnings Management

The hypothesis was rejected with an information asymmetry coefficient value of 0.002, and a significance level of 0.4435, indicating that it was more than 0.05.

H4 is not supported, indicating that media attention has no effect on profit management. This research contradicts Comiran et al. (2018) who conclude that media publicity can affect profit management. Since the company is not concerned with the decline in investor interest in the company caused by Real Profit Management efforts, but by other more principled factors, the continuous media coverage of the company has no effect on the Real Profit Management actions.

CONCLUSION

This study reveals that real profit management is influenced by the size of the board of commissioners, the audit committee, financial crises, and media publicity. The influence of the Independent Commissioner on real profit management is strengthened by media coverage, but the influence of the Audit Committee and risk management disclosure is not. Future research should investigate the specific mechanisms by which the influence of independent commissioners is strengthened by media coverage, explore other factors that might enhance audit committees' effectiveness in overseeing profit management practices, and examine why risk management disclosures do not affect real profit management. Media publicity has no direct effect on real profit management, but future research could explore if certain types or sources of media coverage might alter this finding. Future studies could also investigate optimal board sizes and the characteristics of effective boards in various contexts and industries. Longitudinal studies on the effects of financial crises on real profit management could provide insights into how different phases of crises impact profit management practices over time. Comparative studies across different industries or countries could determine if the findings are consistent or if there are industry-specific or regional variations, broadening the applicability of the current study's findings.

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