Influence Profitability and Gain Flattening Against Ownership Structure (On Mining Companies Listed on BEI Year 2015-2017)

Abdul Majid¹, M. Wimbo Wiyono², Agus Salim³
STIE Widya Gama Lumajang¹²³
abdul.majid30051997@gmail.com

Abstract

This study aim to learn the effects of profitability and ownership structure on the practice of income smoothing on mining companies listed on the Indonesian stock exchange from 2015 to 2017. The method of research used descriptive method.sampling is a quantitative technique of this research use purposive sampling with specified criteria. The population of this research amounts to 41 mining companies with samples of 13 mining companies. The analysis method used in this research is double linear regression. The result of this research shows that profitability has not effect on income smoothing effects while the ownership structure income smoothing.

Keywords: profitability, ownership structure, income smoothing

INTRODUCTION

Companies with a large and stable profits will attract many investors this is due to a large and stable earnings will give investors a sense of security in investing the money. These conditions should provide impetus managers to run the company as well as possible with the desire to be able to get a big profit and stable so that it can attract many investors. And it makes the manager did not properly conduct its financial statements and undue behavior terseut is income smoothing.

Actually, many studies using independent and dependent variables were the same but their opinion is different. In research(Pratt, 2012) stated that the ownership structure influence on income smoothing, while profitability has no effect, the study (Linda, 2012) stating that profitability and ownership structure has no effect on income smoothing, research Sari (2014) states that the ownership structure has no effect on income smoothing, research (The Goddess, 2014) stating that profitability impact on income smoothing, research (Herlina, 2017) stating that profitability (NPM) and the ownership structure influence on income smoothing, research (Dian, 2016) stating that profitability does not affect the ownership structure whereas income smoothing effect on income smoothing.

METHODS

This type of research is quantitative descriptive study, quantitative descriptive research is research conducted to provide an answer to a problem and get more extensive information about a phenomenon by using a quantitative approach stages (Paramita, 2018: 13),
The object of this research is profitability and ownership structure on income smoothing, this research will be conducted on a mining company listed on the Indonesia Stock Exchange (IDX) Year 2015-2017. Data used is secondary data company. Secondary data is data that refers to information gathered from existing sources.
Sources of data in this study is an internal data. Internal data is the data that was collected obtained from institutions or organizations in which research is conducted. This data was obtained from the Indonesia Stock Exchange (IDX) through the official website of Indonesia Stock Exchange (www.idx.co.id). The data will be used is the financial report on the mining sector.

The population of this research is a mining company that went publick listed in Indonesia Stock Exchange (BEI) The period from 2015 to 2017, amounting to 41 companies. The sampling technique used purposive sampling method. This method is used because not all samples have the criteria set by the researchers. Sampling criteria defined in this study as follows:

b. Companies that publish the full annual report of 31 December 2015, 2016 and 2017.

<table>
<thead>
<tr>
<th>No.</th>
<th>Information</th>
<th>Total Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The mining company listed on the Indonesia Stock Exchange 2015-2017</td>
<td>41</td>
</tr>
<tr>
<td>2</td>
<td>Companies that do not publish the full annual report of 31 December 2015, 2016 and 2017</td>
<td>(7)</td>
</tr>
<tr>
<td>3</td>
<td>Companies that suffered losses during the years 2015 -2017</td>
<td>(21)</td>
</tr>
<tr>
<td></td>
<td>Total Sample Company</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: Researcher

The samples will be examined during the three periods, namely the period 2015, 2016 and 2017. So that would be obtained 39 samples of the company in the third period.

**Data analysis technique**

The data analysis technique is to describe the analytical technique will be used by researchers to analyze data already collected, including testing Sanusi (2011: 115). Multiple regression analysis is used to examine the effect of the independent variable (X) is profitability and ownership structure of the dependent variable (Y) that is income smoothing.

The regression equation developed in this study can be seen as follows:

\[ Y = \alpha + \beta_1X_1 + \beta_2X_2 + \epsilon \]

Information:

- \( Y \) : Alignment Profit
- \( \alpha \) : Constants
- \( \beta_1\beta_2 \) : Regression Coefficients
- \( X_1 \) : Profitability (NPM)
- \( X_2 \) : Ownership structure (Managerial)
- \( \epsilon \) : Error Disruptors
Classical Assumption Test Linear Regression. In the regression analysis it is necessary to test the classical assumption that aims to avoid the possibility of irregularities classical assumptions. There are four classical assumption made is:

Normality test aims to test whether the variables in the regression model menggangguatau residuals have a normal distribution. As it is known that the t test and f assumes that the value of the residuals follow a normal distribution.

To detect the presence or absence Multicollinearity in the regression model is by looking at the value of tolerance and the variance inflation factor (VIF). If the value is more than 0.10 Tolerance means no correlation between the independent variable whose value is more than 95%. If the variance inflation factor (VIF) of more than 10, then there multikolinearitas (Ghozali, 2005).

Symptoms of autocorrelation is detected by the test Durbin Watson (d) the results of calculations Durbin Watson (d) compared with indigo d table at α = 0.05. Table d have two values, namely the upper limit value (du) and a lower limit value (d1) for different values of n and k.

### Table 3.3 Testing autocorrelation

<table>
<thead>
<tr>
<th>Testing area</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>d &lt; d1</td>
<td>Positive autocorrelation</td>
</tr>
<tr>
<td>d &gt; 4-d</td>
<td>Negative autocorrelation</td>
</tr>
<tr>
<td>du &lt; d &lt; 4-du</td>
<td>Not autocorrelation</td>
</tr>
<tr>
<td>≤ d ≤ dL or 4-du ≤ 4-d</td>
<td>There is a negative autocorrelation</td>
</tr>
</tbody>
</table>

Basis in heterokedastisitas test chart was the first to see if there are certain patterns, like dots are there to form a certain regular pattern (wavy, widened and then narrowed) it indicates there has been a heterokedastisitas. The second is a basic analysis if no patterns are not clear, and the points spread above and below the number 0 (zero) on the Y axis, it does not happen heterokedastisitas (Ghozali, 2005).

To determine the effect of independent variables on the dependent variable, it can be done with the significance test the hypothesis testing steps as follows:

1) Comparing the value t of the results of SPSS with a value of α = 5%
2) Take a decision with the following criteria:
   a) if the significant value tof SPSS is less than α = 5%, then there is the influence of the independent variables on the dependent variable.
   b) if the significant value of the results SPSS t more than the value of α = 5%, then there is no influence between independent variables on the dependent variable.

Simultaneous Hypothesis Testing (Test f). testing hypotheses about the influence of the independent variables on the variables simultaneously dependnden done using statistical F test while testing measures is as follows:

1) Comparing the results SPSS f value with the value α = 5%
2) Take a decision with the following criteria:
   a) If the values to f of SPSS is less than the value of α = 5%, then there is the influence of the independent variables on the dependent variable.
   b) If the value of f from the SPSS over the value of α = 5%, then there is no influence between independent variables on the dependent variable.
RESULT AND DISCUSSION

That the distribution of the data is located around the diagonal straight line, it can be said to be worth a regression model used for regression models have normal or nearly normal distribution.

Table 4.7 Test Multicolinearity

<table>
<thead>
<tr>
<th>Information</th>
<th>VIF</th>
<th>Tolerance</th>
</tr>
</thead>
<tbody>
<tr>
<td>profitability</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>ownership structure</td>
<td>1.000</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Source: SPSS Output (Processed Data), 2019

From the above table it is known that the value of tolerance both variables is 1,000 and more than 0.10, and for the second VIF variable is 1.000 and less than 10. It can be concluded that it does not happen here multikolinieritas between independent variables.

Table 4.8 Test of autocorrelation

<table>
<thead>
<tr>
<th>Information</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>source</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.3821</td>
</tr>
</tbody>
</table>

Source: SPSS Output (Processed Data), 2019

D value of 1.801 will be compared with the value of a table that has a significance of 5%, the number of samples 39 and the number of independent variables 2. Value dL 1.3821, 1.5969 dU value, the value of 4-dL 2.6179 and the value of 4-dU 2, 4031. 1.5969 <1.801 <2.4031 therefore the value of d is greater than the upper limit (dU) and less than 4-dU, we can conclude there is no autocorrelation.

Judging from the above output is known that the point does not form a clear pattern. Point spread above and below the number 0 on the Y axis, so that it can be concluded that there is no heterokedastisitas in regression models.

Table 4.9 Testing multiple linear regression

<table>
<thead>
<tr>
<th>Information</th>
<th>Coefficients standardizes</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>unstandardized</td>
<td>beta</td>
<td></td>
</tr>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1,456</td>
<td>.003</td>
<td>428.149</td>
</tr>
<tr>
<td>profitability</td>
<td>-.001</td>
<td>.003</td>
<td>-.052</td>
</tr>
<tr>
<td>Ownership structure</td>
<td>-.002</td>
<td>.001</td>
<td>-.342</td>
</tr>
</tbody>
</table>

Source: SPSS Output (Processed Data), 2019

Based on the results table output 4.9 multiple regression analysis with the resulting regression equation is:

\[ Y = 1,456 + -0.001X1 + - + \varepsilon 0.002X2 \]
From the regression equation can be concluded that, values to the regression coefficient -0.001 profitability this case shows that each increase of 1 Profitability will myebabkan decline on income smoothing value of -0.001 and -0.002 Ownership Structure regression coefficient, it indicates that every increase of 1 would Ownership Structure Flattening causes a decrease in profit of -0.002. For the test results are described below:

H1: Profitability influence on income smoothing

Can be seen in the table multiple linear regression coefficient test above that Profitability variable has a value of 0.743 nilai sig is greater than the value of $\alpha = 0.05$, which shows the profitability variable has no effect on income smoothing.

H2: Ownership structure effect on income smoothing

Can be seen in table test multiple linear regression coefficient above that the ownership structure variable has a value nilai sig of 0.035 is smaller than the value of $\alpha = 0.05$, which indicates the ownership structure affects the income smoothing.

The test is performed for the purpose of knowing there is the influence of profitability and ownership structure variables as independent variables on income smoothing as a partially dependent variable. Here is a table of the t test:

<table>
<thead>
<tr>
<th>variables</th>
<th>T Table</th>
<th>t Count</th>
<th>Sig</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability (X1)</td>
<td>2.028</td>
<td>0.331</td>
<td>0.743</td>
<td>Not significant</td>
</tr>
<tr>
<td>Ownership structure</td>
<td>2.028</td>
<td>2.186</td>
<td>0.035</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Based on the above table shows the results of the t test for Profitability obtained significance value of 0.743 is greater than the value of $\alpha = 0.05$ with t 0.331 <2.028 so that it can be concluded that the profitability is not partial effect on income smoothing. For its own ownership structure obtained value of 0.035 is smaller than the value of $\alpha = 0.05$ with t count 2,186> 2,028 so it can be concluded that the ownership structure variable partially significant negative effect on income smoothing.

This research is a study with an analysis to determine whether there is influence profitability and ownership structure on income smoothing. Gain Flattening Against Profitability Influence Iskandar and Ketut (2016) suggests one reason management income smoothing is stable level of profitability. Pprofitabilitas stable is an attraction for investors to invest because the company considered both in generating profits.

Linda (2012) states that the change of profitability does not affect income smoothing practices. Herlina (2017) menyatakn profitability (NPM) influence on income smoothing it indicates that the company's profitability (NPM) because low-income smoothing for the company to profitability (NPM) is low less attractive to investors to sell or buy shares of the company. Based on Table 4.9 shows that profitability does not affect the income smoothing, the results of the t -0.331 with a significance value of 0.743. In other words, the size of profitability had no effect on income smoothing.

Jensen and mecking (1976) states that share ownership by managers will affect the performance of managers in running their enterprise operations by the managerial ownership will give managers
flexibility to manage the financial statements. Ownership of a manager will also determine the policies and decisions of the accounting methods applied to the companies they manage. In other words, a certain percentage of the ownership of shares by the management are likely to affect the income smoothing..

Herlina (2017) stated that the effect of managerial ownership on income smoothing, indicating that the presence of managerial ownership in companies will facilitate the manager to do this is because the income smoothing management as shareholders want the company looks to have good performance so that it can convince investors to invest. Dika (2012) the higher managerial ownership of a company, the greater the tendency of enterprise income smoothing.

Based on Table 4.9 shows that the ownership structure of significant negative effect on income smoothing, the results of the t -2.186 with a significance value of 0.035. In other words, the larger the managerial ownership of a company, the greater the company's income smoothing.

CONCLUSION
Based on the results of data analysis, hypothesis testing and discussion can be concluded that this study has met the test of the four classical assumption of normality test, multicollinearity, test autocorrelation and heteroscedasticity test. Based on the results of the t test shows the influence of ownership structure on income smoothing with a significance of 0.035, the greater managerial ownership of a company, the greater the company's income smoothing. Suggestion For further research, especially research on income smoothing is expected to add other variables such as stock price, financial leverage, dividend and age of the company, would be expected in order to increase the observation that the results are more accurate and are expected to do research in service companies because it is still rare to find research smoothing earnings using the company's services as a subject of research. For investors and the public with this research, potential investors can use as reference in making investment decisions.

REFERENCES


www.idx.co.id