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Research Article

The Effect of Good Corporate Governance, Capital Structure on Financial Performance with Profit Management as Mediation: Case Study in the Health Industry

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Abstract. The importance of the health industry in Indonesia as the leader in public health care can be observed in the pandemic scenario, where this sector is at the forefront of pioneering. With the use of profits management, this research attempts to assess the variables affecting the performance of healthcare firms listed on stock exchanges for the years 2018 through 2021. 24 health firms that were listed on the Indonesian stock market between 2018 and 2021 made up the sample for this research. Panel data regression and time series analysis are used to analyze the data. The findings of this research suggest that neither the capital structure nor GCG have any impact on the company's ability to control its profitability. The company's capital structure has an impact on its financial performance; GCG has no such impact. While the company's financial success is impacted by earnings management. It is also anticipated that additional research will include financial ratio variables, such as liquidity ratios like the current ratio, quick ratio, and cash ratio to assess the liquidity of the healthcare sector, in addition to activity ratios like receivables, inventory turnover, and asset turnover, to improve the accuracy of the research findings. In order for investors to utilize the data to make investment choices, health firms need to analyze associated earnings management and financial performance.

Keywords: *Board of Commissioners Meeting, Audit committee meeting, DAR, DER, Earnings management, Financial Performance.*

A. INTRODUCTION

One of the goals of the company is to get the biggest profit and spend the lowest cost. To get profits, good corporate governance is needed by providing a good system, where the company's operations are controlled and directed with the best interests of stakeholders (Qamar et al., 2020). The system will eventually be used to assess a company's financial performance, where financial performance is the result of many individual decisions made continuously by management (Mayliza et al., 2019). Evaluation of company performance is carried out by management, shareholders, the government and other interested parties which are very important and related to the distribution of welfare among them (Kristiyanti, 2021). According to Mayliza et al. (2019) to assess and measure the health level of a company can be seen from the company's financial performance. The financial information is said to be useful in making decisions if the information is relevant and reliable. So that these financial reports can be relied upon as a true source of information for report users so that mistakes do not occur when making decisions. Good corporate governance is needed so that the decisions taken are in accordance with the interests of the company's progress.

The issue of good corporate governance is always a hot topic of discussion, especially among economists and business people in Indonesia (Nuryana and Surjandari, 2019). This also applies to the health industry, because the presence of good corporate governance (GCG) is

absolutely necessary for the health industry, considering that GCG requires a good governance system that can help build shareholder trust and ensure that all stakeholders are treated equally (Mahrani and Soewarno, 2018). The CG mechanism was formulated to meet needs, protect the rights of stakeholders and also function as a means to uphold their rights to assess and monitor the activities of top management and hold them accountable (Coleman and Wu, 2021). Therefore, to ensure that managers implement accounting choices responsibly and report high-quality financial reporting information, establishing an effective corporate governance mechanism becomes very important (Orazalin, 2019). According to Alzeban (2019) One of the most important functions corporate governance can perform is quality assurance of the financial reporting process. Which in the end will be able to assess the company's financial performance from these results. The main components of corporate governance are the audit committee, executive management, external auditor quality and internal audit function (Alzeban, 2019).

In addition to good corporate governance (GCG), the health industry also needs to have a good capital structure in running the company's operations. According to Wibowo (2021) one of the important decisions that must be made by financial managers in relation to the continuity of company operations is to determine optimal capital structure targets. Capital structure is a financial indicator between long-term debt and foreign capital or own capital, capital structure is very important for companies because it will affect the amount of risk that will be borne by shareholders and the level of return or profit level he expects (Wibowo, 2021) . The level of leverage that will be used by the company will affect the company's financial performance. Leverage as an effort to increase company profits can be used as a benchmark in viewing the behavior of managers in managing earnings. The leverage ratio because the amount of debt compared to the assets owned by the company tends to be manipulated in the form of earnings management (Muqsith and Murtianingsih, 2020). In addition, Ater and Hansen (2020) find that earnings management is associated with favorable terms on public debt and lower post-issuance stock returns, respectively, suggesting that firms benefit from using abnormal accruals before capital increases.

According to Orazalin (2019) Profit management reduces the quality of financial reporting because the accounting information reported in financial reports does not reflect the underlying economic conditions of business organizations. Previous literature indicates that the monitoring function of boards derived from agency theory plays an important role in reducing agency problems and monitoring managerial decisions to protect the interests of shareholders and to ensure high quality financial reporting (Orazalin, 2019). Quddoos et al. (2020) explained that relevance and reliability are needed in financial reports, because these features are used in accounting data to examine past decisions and make future predictions. Furthermore, poor earnings quality is always considered misleading and detrimental to the interests of stakeholders. However, in developing countries, high levels of profit management and fabrication are practiced compared to developed countries. So, investors lose their confidence in reported earnings (Quddoos et al., 2020). This shows that earnings management is important in optimizing the financial performance of a company.

Measurement of financial performance has become an indicator used by investors to assess a company which is reflected in the value of its shares displayed on the Stock Exchange. Regarding the company's financial performance, the financial reports issued by the company are a reflection of the company's financial performance (Handayani et al., 2020). Financial performance is an indicator that can be used to see the financial condition of a company (Melania and Dewi, 2020). Financial performance is used as a medium to measure the health of a company. The company's financial performance is the result of many individual decisions made continuously by management. Investors will always need investors to make an

investment decision on financial performance, where the role of financial performance is very large in this decision (Melania and Dewi, 2020). The Health Industry is an industry that is mostly owned individually or individually so that its financial performance is still closed and the published data is also limited, this can be seen from the small number of health companies that have been listed on the Indonesian stock exchange.

Previously, many studies had been conducted relating to financial performance, in which there were various factors that influenced financial performance, such as good corporate governance and capital structure, such as research conducted by Putri and Prasetyo (2020) examining companies with the LQ-45 index for the 2016-2018 period and shows that GCG has an effect on the level of earnings management. Mahrani and Soewarno (2018) in their research on 146 manufacturing companies in Indonesia in 2014 to determine the direct effect of the GCG mechanism on financial performance. Alam et al. (2020) examined 10 Islamic state banks where the influence of board size, company size and leverage has on earnings management. Puni and Anlesinya (2020) examined 38 listed companies in Ghana from 2006-2018, and found the effect of board size, board meeting frequency and shareholder concentration/ownership structure, board general committee, CEO duality on financial performance. Research Hindasah et al. (2021) shows that good corporate governance, Leverage has an effect on Management. Coleman and Wu (2021) examined the ownership structure and board compliance and persistence indices, board size, board disclosure, ownership structure, shareholder rights and board compliance and persistence indices have a positive effect on financial performance. Danso et al. (2021) Drawing on agency theory and using Tobin's Q as the main performance measure reveals that financial leverage is significantly related to firm performance.

At the end of his research, Hindasah et al. (2021); Coleman and Wu (2021) explain that further research is needed using other variables and carried out in other industries to get better results. However, in this study the researchers tried to continue previous research by combining good corporate governance variables using the number of independent commissioner meetings and the number of audit committee meetings and capital structure using the Debt to Equity Ratio and Debt to Asset Ratio into one study of financial performance. This study also adds Earning Management as a mediating variable. In addition, previous research was conducted on manufacturing and banking companies in Indonesia and abroad. while this research will be conducted on the health industry in Indonesia.

The purpose of this study was to determine the effect of good corporate governance, capital structure on financial performance in the health industry in Indonesia, in addition to knowing the mediating effect of earnings management on good corporate governance, capital structure on financial performance in the health industry in Indonesia. This research is also expected to be a reference for health companies in the aspects of good corporate governance and the application of proper capital structure to financial performance. This research is also expected to be a reference and reference material for students and academics for the development of Finance and further research.

B. LITERATURE REVIEW

1. Signalling Theory

Signal theory is to clarify information asymmetry in markets (Ross 1977); (Dang et al., 2019). This shows that the problem of asymmetric information can be minimized if the parties signal information to each other. It has also been used to explain information disclosure in company reports (Dang et al., 2019). A signal or cue is an action taken by a company to provide guidance to investors regarding management's view of the company's prospects and financial performance. This signal is in the form of information regarding activities that have been carried out by management to realize the wishes of the owner. The information issued by the

company will affect investment decisions by investors and other external parties. This information presents information, notes or descriptions regarding past, present and future conditions for the survival of the company and its effects (Brigham and Houston, 2020).

According to signaling theory, managers are people who expect signals. Information on financial statements is one means of signaling, from which companies will release more information to signal investors, to show that they are better than other companies in the market for the purpose of attracting investment and enhancing their reputation (Dang et al., 2019) . Signal theory explains that management has accurate information about the value of the company that is not known by outside investors. When a company conveys information to the market, the market will respond to this information as a signal that there are certain events that can affect the value of the company.

2. Agency Theory

One of the fundamental theories involved in the selection of shareholder investments is the agency theory developed by Jensen and Meckling (1976), which defines "agency theory focuses on the same relationships as in contracts in which employers employ operators." Agency theory describes the relationship between managers and shareholders, between shareholders and creditors. Funders delegate decision-making, strategic management, and operations to company managers. Ideally, managers will act and make decisions to maximize shareholder value and ensure that debt is repaid (Jensen and Meckling, 2019). However, as explained by agency theory, managers have incentives to use their position and power for their own benefit (Dang et al., 2019). According to Afifah et al. (2021) agency theory is a contractual relationship between the company owner (principal) and management (agent), in which the company owner gives authority to management to carry out the company's operational activities. The owner of the company expects that management can optimally utilize existing resources for the welfare of the principal in the short and long term. Agency relationships can cause conflicts of interest due to unequal goals. Owners or shareholders have increased their interests through the distribution of dividends. Management aims to enhance its personal interests through compensation. This situation causes management to make decisions that benefit themselves but are ineffective for the company (Afifah et al., 2021).

The agent may pay to spend resources (engagement fees) to guarantee that he will not take certain actions that would harm the principal, or to ensure that the principal will be appropriately compensated if he does take such actions. That is, the agent can incur ex-ante bond fees to win the right to manage the principal's resources (Melania and Dewi, 2020). This difference is caused by managers prioritizing their personal interests compared to the interests of shareholders where shareholders do not like the personal ambitions of managers. To overcome and reduce agency problems that occur, agency costs arise which are borne by both the principal and the agent. In Jensen and Meckling, 2019) dividing agency costs into monitoring costs, bonding costs and residual loss. Monitoring costs are costs incurred and borne by the owner to monitor the behavior of managers.

3. Pecking Order Theory

The pecking order theory, as reported by Myers and Majluf (1984) in Arilyn and Beny (2019), argues that a company's preference for financing its financing needs starts from internal sources using retained earnings, then external sources from long-term debt, and finally by using share issuance. When companies are required to rely on financing from external sources, they tend to choose debt so that companies can reduce the impact of asymmetric information (Arilyn and Beny, 2019). In summary, the pecking order theory explains as follows: 1) Companies prefer internal funding; 2) The company will try to adjust the dividend distribution ratio with

the investment opportunities it faces; 3) Dividend payments tend to be constant and fluctuations in profits earned result in internal funds being sometimes excessive or lacking for investment; 4) The company will issue the safest securities first. The issuance of securities will start with the issuance of bonds which can be converted into own capital, and then finally issue new shares.

4. Good Corporate Government

Corporate governance implies the systems, mechanisms, processes and structures by which companies are controlled and directed (Jensen & Meckling, 2019). Puni and Anlesinya (2020) define corporate governance as the process of "directing and managing business affairs towards enhancing business prosperity and corporate accountability with the ultimate goal of realizing organizational goals and long-term stakeholder value". According to Mahrani and Soewarno (2018) defines GCG as a set of rules governing the relationship between shareholders, company managers, creditors, government, employees and other internal and external stakeholders relating to their rights and obligations. Corporate governance arises from the company's interests to ensure principals/investors that the funds invested are used appropriately and efficiently. GCG is a mechanism for directing and controlling a company so that the company's operations run according to stakeholders' expectations (Putri and Prasetyo, 2020).

The existence of GCG can prevent or reduce earnings management because this oversight becomes an incentive for management as an agent to act as best as possible in the interests of principals, namely stakeholders, and suppress deviant behavior so that it can be accounted for their job properly (Mahrani & Soewarno, 2018). Auditor reporting is a potential means of confirming the availability of financial information, this is an important piece of information for users of financial reports (Imen & Anis, 2021).

5. Capital Structure

Brigham and Houston (2015) state that capital structure decisions also directly affect the amount of risk borne by shareholders and the level of expected profit. The capital structure decisions taken by these managers do not only affect profitability, but also affect the financial risks faced by the company. Based on the explanation above, it appears that the capital structure decision is a very important decision for the survival of the company. In addition, investors can make better investment decisions by differentiating companies according to their capital structure (Muñoz Mendoza et al., 2020). Capital structure is a financial indicator between long-term debt and foreign capital or own capital, capital structure is very important for companies because it will affect the amount of risk that will be borne by shareholders and the level of return or profit level he expects (Wibowo, 2021) . Capital structure is proxied by debt to equity assets (DAR) (Danso et al., 2021) and debt to equity ratio (DER). DER is a percentage that shows how dominant debt is used in company financing compared to total equity (Dang et al., 2019).

6. Earning Management

According to the National Association of Certified Fraud Examiners in Afifah et al. (2021) states that earnings management is an intentional error or negligence in making reports regarding material facts or accounting data so that it is misleading when all information is used to make judgments which will ultimately cause people who read it to change or change opinions or decisions. Lewis stated that earnings management is accounting flexibility to match business innovation. Fraud obscures true financial volatility to cover up the consequences of manager decisions (Afifah et al., 2021).

Watts and Zimmerman (1986) in Pittman and Zhao (2020) state that earnings management occurs when managers have discretionary behavior related to accounting numbers with or without restrictions and this behavior can be adopted to maximize firm value (Pittman and Zhao, 2020) . Earnings management is a manager's decision to choose certain accounting policies that are considered to be able to achieve the desired goals, either to increase profits or reduce the level of reported losses (Rahmawati and Fajri, 2021). According to Scott (2003) in Mahrani and Soewarno (2018), there are several motivations for carrying out earnings management: bonuses; contractual motivation; political motivation; tax motivation; CEO turnover; initial public offering/IPO; and inform investors. To measure earnings management, there are several models that can be used, such as the Healy model, the industrial model, the de Angelo model, the Jones model and the modified Jones model (Mahrani and Soewarno, 2018).

7. Financial Performance

The company's financial performance is an illustration of the profitability of a company. According to Mahrani and Soewarno (2018) Profitability is a company's ability to generate profits, where the greater the profitability, the greater is management's ability to manage company assets to generate profits. This influences investors to predict profits and predict risks in their investments which have an impact on investor confidence in the company (Mahrani and Soewarno, 2018). Profitability is an indicator of management performance in managing company assets as indicated by the profit generated by the company. According to the Indonesian Accounting Association (2018), financial performance is a company's ability to manage and control its resources. Financial performance can be measured by analyzing financial statements using financial ratios. According to Brigham and Houston (2020) profitability is the net result of a series of policies and decisions. Profitability can be determined by calculating various relevant benchmarks.

8. Good Corporate Governance towards Earning Management

The effectiveness of the supervisory function by the board of commissioners requires high independence. According to agency theory, managers view independent commissioners as more alert to agency problems because independent commissioners are fully dedicated to overseeing the performance and behavior of management because it also supports the need for independent commissioners to strengthen their reputation as expert decision makers. The challenge in studying the relationship between corporate governance and earnings management is that corporate governance is endogenous, and as such, is likely to be correlated with unobservable firm characteristics that also drive earnings management (Fan et al., 2021). The stronger the oversight of corporate governance, the better the management of earnings management will be.

Putri and Prasetyo (2020); Mahrani and Soewarno (2018); Coleman and Wu (2021), examine the effect of GCG on earnings management, where the results of their research show that GCG has a positive effect on Earnings Management. Based on research conducted by Putri and Prasetyo (2020); Mahrani and Soewarno (2018); Coleman and Wu (2021), the initial hypothesis that the researcher proposes is:

H1: GCG Has a positive influence on Earnings Management

9. Capital Structure towards Earning Management

Capital structure is an important factor in the progress of the company, considering that in its operations the company needs capital either from debt or through its own capital. Meanwhile, Earning Management Practices are intentional interventions in financial reports,

which are often associated with agency conflicts, corporate weaknesses and incentives for the redistribution of wealth between shareholders or other investors (Jensen & Meckling, 2019). From the perspective of agency theory, financing policies described by debt levels and debt maturity are a means of controlling potential conflicts of interest. Financing policies impose monitoring tools on managers that limit managerial discretion and use investment policies that are not optimal. Increasing the company's capital structure using leverage will encourage companies to limit their earnings management.

Research conducted by Alam et al. (2020); Danso et al. (2021); Hindasah et al. (2021); Muñoz Mendoza et al. (2020), in his research on capital structure has a significant negative effect on earnings management. The results show that all independent variables represented by capital structure have a significant negative effect on earnings management. From the results of Alam et al. (2020); Danso et al. (2021); Hindasah et al. (2021); Muñoz Mendoza et al. (2020); Irawati et al. (2019), which has been done before, the initial hypothesis that the researcher proposes is:

H2: Capital Structure Has a negative influence on Earnings Management

10. Good Corporate Governance on Financial Performance

The influence of the GCG mechanism on financial performance is very influential, because proper corporate governance will be able to improve the company's financial performance. This is demonstrated by the performance of the directors, commissioners and the audit team who guard the company not to make a loss. Companies with better corporate governance tend to report earnings more conservatively than those using discretionary accounting procedures. So that company accounting procedures that do not refer to auditing and international accounting standards cannot help users of financial statements in observing healthier financial performance comparisons and producing more effective evaluations. Good GCG implementation will improve the company's financial performance.

Research conducted by Putri and Prasetyo (2020); Mahrani and Soewarno (2018); Coleman and Wu (2021) examines the effect of GCG on company performance, where the results of his research show that GCG has a positive effect on company performance by using the ROE ratio. From the results of Putri and Prasetyo's research (2020); Mahrani and Soewarno (2018); Coleman and Wu (2021), which has been done before, the initial hypothesis that the researcher proposes is:

H3: Good Corporate Governance has a positive effect on financial performance

11. Capital Structure on Financial Performance

Capital structure with leverage is the use of assets and sources of funds by companies that have fixed costs (expenses) to increase the profit potential of shareholders (Mayasari et al., 2019). In the financial statements you can find out how much the company is financed by debt with the company's ability to be described by capital, or it can also show some of the assets or capital used as debt guarantor. Mayasari et al. (2019) explained that a company that has a capital structure ratio of high leverage means that it has a higher proportion of debt than the proportion of assets and equity and tends to reduce its financial performance.

The unusually negative relationship between profitability and leverage ratios is consistent with the pecking order and asymmetric information theory, both of which suggest that firms raise capital by, first, using retained earnings, then debt, and, finally, issuing new equity (Li and Islam, 2019). The higher the use of the capital structure of debt, the lower the profitability that will be obtained. Research conducted by (Danso et al., 2021); Irawati et al. (2019) using the Debt To Equity Ratio and Debt To Asset Ratio shows the results that the

financial structure capital is negatively and significantly related to company performance. Based on this description, the hypothesis proposed is:

H4: Capital Structure has a negative effect on Financial Performance

12. Earning Management on Financial Performance

The effect of earnings management on financial performance. Earnings management is closely related to the level of profit earned. This is because the profit earned by an entity is often used as a benchmark for users of financial statements in assessing the level of success of an entity. Therefore, incentives arise for management to carry out earnings management. As a result, the information provided to owners by management cannot be guaranteed to reflect the true financial condition of the company. Earnings management actions can reduce the quality of earnings-related information presented in financial reports. The low quality of earnings information contained in financial statements will have a negative impact on the company's financial performance.

Research by Mahrani and Soewarno (2018); who examined the effect of GCG on financial performance, concluded that Earnings Management has a positive effect on Company Performance. earnings management actions can reduce financial performance. Based on this description, the hypothesis proposed is:

H5: Earning Management has a positive effect on Financial Performance

13. Good Corporate Governance, Capital Structure on Financial Performance mediated by Earning Management Mediation

Meetings held by the audit committee can determine the company's financial performance, because the more frequent and effective the audit committee meetings, the management will be very careful in carrying out earnings management so that the company's financial performance will get better. Increasing leverage will reduce management's opportunistic actions which will increase firm value. The greater the proportion of managerial ownership, the management tends to try harder to increase the value of the company through reduced earnings management actions that can be carried out by management.

Research by Melania and Dewi (2020) which examines the mediating effect of earnings management on GCG and capital structure on financial performance, concludes that Earnings Management is capable of mediating GCG, so the hypothesis proposed is:

Based on the explanation above, a hypothesis is proposed as follows:

H6: Earning management is able to mediate Good Corporate Governance on the Company's Financial Performance

H7: Earning management is able to mediate Good Corporate Governance on the Company's Financial Performance

Based on the results of the hypothesis above, the following is the research framework proposed by the authors as follows:

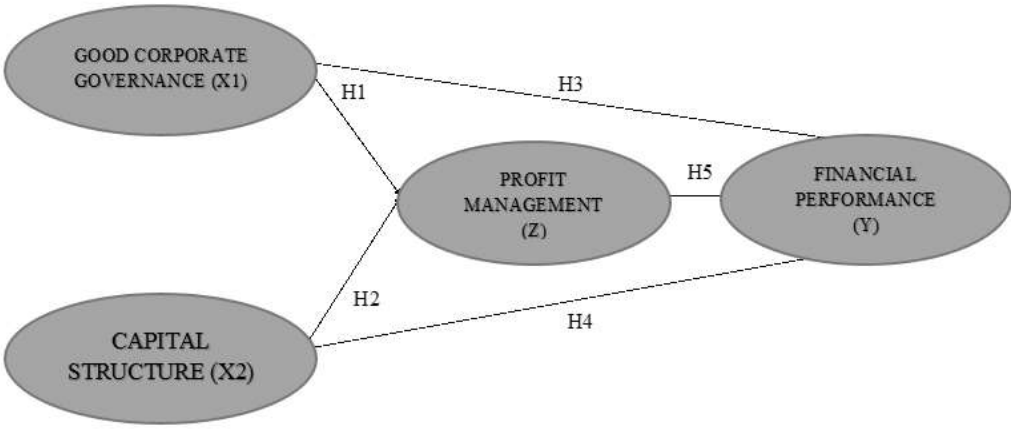

Figure 1. Research Framework

C. METHOD

1. Measurement

This research is a research that uses quantitative methods, where the measurement of each operational variable in this study is shown to test the effect of independent variables consisting of corporate governance proxied using the number of Commissioners' meetings, the number of audit committee meetings, while capital structure is proxied using the total debt ratio measurement. /Total Equity (DER) and Profit Management use the measurement of the Total Accrual ratio, namely the Company's Net Profit i year t minus Net Profit After Tax / Equity, as well as 1 endogenous variable (dependent variable), namely Company Performance by measuring using the ratio of Net Profit After Tax / Equity (ROE).

2. Sample and Population

This study uses secondary data sources from health company annual reports. The research population used is health sector companies that go public which are listed on the Indonesia Stock Exchange for the 2018-2021 period. The data sampling technique was purposive sampling, with the criteria for health companies being registered and publishing their financial reports consistently during the 2018-2021 period. There were 24 companies that met these criteria with a total of 96 data.

3. Analysis

In this study using panel time series data regression analysis techniques where before the classical assumption test is carried out, it is necessary to test for normality, multicollinearity, heteroscedasticity test and autocorrelation test. The hypothesis test consists of a simultaneous significance test (F test) and a partial significance test (T statistical test) and panel time series data regression test. The panel time series data regression method in this study is stated as follows:

$$YPF_t = \alpha + \beta CA_t + \beta CI_t + \beta DER_t + \beta DAR_t + \beta DA_t + \varepsilon_t$$

PF : Financial performance
CA : Audit Committee
CI : Independent Commissioner
DER : Debt to Equity Ratio
DAR : Debt to Equity Aset

DA : Earning Management Model Jones
t : The number of time series data
α : Variable Constant number
ε : Error

D. RESULT AND DISCUSSION

In this study, the objects of research were fourteen health companies in 2018-2021. Based on the results of the analysis, it shows that the health industry's financial performance shows an unpredictable trend from the increase in the previous ROE where the average ROE increase cannot be assessed from the increase in the previous year's performance and its value fluctuates.

1. Descriptive Analysis

The descriptive statistics of this study include the average (mean), standard deviation, and extreme values (maximum values and minimum values). Following are the results of a descriptive analysis of 96 secondary data from 24 different health companies for each variable in the 2018 – 2021 period in the study:

Table 1. Descriptive Analysis

	RKOMITE	DER	EM	ROE
Mean	7.343750	0.776000	0.004536	0.156431
Median	4.000000	0.624000	0.004646	0.158500
Maximum	34.00000	0.949000	0.006234	0.197000
Minimum	1.000000	0.131000	-0.000131	0.063200
Std. Dev.	6.446261	1.032811	0.182185	0.254623
Skewness	1.976797	6.595799	-0.367880	0.072649
Kurtosis	6.911308	48.82088	2.439996	1.766098
Jarque-Bera	123.7169	9094.285	3.419791	6.174507
Probability	0.000000	0.000000	0.180885	0.045627
Sum	705.0000	73.62700	66.83000	47.09300
Sum Sq. Dev.	3947.656	101.3363	3.153176	6.159146
Observations	96	96	96	96

Based on the analysis results show that the value (X1) is the highest (34.00). The lowest (X1) value (1.00) with an average is 7.34, based on the provisions of BAPEPAM that the provisions for audit committee meetings in one year are 3 times so that the audit committee meetings for health companies have exceeded the provisions of BAPEPAM. While the highest (X2) value (0.949) and lowest (0.131) and the average value (X2) shows 0.776, the highest variable (Z) value is 0.0062 and the lowest is -0.0001 with an average value showing 0.0045, while (Y) the highest is 0.197 and the lowest is 0.0632 With an average value showing 0.156, this explains that the average value of ROE is still above 15% and above the range of 5% -12% of the provisions in Bank Indonesia regulation No 6/10 /PBI/2004 concerning standard ratios of NPM, ROA and ROE.

2. Classic Assumption Test

The classic assumption test in this study consists of several tests, which are described in the following paragraphs:

a. Normality Test

The normality test in this study used the Jarque-Bera, with a significant level of 0.05 (5.991). Data that is normally distributed has a Jarque-Bera value of less than 5.991, and the test results show a value of 2.462611 and 3.474374 or less than the significant level.

b. Multicollinearity Test

Multicollinearity testing in this study uses a correlation matrix (correlation matrix). If there is a strong correlation between one variable and another variable (with a value greater than 10), then there is an indication of multicollinearity. Based on the results of the analysis it is known that all correlation coefficient values between independent variables have a value greater than 10. Thus it can be concluded that there is no multicollinearity between variables.

Table 2. Multicollinearity Test

Variance Inflation Factors
Date:09/13/22. Time: 20:28
Sample: 96
Included observation:96

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.016574	27.35310	NA
RKOMITE	2.203205	3.456733	1.495451
DER	0.000592	1.605499	1.030929
EM	0.019448	16.61192	1.054039

Based on the above results it is known that the coefficient value between variables has no value greater than > 10, thus it can be concluded that there is no multicollinearity between variables.

c. Heteroscedasticity Test

Based on the results of the Heteroscedasticity Test Analysis it is known that the value is 0.685, thus it can be concluded that there is no heteroscedasticity between variables.

Table 3. Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.168301	0.064050	2.627641	0.0101
RKOMITE	-0.002051	0.002335	-0.878288	0.3821
DER	0.006133	0.012104	0.506703	0.6136
EM	-0.002943	0.069383	0.506648	0.6136

Based on Table 3 it is known that all correlation coefficient values between independent variables have no value greater than 0.8. Thus it can be concluded that there is no multicollinearity between variables.

d. Autocorrelation Test

Based on the results of the Autocorrelation Test Analysis it is known that the value is 0.426, thus it can be concluded that there are no autocorrelation symptoms.

Table 4. Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	3.379959	Prob. F(2,88)	0.0385
Obs*R-squared	6.848382	Prob. Chi-Square(2)	0.0326

Test Equation:
Dependent Variable: RESID
Method: Least Squares

Date: 09/13/22 Time: 10:38
Sample: 1 96
Included observations: 96
Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.008954	0.125534	-0.071325	0.9433
RKOMITE	0.000828	0.004587	0.180423	0.8572
DER	0.006338	0.023984	0.264266	0.7922
EM	0.003476	0.136128	0.025536	0.9797
RESID(-1)	0.252656	0.107931	2.340903	0.0215
RESID(-2)	0.052576	0.107715	0.488098	0.6267

R-squared	0.071337	Mean dependent var	4.63E-18
Adjusted R-squared	-0.002534	S.D. dependent var	0.234748
S.E. of regression	0.235045	Akaike info criterion	0.121575
Sum squared resid	4.861658	Schwarz criterion	0.235271
Log likelihood	6.964397	Hannan-Quinn criter.	0.107954
F-statistic	0.965703	Durbin-Watson stat	1.984969
Prob(F-statistic)	0.461290		

e. Panel Data Regression Model Selection

There are three models used for panel data, namely the common effect model (pooled least square), the fixed effect model, and the random effect model. To determine the most appropriate model, each model is tested through the Chow test, Hausman test and Langrange test (if no decision is found in the two initial tests). Testing this model will be carried out on the four equations consisting of the panel data regression equation and Moderated Regression Analysis (MRA) on each effect of the moderating variable.

f. First Model Chow Test

The Chow test is used to select a model whether to use a common effect model or a fixed effect model. This test was carried out using the Chi-square statistical test with the hypothesis used as follows: H0: The model follows the common effect model. H1: The model follows the fixed effect model. Conditions: Reject H0 if the prob. Cross-section Chi-square < α (α = 5%).

Table 5. First Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.852135	(23,68)	0.0265
Cross-section Chi-square	215.294255	23	0.0000

Based on the results of the chow-test above, it can be seen that the Chi-square Crosssection probability value is 0.0265 which is less than 0.05. Thus, H0 is rejected and H1 is accepted. That is, the first model estimation approach follows the fixed effect model. In other words, the fixed effect model is better than the common effect model.

g. Second Chow Model Test

In the second equation, there is a moderating variable (Number of Audit Committee Meetings) on the effect of the Liquidity variable on the Company's Financial Health. The Chow test results in the second equation are as follows:

Table 6. Second Chow Test

Redundant Fixed Effects Tests
Equation: FIXED
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.684178	(23,69)	0.0443
Cross-section Chi-square	138.144255	23	0.0000

Based on the results of the chow-test above, it can be seen that the probability value of the Crosssection Chi-square is 0.0443 where the value is less than 0.05. Thus, H0 is rejected and H1 is accepted. That is, the second model estimation approach follows the Fixed effect model. In other words, Fixed effect model l is better than Common effect mode.

h. First Model Hausman Test

The Hausman test or Hausman test is carried out to choose which model is better, whether using the fixed effect model or the random effect model. The hypothesis in the Hausman test is H0: the model follows the random effect model, while H1: the model follows the fixed effect model. Conditions Reject H0 if the random cross-section probability < α (α = 5%).

Table 7. First Model Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	7.050098	4	0.1333

Based on Table 7, the random cross-section probability is 0.1333, which means it has a higher significance than the confidence level (α = 5%). So. the decision taken on the Hausman test is that H0 is accepted. and H1 is rejected. In other words, the model follows the Random effect model and it is necessary to carry out a follow-up test (Lagrange Multiplier Test) on this model.

i. Second Model Hausman Test

The results of the Hausman test for the second model are shown in Table 8.

Table 8. The second Hausman Model test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	665.364175	5	0.0000

Based on Table 8, the random cross-section probability is 0.0000, which means it has a significance lower than the confidence level (α = 5%). So the decision taken in this Hausman test is that H0 is rejected and H1 is accepted. In other words, the second model follows the fixed effect model. It can be concluded that the Fixed effect model is better than the random effect model, so there is no need to do the Lagrange Multiplier test on this model.

j. The Best Panel Data Regression Model

The results of the panel data regression model selection test that has been performed on each model can be summarized in the table below:

Table 9. The best data Regression model

Model	Test	Information	Result
Model 1	Chow test Hausman Test	CEM VS FEM REM VS FEM	Fixed Effect Model Random Effect Model
Model 2	Chow test Hausman Test	CEM VS FEM REM VS FEM	Fixed Effect Model Fixed Effect Model

From the results of the tests that have been carried out, it can be concluded that the best model for all equations except for the first model is the Fixed effect model.

Table 10. Testing Sobel Test for Indirect Relations

Input:			Test statistic:	Std. Error:	*p*-value:
a	-0.007348	Sobel test:	1.69101781	0.00088112	0.0908334
b	-0.202775	Aroian test:	1.62724614	0.00091565	0.10368483
s_a	0.003494	Goodman test:	1.76292721	0.00084518	0.07791277
s_b	0.07129	Reset all	Calculate		

Sobel test results show a t-count value of 1.69101 < from t-table (1.96). with a P value of 0.0908, then according to the results of the Sobel test calculations that Earning Management (Z2) does not mediate the effect of capital structure (X2) on Company Performance (Y). Thus the H7 hypothesis is rejected, the data does not support the model.

Table 11. Testing Sobel Test

Input:			Test statistic:	Std. Error:	*p*-value:
a	0.004576	Sobel test:	-0.25236439	0.00367682	0.80075942
b	-0.202775	Aroian test:	-0.23818247	0.00389575	0.81173957
s_a	0.018061	Goodman test:	-0.26942423	0.00344401	0.78760324
s_b	0.07129	Reset all	Calculate		

The results of the Sobel test showed a t-value of -0.252 < from t-table (1.96) and a P value of 0.8007. Then according to the results of the Sobel test calculations that Earning Management (Z2) does not mediate the influence of capital structure (X2) on Company Performance (Y). Thus the H7 hypothesis is rejected, the data does not support the model.

k. Panel Data Hypothesis Testing

After testing the best panel data for the first model, a Fixed effect model is obtained, so that in the first panel data regression equation regarding the effect of GCG, Capital Structure, Earnings Management on the Financial Performance of Health Companies, the results are as follows.

Table 12. Research Hypothesis

	HYPOTHESIS	T Statistic	P Value	Hypothesis
H_1	GCG has a positive relationship to Earnings Management	-1.667409	0.1000	Rejected
H_2	Capital Structure has a negative relationship to Earnings Management	0.284637	0.7768	Rejected
H_3	GCG has a positive relationship to Financial Performance	1.949481	0.0554	Rejected
H_4	Capital structure has a negative relationship to financial performance	5.195747	0.0000	Accepted
H_5	Earnings Management has a positive relationship to Financial Performance	5.420056	0.0000	Accepted

H6	Earnings Management Being able to mediate GCG has a positive relationship to Financial Performance	1.691017	0.0908	Rejected
H7	Earnings Management Being able to mediate GCG has a positive relationship to Financial Performance	-0.252364	0.8007	Rejected

Based on the hypothesis test, the results obtained from the estimation of the variable Number of Audit Committee Meetings with coefficient values of -1.694329 and -1.667409 do not have a positive effect on Earnings Management with a probability > 0.05. Capital Structure with a coefficient value of 0.742140 and 0.284637 does not have a negative and significant effect on Earnings Management with a probability > 0.05. The number of Commissioners and Audit Committee Meetings with a coefficient value of 0.716934 and 1.949481 does not have a positive effect on Financial Performance with a probability > 0.05. Capital structure with a coefficient value of 6.464263 and 5.195747 has a negative and significant effect on financial performance with a probability <0.05. Earnings Management with a coefficient value of 5.420056, has a positive and significant influence on Financial Performance with a probability < 0.05.

The Effect of GCG on Profit Management

The empirical results show that audit committee meetings and commissioners' meetings do not have a positive effect on management. The results of this study are not in accordance with the research conducted by Putri and Prasetyo (2020); Mahrani and Soewarno (2018); Coleman and Wu (2021), who examine the effect of GCG on earnings management, where the results of their research show that GCG has a positive effect on Earnings Management. The results in this study indicate that GCG is not a factor influencing earnings management, because the number of commissioners and audit committee meetings is only a provision from Bapepam and not as a reference in determining management policies or commissioners and audit committees in determining earnings management. Signaling Theory shows that with an increase in GCG, earnings management will increase. In addition, this also shows that the management of health companies is not able to maximize company profits, so this condition causes GCG to have no effect on earnings management. This research is in line with research conducted by Nuryana and Surjandari (2019), which states that GCG has no effect on earnings management.

Effect of Capital Structure on Earnings Management

Empirical results show that Capital Structure has a negative effect on Earnings Management. This explains that an increase in DER will not reduce earnings management, in the health industry, especially those working with BPJS and several insurance companies, they tend to receive due payments according to contracts and agreements, so they often make arrangements for receipt of income by recording it in advance so that it will affect earnings management. . In addition, managers do this to provide good information regarding the company's performance in accordance with its performance targets. This action is taken to convince creditors to be willing to invest their funds in the company, even though these actions do not show actual profits. The results of this study are not in line with previous research conducted by Alam et al. (2020); Danso et al. (2021); Hindasah et al. (2021); Muñoz Mendoza et al. (2020) in their research on capital structure which has a significant negative effect on earnings management.

Signaling Theory shows that with increasing use of capital structure, earnings management will decrease. This study shows that the efficient market theory is weak, because past data is not related to present value. This is indicated by the presence of fluctuations. Analysis of past capital structure trends cannot be used as a basis for investors in determining their investment decisions, but other sentiments can cause changes in earnings management

policies. This research is in line with research conducted by Pahmi (2018), which explains that capital structure has no effect on earnings management.

The Effect of GCG on Financial Performance

The empirical results show that GCG has no significant positive effect on the company's financial performance. These empirical results are not in line with Putri and Prasetyo's research (2020); Mahrani and Soewarno (2018); Coleman & Wu (2021), who examine the effect of GCG on company performance, where the results of their research show that GCG has a positive effect on company performance. Signaling Theory shows that GCG factors have no influence on Health Company Performance. This can be caused by the Health Company's inefficiency in managing its operating expenses so that it affects profits to be small, with conditions of increasingly smaller profits this can reduce the company's reputation in achieving profits so that in the end it will have an impact on share prices which can also affect the decline in financial performance (E. Wijaya & Reyhan, 2017).

In this study, the efficient market theory used is the weak form, because past GCG data are not related to present values. This is indicated by the fluctuations in the return of the health industry. Past GCG analysis cannot be used as a basis for investors in determining their investment decisions, but other sentiments can cause changes in company performance. This study is in line with research conducted by Asghar et al. (2020), which explains that GCG has no effect on financial performance.

Effect of Capital Structure on Financial Performance

Based on the test results, it shows that the Capital Structure has a negative effect on the Company's Financial Performance. The capital structure assessed through debt to equity (DER) does not affect the company's financial performance. The results of this study are in accordance with research conducted by Danso et al. (2021); Irawati et al. (2019), which states that there is a negative effect of capital structure on the company's financial performance. The insignificant Capital Structure variable is suspected due to the large Debt to Equity value of health companies which experienced a decline in the Company's Financial Performance due to huge investment in technology and health services, where the DER level experienced a significant increase above the sample average. This is supported by the results of the descriptive statistical test in table 4 which states that the average DAR and DER values of health companies are 2.67, which means that the average sample of companies has a very high / risky DER because the higher the Debt to Equity value of a the company then further reduces the Financial Performance of Health Companies. This means that the level of liquidity turnover must be more maintained to avoid idle funds which can cause an imbalance in the company's financial performance. Efficient market theory shows that information that has been disclosed cannot explain investors in making investment decisions due to the economic uncertainty they will receive.

The Effect of Earnings Management on Financial Performance

The empirical results show that earnings management has a negative and significant effect on stock returns. The empirical results are in line with research conducted by Mahrani and Soewarno (2018), which examines the effect of earnings management on financial performance, concluding that profit management has a positive effect on company performance. earnings management actions can improve financial performance. Signaling Theory shows that investors consider earnings management as a reason to invest in companies that will increase their financial performance. The benefits of financial information affect the investment value, so that the return desired by each investment actor is different because it is

caused by the subjective preferences of earnings management carried out by management, so that there are actors who prefer dividends or capital gains, or who like both. So that investment decisions are influenced by the earnings management strategy undertaken. In this case, investors prefer capital gains so that the analysis performed is statistical analysis, not fundamental analysis.

The Effect of Profit Management Mediation on GCG and Capital Structure on Financial Performance

From the Sobel test conducted, the resulting mediating effect is not significant, which means there is no mediating effect. This shows that earnings management does not mediate the audit committee's relationship with financial performance. Thus the sixth hypothesis is rejected. Audit committee meetings have no effect on company performance through earnings management actions. Earnings management actions will not have an impact on company performance in the long run, so earnings management actions cannot positively mediate the relationship between audit committee meetings and company performance. For the capital structure variable, the resulting mediating effect is also not significant, this shows that earnings management does not mediate the relationship from capital structure to financial performance.

Theoretically, the oversight and control functions carried out by the audit committee on earnings management have a positive relationship, this is indicated by the reduced pressure of managers on the audit committee in preparing financial reports. Based on signaling theory, company performance is related to company prospects. Information about the company's performance will be responded to with positive signals or negative signals by investors so that it will affect the volume of stock trading.

E. CONCLUSION

Based on research data from 24 healthcare companies listed on the Indonesia Stock Exchange (IDX) in the 2018-2021 period, the results show that GCG has no positive effect on company profit management, capital structure does not have a negative effect on company profit management. GCG has no positive effect on the company's financial performance, capital structure has a negative effect on the company's financial performance. While earnings management affects the company's financial performance. These results show the signaling theory that only capital structure and earnings management provide a signal to investors in determining their investment, besides that the use of capital structure in the healthcare industry is very good because all healthcare investments are in the form of assets. Furthermore, good earnings management turns out to improve the company's financial performance. ROE is also a signal for investors in determining their investment decisions. Whereas GCG, capital structure is not a reference and signal for investors in making investment decisions, this is due to fundamental analysis and other sentiments used by investors in making investment decisions. Return Equity of health companies looks abnormal indicating that the efficient market is in low condition due to the previous year's history cannot be used as a reference in determining the next year's financial performance.

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