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Research Article

The Impact of Creative Accounting on Company's Value of Banking Industry in Indonesia with Good Corporate Governance and Managerial Ownership as Moderating Variable

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ABSTRACT

This study sought to analyze the direct influence of creative accounting on Bankings' Value, with Good Corporate Governance and Managerial Ownership serving as moderators. The independent board of commissioners (BoC) and audit committee (AC) serve as proxies for good corporate governance. We analyze the Banks' value using three financial performance ratios: return on assets (ROA), return on equity (ROE), and net interest margin (NIM). This analysis is based on on data from 33 Indonesian banks from 2020 to 2023, including 132 observations. The data in this study were analyzed using generalized least squares method. By conducting statistical analysis with Eviews 11, a computional tool for time series econometrics. Our research found that creative accounting which is decided via discretionary accrual, has an impact ROA and NIM. Furthermore, BoC, AC, and managerial ownership (MO) may influence the impact of earnings management on ROA and NIM. However, according to the regression results, creative accounting has a minor impact on ROE. Our research adds to the body of empirical evidence that creative accounting fraud may have an influence on the Company's value. On the other hand, our research has revealed new information indicating that the involvement of the BoC, AC and MO may interfere with the influence of earnings management on the company's value which benefits for stakeholders.

Keywords: AC, BoC, Creative Accounting, MO, ROA, ROE.

INTRODUCTION

The COVID-19 epidemic has resulted in an enormous health and economic calamity. According to the OECD Economic Outlook 2020, the pandemic's outlook and the route to economic recovery are still quite uncertain. The OECD has warned that the global recession will be the deepest since the Great Depression, with some variations depending on the steps adopted to reduce contagion, prevent a second or subsequent wave of the virus, and boost national economies. The continued uncertainty regarding the severity of the crisis and the chances for economic recovery increases concerns about the potential impact on the financial industry (OECD: 2021). According to Ngaziz and Setijaningsih (2022), companies that refuse to adapt in the era of disruption caused by Covid-19 will face difficulties, whereas competitors who are able to present new models and provide fulfillment of effectiveness, efficiency, and accuracy will gain market attention and be able to maintain their financial performance.

The banking system began the COVID-19 crisis with higher capitalization and liquidity than in prior crises. However, vulnerabilities are visible in several locations. Many banks, particularly in certain parts of the world, continue to have poor valuations, low profitability, and significant levels of non-performing assets. Despite the ongoing crisis, problems such as low interest margins may be worsened by lower interest rates and flat yield curves, which are expected to persist in many jurisdictions. Furthermore, protracted and severe disruptions may result in a significant

increase in non-performing loans (NPLs) due to higher consumer and corporate defaults, compelling banks to raise loan loss provisions. In example, declining bank asset quality and earnings prospects may have an influence on the bank's ability to sustain additional loan losses.

The economic uncertainty caused by the COVID-19 problem would undoubtedly have an impact on one of Indonesia's most significant sectors, banking. The primary function of banking is to gather and channel public funds with the goal of assisting in the implementation of national development in order to increase the distribution of development and its outcomes, economic growth, and national stability, thereby improving the standard of living for many people.

Banks must distribute credit based on their credit objectives, which are profitability and safety. The purpose of this credit is to gain profits in the form of interest "from the principal of the loan, as well as other objectives aimed at repaying the loan granted to the customer. The wheels of a bank's business will rely significantly on credit income to be repurposed as capital for the following transaction. It is evident that credit management is critical, as failing to do so would result in losses for banks and other stakeholders, including entrepreneurs who will struggle to fund their businesses. To encourage the optimization of banking functions in financial intermediation, as well as to maintain financial system stability and support economic growth, policies as a legal strategy in overcoming the impact of COVID-19 in Indonesia, both direct and indirect, are required (Disemadi, 2021).

As a regulator, the government is concerned about the increase in the volume of substandard finance. According to Seto et al. (2022), this is due to the possible impact of unmanaged non-current funding, which includes the risk of default, decreased bank profitability, and liquidity concerns. To address inadequate banking financing, the government implemented an economic growth stimulus strategy called Financial Services Authority (OJK) Regulation Number 11/POJK.03/2020, which includes a credit/financing restructuring policy. According to Article 1 of PBI 9 of 2011, restructuring financing is the transfer of funding given by banks to customers who have difficulty paying credit payments.

Renegotiating contracts between parties interested in credit contracts is one step toward resolving negative credit issues during the Covid-19 epidemic. Apart from that, if the debtor is in default or unable to fulfill his obligations as a result of the Covid-19 pandemic situation, another option for renegotiation can be considered, namely credit restructuring as regulated in Law No. 2 of 2020, as well as POJK No.11/POJK.03/2020, which discusses banking policies that support the provision of economic recovery stimulus for debtors affected by the pandemic. Eliminating bad loans and restructuring are frequent practices in the banking industry. The goal is to lower the non-performing loan ratio while maintaining the bank's health. Nonetheless, this program should be implemented in accordance with existing legal regulations to avoid moral hazard, which would result in losses for all parties involved, including banks, debtors, and society.

According to Article 94 of the POJK no 17 of 2023, banks must provide transparency to stakeholders regarding financial and non-financial conditions. This includes preparing and presenting reports in accordance with Financial Services Authority regulations, as well as having channels for disseminating reliable information. However, in fact, various stakeholders have varying expectations of a company's achievements. As a result, management frequently supervises financial reports via earnings management. Earnings management is aimed to convey to stakeholders the company's good financial performance, allowing them to make the most appropriate assessment. Better assessment results will surely increase public trust and maximize funds for companies, particularly the banking industry (Andriawan and Setyawan, 2020). On the one hand, shareholders and corporate management have opposing interests, which can lead to agency issues involving the quality of the company's financial statements.

Shareholders expect returns, while firm management desires substantial compensation. Furthermore, information asymmetry can emerge when the management knows more about the company than shareholders. As a result, firm management can adopt earnings management actions since they have the option and only wish to highlight the company's positive attributes (Stevansyah and Suhendah, 2023). Aside from that, Windy and Lukman (2023) discovered that the position of management frequently causes managers to act in accordance with their own interests. Managerial ownership refers to shares owned by management. Managerial ownership will be one of the company's considerations while implementing debt policy. Managers who hold stock in the company are more likely to employ minor loans since they must accept the repercussions of their decisions. Based on this background phenomenon, more research will be conducted between 2020 and 2023 to assess the influence of creative accounting on the value

of companies in the Indonesian banking industry, with sound corporate governance and managerial ownership serving as moderating variables.

LITERATURES REVIEW

A. Agency Theory

Scott and O'brien (2019) define agency theory as a contractual connection between a principal and an agent. The assumption is that each individual is driven by self-interest, resulting in a conflict of interest between the principal and the agent. Shareholders are the principals of a firm, while the agent is the management that runs the business. Agency theory assumes that each individual is driven entirely by his own interests, resulting in conflicts of interest between the principal and the agent. As an agent, management is expected to sell its shares in the capital market successfully. Where management must produce financial reports as one of the primary critical performance indicators for all stakeholders. In practice, management is responsible for providing financial reports where international accounting rules necessitate accrual-based reporting. As a result, management could manipulate financial data to meet certain objectives by employing creative accounting techniques such as earnings management. This research is based on agency theory, which separates functions between managerial owners and organizational actors.

B. Profitability

Profitability refers to a company's ability to earn returns on investment using existing resources and alternative investments. According to Ackermann, profitability is a company's ability to make profits, as evidenced by its sales and investment income. This is evident in the sales and ROI achieved. Profitability indicators can be used to compare various components of financial statements, particularly the balance sheet and profit and loss statement (Barauskaite & Streimikiene, 2021).

Return on Assets (ROA) is the primary ratio used to assess a company's financial performance in terms of profitability relative to total assets. ROA measures the ability of firm management to create profits from company assets. A greater ROA suggests that the company is more efficient with its resources. Net Profit Margin, also known as Net Profit, is the amount of net profit made as a percentage of a company's sales (Bunea et al., 2019).

Return On Equity (ROE) is a key metric for determining a bank's or company's profitability and efficiency in generating profits from shareholder equity. Companies frequently use earnings management to maintain ROE constant, even when actual operational performance varies, because large fluctuations in ROE can give investors the wrong impression. Market Perception: Analysts and investors usually anticipate steady outcomes. By maintaining ROE steady, the company can preserve market confidence. Avoid volatility. An excessively variable ROE can convey the impression that the organization is high-risk or poorly managed. Dewanto, Muslimin, and Kasim noted that the bigger the Net Interest Margin (NIM), The more productive the business is, the more investors will be confident in their investment, enhancing the company's value and yielding higher returns on their capital. Net Interest Margin (NIM) measures a company's capacity to run a firm by minimizing interest expenses, generating earnings, and boosting value (Nikmah & Fajarini, 2020).

C. Corporate Governance

Corporate governance is fundamentally concerned with establishing measures to promote successful strategic decision-making. In certain industrialized countries, such as India and Southeast Asian countries, a fundamental goal of corporate governance is to ensure that top-level managers' interests are aligned with those of shareholders. Corporate governance entails monitoring areas where owners, managers, and members of boards of directors may have conflicts of interest. These areas include:

a. The Board of Commissioners oversees and advises the board of directors, ensuring the corporation follows GCG. Because of management's opportunistic behaviour, the board of commissioners must monitor and supervise its actions. The more members of the board of commissioners there are, the easier it will be to control the CEO and monitor him effectively.

b. An audit committee serves as a liaison between the company’s board of directors, external auditors, internal auditors, and independent members. Its responsibilities include providing audit oversight and ensuring

management follows laws and regulations. Communication among the commissioners, directors, and internal and external auditors is critical in determining the effectiveness of the audit committee. This communication will result in an effective audit committee.

D. Managerial Ownership

Managerial ownership refers to the percentage of a company's shares held by management. It can be understood from two perspectives: the agency approach and the asymmetric information approach. The agency approach views the managerial ownership structure as an instrument or technique for reducing agency conflict between many claim holders against the organization. According to the asymmetric information concept, the managerial ownership structure can help eliminate asymmetric information between insiders and outsiders by disclosing information in capital markets.

E. Hypothesis Development

In agency theory, creative accounting allows management to act as an agent and manipulate earnings, resulting in misleading financial reports. The repercussions of earnings management might result in asymmetry in situations where financial ratios are the primary information for financial report readers. Financial performance is a general assessment of a company's ability to generate profit while also evaluating prospects, growth, and development opportunities. The size of a company's profits influences its worth. If profitability is high, investors will determine if the profit comes from sales or company investment. Good firm performance boosts company value. As a result, shareholders must supervise managers in order to limit earnings management and ensure that managers follow corporate governance rules.

Some studies on the impacts of moderation indicated that good corporate governance differed from one another. Corporate governance has a significant relationship to earnings management, according to research by Ridwan & Gunadi (2013), and Latifah & Novitasari (2021), because it can monitor management in order to balance the interests of owners and management and reduce financial engineering in the company. In contrast, Mawati et al. (2017) and Kristanti & Priyadi (2016) found that corporate governance is incapable of mitigating the influence of earnings management on firm value.

H_1: BoC weakens the positive influence of CA on Banks' Value (ROA, ROE, & NIM)

H_2: AC weakens the positive influence of CA on Banks' Value (ROA, ROE, & NIM)

H_3: MO strengthens the positive influence of CA on Banks' Value (ROA, ROE, & NIM)

Hypothesis Model

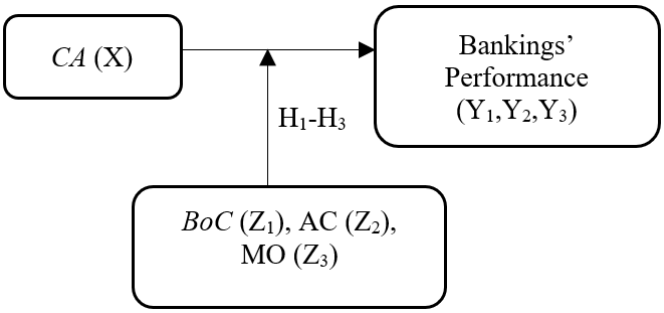

Figure 1: Hypothesis Model

RESEARCH METHOD

A. Population and Samples

This study is based on data from many banks listed on the Indonesian Stock Exchange (IDX) for 2020–2023. The banks in the sample met numerous criteria, including banks with core capital categories (KBMI). KBMI 4 has core capital greater than 70 trillion, KBMI 3 has core capital between 14 and 70 trillion, KBMI 2 has core capital between 6 and 14 trillion, and KBMI 1 has core capital between 0 and 6 trillion.

Table 1. Sampling Results

Criteria	Total
Banks listed on the Indonesia Stock Exchange as LQ45 within 2019-2023 period.	46
Banks KBMI 4	(4)
Banks KBMI 1 with core capital under than IDR 3 trillion	(9)
Total samples Banks	33
Total observed data (33 x 4 years)	132

B. Data type and Sources

The financial data supplied essential performance measures for the companies, including ROA, ROE, and NIM, which were derived using the financial statements of the sampling companies. The creative accounting scores indicate that the value of earnings management is proxied by discretionary accruals.

C. Operational Definition and Measurements

Earnings management reflects creative accounting, but discretionary accrual distorts it. In this study, the Jones and modified Jones models were utilized to evaluate earnings management conducted by management. The Jones and modified Jones models are utilized because they outperform other models in detecting earnings management, which is consistent with Dechow et al. (1995).

CA (Earnings Management) :

The Modified Jones Model (Dechow et al., 1995):

$NDAt = \alpha1(1/At\text{-}1)+ \alpha2(\Delta REVt-\Delta RECt)+\alpha3(PPEit)$

The Jones Model (Dechow et al., 1995):

$NDAt = \alpha1(1/At\text{-}1)+ \alpha2(\Delta REVt)+\alpha3(PPEt)$

$TAt = a1(1/At\text{-}1)+ a2(\Delta REVt)+a3(PPEt)$

At-1 = total assets at t-1; ΔREVt = revenues in year t

subtraction revenues in year t-1 scaled by total assets at t-1;

ΔRECt = net receivables in year t less net receivables

in year t-1 scaled by total assets at t-1; PPEit = gross property plant and equipment in year t scaled by total assets at t-1.

Table 2. Independent Variables Formula

Variables	Measurements
ROA	
ROE	
NIM	

Table 3. Moderating Variables Formula

Variables	Measurements
BoC	
AC	
MO	

The data were analyzed using multiple linear regression methods and the statistical application Eviews 11. In addition, the Chow and Hausman tests were used to identify regression models. To investigate the aforementioned hypothesis, we used the following study model:

To investigate the aforementioned hypothesis, we used the following study model:

Model 1: ROA = α + β1CA + β2CA*BoC + β3CA*AC + β4CA*MO + ε

Model 2: ROE = α + β1CA + β2CA*BoC + β3CA*AC + β4CA*MO + ε

Model 3: NIM = α + β1CA + β2CA*BoC + β3CA*AC + β4CA*MO + ε

RESULTS AND DISCUSSION

A. Descriptive Statistics

Table 4. Descriptive Statistics

	ROA	ROE	NIM	CA	BoC	AC	MO
Mean	0.006505	0.016649	0.050311	0.037321	0.559752	0.566158	0.689345
Median	0.009450	0.049050	0.043150	0.028230	0.500000	0.602060	0.770000
Maximum	0.113600	0.256400	0.273200	0.393432	0.750000	0.903090	0.987100
Minimum	-0.147500	-0.954400	0.002200	-0.045835	0.333333	0.301030	0.185800
Std. Dev.	0.032914	0.194357	0.043771	0.048859	0.099770	0.107078	0.237587
Observations	132	132	132	132	132	132	132

According to the table above, the dataset included seven financial variables for 33 banks, for a total of 132 samples. ROA has a wide range of values, with an average of 0.006505. The median, 0.009450, is significantly lower than the mean. The maximum value of 0.113600 and the minimum value of -0.147500 support this significant fluctuation. The standard deviation of 0.032914 further defines the dispersion in this statistic, showing that the return on asset ratio does not change significantly amongst organizations. Return On Equity follows a similar distribution to ROA, with a mean of 0.016649 and a median of 0.049050. The minimum ROE ratio is 0.002200 and the maximum ROE ratio is 0.256400. The sample banks have considerable diversity in ROE, as seen by a standard deviation of 0.194357. The sample banks' net interest margins are positive, as demonstrated by a mean NIM ratio of 0.050311. The median of 0.043150 is lower, indicating that many banks have a moderate NIM. The minimum value of 0.002200 and the largest value of 0.273200 indicate that some banks are earning a significant positive interest margin. The sample banks have different efficiency in leveraging their credits to generate net interest margin, as demonstrated by the standard variation of 0.043771. Finally, Creative Accounting (EM) has an average of 0.037321 and a median of 0.028230. The smallest figure of -0.045835, and the largest value of 0.393432, imply that certain banks use more inventive accounting methods. The standard deviation of 0.048859 indicates that the sample received a similar treatment in creative accounting.

B. Chow, Hausman, and Lagrange Multiplier Test

Table 5. Summary Test of Model Estimate

Equation	Chow	Hausman	LM (Lagrange multiplier)	Conclusion	Need Classic assumption test?
Model 1	FEM prob chisquare 0.0000<0.05	REM prob chisquare 0.3974>0.05	REM prob BP-test 0.0000<0.05	REM	No
Model 2	FEM prob chisquare 0.0000<0.05	REM prob chisquare 0.5097>0.05	REM prob BP-test 0.000<0.05	REM	No
Model 3	FEM prob chisquare 0.000<0.05	REM prob chisquare 0.9925>0.05	REM prob BP-test 0.000<0.05	REM	No

The Chow test for the entire model yielded a cross-section Chi-square with a p-value of 0.0000. This conclusion rejects the null hypothesis while proving the presence of significant cross-sectional variance. These findings clearly suggest that the use of fixed effects is suitable, although further testing is needed. The Hausman test is used to determine which is better: Fixed Model Effects (FEM) or Random Effects Model (REM). The Hausman test results for the entire model are more than 0.05. This conclusion states that Random Model Effects is the best method for estimating data panel regression.

C. Hypothesis Tesing of Panel Data Regression Analysis

Table 6 T-Test

Model 1 (Y_1=ROA)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.078867	0.032420	2.432669	0.0154
CA	0.013575	0.003855	3.521429	0.0005
BoC	-0.088802	0.035476	-2.503177	0.0136
AC	-0.003255	0.001282	-2.538748	0.0115
MO	0.081559	0.033853	2.409198	0.0164
CA*BoC	-0.011830	0.004049	-2.921924	0.0037
CA*AC	-0.003361	0.001336	-2.516891	0.0122
CA*MO	0.520078	0.194052	2.680094	0.0077

The regression model equation for ROA is:

ROA=0.078867+0.013575CA-0.011830CA*BoC-0.003361CA*AC+0.520078CA*MO+ε, based on multiple linear regression analysis findings provided in the table above.

Table 7 T-Test

Model 2 (Y_2=ROE)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.169870	0.187544	0.905762	0.3668
CA	1.174224	3.993969	0.293999	0.7692
BoC	-0.495588	0.210238	-2.357270	0.0200
AC	0.219794	0.262770	0.836452	0.4045
MO	-0.014387	0.136219	-0.105620	0.9161
CA*BoC	3.488748	3.919146	0.890181	0.3751
CA*AC	-8.270506	7.545215	-1.096126	0.2751
CA*MO	2.662026	2.421057	1.099530	0.2737

The regression model equation is ROE:

ROE=0.169870+1.174224CA+CA*BoC-8.270506CA*AC+2.662026CA*MO+ε, according to the findings of multiple linear regression analysis presented in the table above.

Table 8 T-Test

Model 3 (Y_3=NIM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.332747	0.430212	3.097887	0.0021
CA	0.500322	0.175632	2.848693	0.0051
BoC	-0.290157	0.093724	-3.095866	0.0021
AC	-0.366780	0.098563	-3.721258	0.0002
MO	0.521069	0.215441	2.418610	0.0161
CA*BoC	-0.514917	0.242359	-2.124609	0.0343
CA*AC	-0.092259	0.043916	-2.100803	0.0364
CA*MO	0.014176	0.005783	2.451351	0.0147

The regression model equation is NIM:

NIM=1.332747+0.500322CA-0.514917CA*BoC-0.092259CA*AC+0.014176CA*MO+ε, according to the findings of multiple linear regression analysis presented in the table above.

DISCUSSION

In table 6, creative accounting has a t-calculated value of 3.521429 and a significant value of 0.0005, indicating that earnings management has a significant impact on ROA. This research supports agency theory since it demonstrates that creative accounting has an impact on corporate value over a four-year period, particularly on ROA. The findings of this study support the hypothesis that improved creative accounting will increase the ROA value. The better a company's financial performance, the more profitable it is perceived to be and the better its prospects, therefore potential investors are willing to pay more for shares. The results demonstrate that managers manage accrual earnings using discretionary accrual. This is consistent with the findings of Yusnita et al. (2015), who found that real earnings management operating cash flow and production costs, as well as the cost of simultaneous discretion, have a significant effect on company performance, and Ningsih (2017) found that earning management at post-production costs and discretionary expenses has an effect on company performance in indexed companies in the JII year 2013-2015.

Corporate governance (BoC and AC) and managerial ownership have been shown to moderate the impact of earnings management on value companies. This is demonstrated by testing the interaction of earnings management with the three moderating variables (CA*BoC, which shows a t value of -2,921924 and a significance of 0.037; CA*AC, which shows a t value of -2,516891 and a significance of 0.0122; and CA*MO, which shows a t value of 2,680094 and a significance of 0.0147).

Based on the analysis's findings, it can be said that the sample banks' corporate governance plays an ideal role in minimizing creative accounting treatment. This indicates that management's opportunistic conduct, which is manifested in earnings management practices, has been suppressed by the application of corporate governance. This is because banks have better earnings management throughout the year, which affects the value of the organization. Profits that meet or beyond goals have a greater impact on a company's value, therefore profit engineering is not necessary, and corporate governance plays a more effective role in regulating profits. Furthermore, a number of banks have concentrated ownership due to higher managerial ownership, which allows management to support the objectives of both shareholders and management. According to this research, corporate governance can mitigate the impact of earnings management on firm value (Ridwan & Gunadi 2013).

Using linear regression, the t-test findings in Table 7 demonstrate how independent factors (CA) affect the dependent variable (such as ROE). The dependent variable's estimated value is 0.169870 when all independent variables are equal to zero. With a probability value (Prob.) of 0.3668 (>0.05), the T-Statistic of 0.905762 indicates statistical significance. This indicates that the dependent variable is not significantly impacted by the constant. Since the CA coefficient is 1.174224, a one unit increase in CA will result in a 1.174224 rise in the dependent variables, providing all other variables remain constant. With a probability of 0.7692 (>0.05), CA has a positive but insignificant effect on firm value, particularly ROE. According to the results, creative accounting has no discernible effect on return on equity (ROE). This implies that changes made to earnings after taxes have no appreciable impact on the financial performance as determined by ROE. ROE, calculated as Earnings after tax divided by total equity, reflects a company's capacity to profit from shareholder investments. Since the retained earnings from the bank samples make up a negligible portion of the total equity, the modified accounting treatment used in the samples to manage profitability only focuses on the accrual earnings produced by assets (i.e., total assets and interest receivable). This result is consistent with earlier research by Liu et al. (2021), which found no meaningful correlation between ROE at this level and real earnings management efforts. According to a 2008–2018 study using a sample of Chinese non-financial listed companies, investment decisions are not much impacted by earnings management. Another study by Fatzel et al. (2022) discovered that the COVID-19 earnings management procedures in the consumer products sector had no discernible effect on the financial performance of the company, including ROE. Furthermore, table 8 indicates that the sample banks' BoC, AC, and MO roles are not ideal in lowering creative accounting treatment. However, the research is consistent with earlier studies by Kristanti & Priyadi (2016) and Mawati et al. (2017), which found that managerial ownership and corporate governance cannot mitigate the impact of earnings management on firm value.

Creative accounting in the operation of sample banks is obtained with a t-calculated value of 2.848693 and a significant value of 0.0051, according to the most recent model regression result, which is displayed in Table 8. This indicates that the creative accounting treatment through discretionary accrual items has a significant influence on NIM (H0 is accepted). Because it demonstrates that profits management has an effect on bank value over a four-year period to one of the primary banks rentability ratios, namely NIM, this finding supports agency theory, which was in line with the regression result using model 1. The findings of this study support the hypothesis that a creative accounting approach will raise the NIM value. Banks with higher net interest margins are thought to be more lucrative and have better assets to generate the margin on loans. Banks could change when to recognize interest income from loans using accrual accounting, which would affect NIM. To implement the practice, management could take advantage of the regulator's easing of the loan restructuring regulation. This study backs up Abbas's (2018) earlier research, which found a favorable correlation between the interest margin ratio and earnings management as measured by discretionary accrual (DA). The study includes bank year observations from 2007 to 2009 and 2010 to 2012, illustrating the pre- and post-implementation periods of IFRS. Another Raoli (2013) study might demonstrate how income increases with positive accruals and decreases with negative accruals.

The moderating effect of corporate governance (BoC and AC) and MO on the relationship between creative accounting and NIM, on the other hand, is demonstrated by testing the interaction of creative accounting with the three moderating variables (CA*BoC, which shows a t value of -2,124609 and a significance of 0.0343; CA*AC, which shows a t value of -2,100803 and a significance of 0.0364; and CA*MO, which shows a t value of 2,451351 and a significance of 0.0147).

Based on the model's results, it can be said that the sample banks' corporate governance, as represented by BoC and AC, plays an ideal role in minimizing creative accounting treatment. This indicates that the management's accrual accounting treatment has been lessened as a result of the adoption of corporate governance. However, BoC and AC had the authority to alter the accrual interest income. The findings of this study are consistent with those of Akdogan and Boyacioglu (2014), Ararat et al. (2014), Hussein and Venkatram (2013), Ridwan & Gunadi (2013), and Latifah & Novitasari (2021), who proposed that corporate governance could alter the connection between the company's financial performance and earnings management. Additionally, a number of banks have managerial ownership, which aids in bank management and helps boost accrual interest income profitability. According to Suriawina et al. (2013), institutional and managerial ownerships also have a favorable impact on a bank's net interest margin.

CONSLUSION AND SUGGESTION

A. Conclusion

Just 33 of the 46 banks were able to meet the standards of this scope study, which was primarily based on the quantity of core capital to analyze whether creative accounting was hurting the firm value of the company, which was proxied by ROA, ROE, and NIM ratio with moderating variables of BoC, AC, and MO. The results of all three models' regression tests indicated that two of them had a favorable impact on ROA and NIM due to earnings management, but corporate governance might lessen the association between managerial ownership and the relationship's value. However, just one model that used ROE as the dependent variable was unable to yield a meaningful outcome. These findings indicate that the company's financial performance may be impacted when we combine the ROA and NIM with creative accounting, which is proxied by discretionary accrual, and with the GCG and MO as moderating variables, but not when ROE is used as the dependent variable. This study backs up the claim that banks using creative accounting practices solely consider their short-term financial performance and ignore the long-term effects of their equity investments.

With p-values less than 5%, the t-test results showed that CA positively affects ROA and ROE. However, with p-values of >5%, the t-test results showed that CA positively affects ROE. This is consistent with earlier studies that highlight how earnings management improves a business's financial performance while using accrual accounting approach, but only when it comes to ROA and NIM. It shows that the Indonesian bank prioritizes the return on its assets, particularly loans, and the interest margin to demonstrate the soundness of the assets.

More than 70% of the variance in company value can be explained by the statistical results of the random effect model, which also show the efficiency of the data from ROA and NIM. ROA and NIM had adjusted R-squares of 75.69% and 74.01%, respectively. With the three moderating variables, these two models offer a clear picture of the

connection between these elements and creative accounting. Thus, ultimately, with an emphasis on the modified accrual accounting treatment that concentrates on the interest income from loans, these findings help to clarify how Indonesian public banks, especially those that are controlled by the Board of Commissioners, Audit Committee, and Managerial ownership, could improve their financial performance between 2020 and 2023.

B. Suggestion

We propose that the next study might assess earnings management using a proxy that has a more direct effect on the bank industry, like the nonperforming loan ratio with an estimate of the loan's impairment provision that is connected to the fair value measurement. Furthermore, as there were certain discrepancies in the accounting treatment of the banks mentioned, the sample selection might be more specific for separation, such as the separation between commercial banks and sharia banks. Additionally, given the study focuses on the effects of the credit restructuring policy brought on by the COVID-19 pandemic, it is recommended that future researchers include the Loan at Risk Ratio (LaR). Lar represents the total loan portfolio's possible default risk. Therefore, LAR measures the overall risk of lending, whereas NPL concentrates more on individual troublesome loans. LAR is equal to the sum of the restructured loans with current and special mention collectability plus the non-performing loan amount.

1) The standards of proof are higher when extraordinary or unexpected results are reported.

2) Because replication is required for scientific progress, papers submitted for publication must provide sufficient information to allow readers to perform similar experiments or calculations and use the reported results. Although not everything need be disclosed, a paper must contain new, useable, and fully described information. For example, a specimen's chemical composition need not be reported if the main purpose of a paper is to introduce a new measurement technique. Authors should expect to be challenged by reviewers if the results are not supported by adequate data and critical details.

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