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Analysis earning management, good corporate governance, on sticky cost behavior through the policy tax incentives

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ABSTRACT

The purpose of this research is to test empirically the effect of Earning management, Good Corporate Governance, on sticky cost behavior through a tax incentive policy. The type of data used for sampling is purposive sampling and hypothesis testing using the Partial Least Square (PLS) analysis model with the help of SmartPLS version 3.0 for windows software. The results of this study are; Earning management has contributed to Sticky Cost Behavior. Good Corporate Governance has contributed to Sticky Cost Behavior. Tax incentive policies are not proven as a moderating variable in the influence of Earning management target Sticky Cost. _ The tax incentive policy is proven to be a moderating variable in influence Good Corporate Governance Against Sticky Cost Behavior.

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1. Introduction

Sticky cost behavior creates small cost adjustments when sales decline, resulting in low cost savings. Therefore when sales decrease and fixed costs become fixed or sticky, the profit earned will decrease. So that companies in responding to this must increase the volume of sales activities to earn profits (Kama & Weiss, 2013)

Behavior is also related to the decisions taken by managers to deal with uncertainty in future demand (Apriliawati & Nugrahanti, 2015) . From these reasons it is explained that there is an uncertainty about future demand related to the products sold by the company, which results in managers tending to choose to maintain unused resources rather than reduce resources when sales decline. But conversely, if managers prefer to adjust costs, then sticky costs will not occur (Afiffah et al., 2018) . Such as payment of severance pay to laid-off workers, training costs for new employees, installation and disposal costs for capital equipment (Linggardjaja, 2020).

The state of economic growth that occurred in Indonesia during the observation period, namely 2016 - 2020 showed an economic level that continued to increase but decreased dramatically in 2020. In 2016 it showed an economic level of 5.03% which continued to increase in 2017 by 5.07 % ; in 2018 of 5.17%; in 2019 it was 5.02% and in 2020 it was 2.97%. Based on this situation, the researcher wants to see whether when the economy grows or decreases it is directly proportional to the indications of sticky costs that occur.

In terms of the behavior of companies that are required to be able to survive in difficult times due to the current impact of Covid-19, the phenomenon related to cost behavior in companies in Indonesia is still very interesting to study because the company's behavior in setting costs when there is a change in business activity can lead to cost stickiness . According to (Kama & Weiss, 2013) this sticky cost behavior can have

unfavorable consequences for the company because the higher the level of sticky cost behavior in the company, the more difficult it will be for the company to achieve profits (Vonna & Daud, 2016). Good governance refers to a set of mechanisms that monitor or motivate managers when there is a separation of ownership and control. Good corporate governance can reduce cost stickiness . (Xue & Hong, 2016).

In recent years both existing and under development, the government has provided significant tax incentives to encourage economic development. (Haga et al., 2019) . In 2020, a decline in the realization of tax revenue is something that cannot be avoided, but what is needed is an effort to keep the decline from becoming too sharp in the following year. In addition, it is necessary to guarantee the sustainability of sources of tax revenue, namely business or economic actors by maintaining supply and demand. Under normal conditions, taxes play more of a budget function, namely as the main source of state revenue. Meanwhile, during a pandemic like today, this function can switch to a regulatory function, a stability function, and an even distribution function. In the regulatory function, the government can provide tax relief facilities or incentives (Warsito & Samputra, 2020).

Costs are said to be sticky if the increase in costs tends to change easily when sales increase compared to when sales decrease. Some costs are difficult to adjust with production activities. Costs that are difficult to adjust are fixed costs or fixed costs because these costs tend to stick and are difficult to follow even though the company's activities are declining. (Afiffah et al., 2018).There are interior and exterior variables that affect cost resistance. internal, such as historical sales data, labor adjustment costs, revenue management, intellectual capital, good governance, ownership, internal control, compensation and incentive plans, corporate social responsibility, management orientation, optimistic management behavior, and corporate financing sources . markets, applicable laws and regulations, culture, and external auditors are examples of external factors.. (Linggardjaja, 2020).

This research is focused on the retail sub-sector in Indonesia. Retailers are individuals or business entities whose main activities are selling directly to final consumers in small batches. (Ministry of Finance, 2012).

Based on the background described above that there are gaps between the results of previous studies, this research was conducted with the aim of knowing and analyzing whether Earning management, Good Corporate Governance has an effect on sticky costs with tax incentive policies as a moderating variable.

2. Research Method

Population is an object or subject that has certain qualities and characteristics determined by researchers to be analyzed and concluded (Sugiyono, 2014: 215). The population in this study were all retail sub-sector companies listed on the Indonesia Stock Exchange (IDX) totaling 28 companies. According to the Chairperson of the Indonesian Retailers Association (Aprindo) retail is a strategic industry, the economic growth that the government expects comes from household consumption (Oktaviantari & Baskara, 2019) . The growth of the retail sector industry is highly dependent on household consumption. Therefore, if people's consumption and purchasing power decline, it will have an impact on the performance of the retail sector.

The sample is part of the population (Sugiyono, 2014: 215). The sample period for this study is 2016 - 2020, the sample selection for this period is because the data studied is the latest reported financial report data. The company sample selection uses a purposive sampling technique, because the sampling technique is based on data sources with certain considerations (Sugiyono, 2014: 218-219).

Analysis Techniques

Data analysis used in this research is Partial Least Square analysis with Smart PLS 3.0 software . Abdillah & Jogiyanto (2015) argued that the PLS approach is distribution free (does not assume a certain distribution of data, can be in the form of nominal, category, ordinal, interval and ratio) (Agustina & Suhaidar, 2020)

Ghozali (2016) explains that the Partial Least Square (PLS) model has a model concept which is divided into two stages, namely Designing a measurement model (outter model) which is often also called (outer relation or measurement model) defines how each indicator block relates to latent variables . Designing a structural model (inner model), which is also called (inner relations, structural model and substantive theory.

3. Results And Discussions

Research Results - Hypothesis Testing

In the outer model test, there is an analysis of the validity and reliability of the PLS indicators :

Discriminant Validity

According to Ghozali (2006), discriminant validity is used to ensure that each latent variable is different from the other variables :

Table 1. Discriminant Validity

indicator	Earning Management (X^1)	*Good Corporate Governance* (X^2)	Sticky Cost Behavior (Y)	Tax Incentive Policy(Z)
Earning Management (X1)	1.000000	0.124714	0.369911	-0.121509
Good Corporate Gov. (X2)	0.124714	1.000000	0.159256	-0.216906
Sticky Cost Behavior (Y)	0.369911	0.159256	1.000000	0.595957
Tax Incentive Policy(Z)	-0.121509	-0.216906	0.595957	1.000000

Source: PLS 3.0 processed data, 2021

Each indicator of each latent variable has a higher cross loading value compared to the cross loading value when associated with other latent variables. This shows that each latent variable already has high discriminant validity, and some even have gauges that are highly correlated with other constructs.
When compared with the cross loading value when it is associated with other latent variables, then each indicator of each latent variable has a higher cross loading value. This shows that the Discriminant Validity of each latent variable is already high.

Table 2. Discriminant Validity Calculation Results Against Moderating Variables

Indicator	Earning Management * Tax Incentive Policy (X1*Z)	*Good Corporate Governance* * Tax Incentive Policy (X2*Z)
Earning Management * Tax Incentive Policy (X1*Z)	1.000000	0.508671
Good Corporate Governance * Tax Incentive Policy (X2*Z)	0.508671	1.000000

Source: Results of PLS 3.0 data processing, 2021

This shows that some of the latent variables in the moderating variable have measuring instruments that are highly correlated with other constructs, and each latent variable in the moderating variable has good discriminant validity. The square root value of each Average Variance Extracted (AVE) construct and the correlation between other constructs in the model are used to measure discriminant validity. According to Ghozali (2011), the AVE value must be greater than 0.50 or the p value must be less than the 5% significance level. The following table displays the results of this study's Discriminant Validity measurements::

Table 3. Average Variance Extracted (AVE) Calculation Results

Variable	AVE
Earning Management (X1)	1.000000
Good Corporate Governance (X2)	1.000000
Sticky Cost Behavior (Y)	1.000000
Tax Incentive Policy(Z)	1.000000
Earning Management * Tax Incentive Policy (X1*Z)	1.000000
Good Corporate Governance * Tax Incentive Policy (X2*Z)	1.000000

Source: Results of PLS 3.0 data processing , 2021

Based on these results the Discriminant Validity value is above 0.50 as shown in the Average Variance Extracted (AVE) table. The validity of all the variables can be inferred from these results, which provide some confidence. All variables used in this study will be tested for reliability after being declared valid .

Composite Reliability

When measuring a concept or variable, a reliability test is needed to determine its stability. Construct reliability values can also be used to determine reliability criteria (Ghozali, 2006). Composite reliability values can be used to measure reliability in this study. To decide whether a reliable estimating instrument is carried out through the dependency coefficient. According to Ghozali (2011), the reliability coefficient must be greater than 0.70. Composite reliability measurement results can be seen in the table. Below this:

Table 4. Composite Reliability Measurement Results

Variable	Composite Reliability
Earning Management (X1)	1.000000
Good Corporate Governance (X2)	1.000000
Sticky Cost Behavior (Y)	1.000000
Tax Incentive Policy(Z)	1.000000
Earning Management * Tax Incentive Policy (X1*Z)	1.000000
Good Corporate Governance * Tax Incentive Policy (X2*Z)	1.000000

Source: Results of PLS 3.0 data processing , 2021

The Composite Reliability value of all variables is greater than 0.70 as shown in the table. Based on these findings, it can be concluded that all variables are reliable and can be continued in further analytical tests.

Model Structural Evaluation

The coefficient of determination, also known as R Square (R 2), measures the fit of the regression equation by expressing the proportion of the total variation in the dependent variable that is explained by the independent variable. The fit of the model is said to be better when R2 is close to 1. The value of R2 is between 0 and 1. These values can be seen above in Table R2 (Ghozali, 2005). A model can be categorized as strong (R2 0.70), medium (R2 0.45), or weak (R2 0.25) . The following is the result of the R 2 value :

Table 5. Results of measurement of R Square (R 2)

Variable	R Square
Earning Management (X1)	-
Good Corporate Governance (X2)	-
Sticky Cost Behavior (Y)	0.729524
Tax Incentive Policy(Z)	-
Earning Management * Tax Incentive Policy (X1*Z)	-
Good Corporate Governance * Tax Incentive Policy (X2*Z)	-

Source: PLS 3.0 processed data, 2021

Based on Table R 2 , it can be seen that the R 2 value is 0.729524 for the variable (Y) Sticky Cost Behavior , which means that (X 1) Earning Management, (X 2) Good Corporate Governance , (X 3) Product Market Competition and (Z) Policy Tax incentives as a moderating variable can be explained by the variable (Y) Sticky Cost Behavior of 73% and the remaining 27% is not explained in this study.

Hypothesis Test

The estimated value of the path coefficient between constructs must have a significant value. The significance of the relationship can be obtained by Bootstrapping or Jacknifing procedures . The resulting value is a t-count value which is then compared with the t-table. If the t-count > t-table (1.96) at the significance level (5%), the estimated value of the path coefficient is significant (Ghozali, 2011). This study has six testing hypotheses. The results of each test are presented as follows:

Table 6. Bootstrapping Measurement Results

Relations Between Variables	Original sample (O)	sample Means (M)	standard Deviation (STDEV)	standard Error (STERR)	T Statistics (|O/STERR|)
Earning Management (X1) -> Sticky Cost Behavior (Y)	0.398879	0.394046	0.080529	0.080529	4.953241
Good Corporate Governance (X2) -> Sticky Cost Behavior (Y)	0.081247	0.085178	0.029877	0.029877	2.719342
Earning Management *Tax Incentive Policy (X1*Z) -> Sticky Cost Behavior (Y)	-0.016811	-0.003072	0.066883	0.066883	0.251347
*Good Corporate Governance * Tax Incentive Policy* (X2*Z) -> Sticky Cost Behavior (Y)	0.720080	0.719828	0.106196	0.106196	6.780643

Source: PLS 3.0 processed data, 2021

Influence Earning management on Sticky Cost Behavior

The test results above show that the effect Earning Management on Sticky Cost with a positive coefficient (standardized coefficient) of 0.398879 and t-statistic of 4.953241 > t-table (1.96) then the H1 hypothesis is accepted, this can be interpreted that the effect of Earning Management on Sticky Cost Behavior is proven to have a positive effect and significant . Then the proposed hypothesis related to, "

Earning management has a significant effect on Sticky Cost Behavior " gets support with a positive direction of influence in this study.

Influence Good Corporate Governance Against Sticky Cost Behavior

The test results above show that the effect Good Corporate Governance on Sticky Cost Behavior with a positive coefficient (standardized coefficient) of 0.081247 and t-statistic of 2.719342 > t-table (1.96) then the H2 hypothesis is accepted, this can be interpreted that the effect of Good Corporate Governance on Sticky Cost Behavior is proven to have an effect positive and significant. Then the proposed hypothesis related to, " Good Corporate Governance Has a Significant Influence on Sticky Cost Behavior " gets support with a positive direction of influence in this study.

Tax Incentive Policy Moderates Earning Management Against Sticky Cost Behavior

The test results above show that the effect Tax Incentive Policy on Sticky Cost Behavior with a positive coefficient (standardized coefficient) of 0.002033 and t-statistic of 0.045757 <t-table (1.96), and also the moderating effect of the Earning Management relationship on Sticky Cost Behavior moderated by Tax Incentive Policy shows results negative coefficient (standardized coefficient) of -0.016811 and t-statistic of 0.251347 < t-table (1.96) then Hypothesis H4 is rejected, this means that the Tax Incentive Policy is proven unable to moderate the Earning Management relationship to Sticky Cost Behavior. So the proposed hypothesis related to, "Tax Incentive Policies Moderate Earning Management which Has a Significant Influence on Sticky Cost Behavior " does not get support in this study.

Tax Incentive Policy Moderates Good Corporate Governance Against Sticky Cost Behavior

The test results above show that the effect of Tax Incentives Policy on Sticky Cost Behavior with a positive standardized coefficient of 0.002033 and t-Statistics of 0.045757 <t-table (1.96), and also the moderating influence of Good Corporate Governance on Sticky Cost Behavior which is moderated by the Tax Incentive Policy shows a positive coefficient (standardized coefficient) of 0.720080 and t-statistic of 6.780643 > t-table (1.96) then the H5 hypothesis is accepted, this can be used to say that the Tax Incentive Policy is proven to be able to moderate the Good Corporate Governance relationship on Sticky Cost Behavior . So the proposed hypothesis related to, "Tax Incentive Policies Moderate Good Corporate Governance which Has a Significant Influence on Sticky Cost Behavior " gets support with a positive direction of influence in this study.

4. Conclusion

Based on the results of the research that has been done, it can be concluded several things as follows: Earning management has a significant effect on sticky cost behavior, Earning management has a contribution to Sticky Cost Behavior. Good Corporate Governance has a contribution to Sticky Cost Behavior. Tax incentive policies are not a moderating variable in the relationship between earning management and sticky costs. incentive policy is proven to be a moderating variable in the relationship between Good Corporate Governance Against Sticky Cost Behavior. The contribution of this research, it is hoped that companies will prioritize external supervision through external audits, can reduce information asymmetry and reduce internal agency costs through independent audits, which can play a limited role in the company's cost stickiness

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