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Kepada: Yth. Bapak/Ibu
Drajat Armono, SE, M.Si.
Dosen Fakultas Ekonomi UII
Di tempat

Assalamu'alaykum wr wb

3rd UII International Conference on Accounting, Business, and Economics (UII-ICABE) merupakan konferensi tingkat internasional yang diselenggarakan oleh Fakultas Ekonomi UII setiap dua tahun sekali. Sebagai komitmen dalam penguatan ilmu pengetahuan, acara ini menjadi sarana untuk berbagi ilmu pengetahuan dan diseminasi yang berkelanjutan. Acara tersebut akan diselenggarakan pada:

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Pukul : 08.30 – 15.00 WIB
Venue : Royal Ambarrukmo Hotel Yogyakarta
Tema : **“Global Opportunities and Challenges in Industry Revolution 4.0: Never Ending Innovation”**.

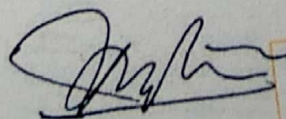
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Demikian surat permohonan ini kami sampaikan. Besar harapan kami permohonan ini dapat Bapak/Ibu terima dengan baik. Atas perhatian dan kerjasamanya kami ucapkan terima kasih.

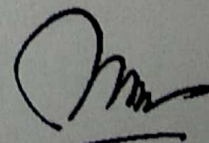
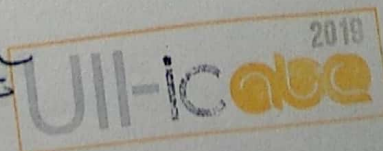
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Yogyakarta, 31 Juli 2019
Hormat kami,

Mengetahui,



Dr. Achmad Tohirin
Ketua Panitia



Jaka Sriyana, S.E., M.Si., Ph.D
Dekan



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CERTIFICATE OF APPRECIATION

We would like to thank you and present this certificate to:

Drajat Armono

As a paper presenter entitled

Loan Loss Provision and Earnings Management Actions

in the 3rd International Conference on Accounting,
Business and Economics conference, "Global Opportunities and Challenges
in Industry Revolution 4.0: Never Ending Innovation"
Universitas Islam Indonesia, Yogyakarta
held on 23 - 24 October 2019 in Yogyakarta, Indonesia

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ABSTRACT BOOK

OF 3TH INTERNATIONAL CONFERENCE ON ACCOUNTING, BUSINESS, & ECONOMICS

"Global Opportunities and Challenges
in Industry Revolution 4.0: Never Ending Innovation"

October 23rd-24th 2019

ROYAL AMBARRUKMO HOTEL

Jl. Laksda Adisucipto No.81, Ambarukmo, Caturtunggal,
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BOOK OF ABSTRACT

3rd International Conference on
Accounting, Business, & Economics
"Global Opportunities and Challenges in Industry Revolution 4.0: Never Ending Innovation"

23 - 24 October 2019, Royal Ambarrukmo Yogyakarta, Indonesia



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CONFERENCE PROGRAM

The 3rd INTERNATIONAL CONFERENCE ON ACCOUNTING, BUSINESS AND AND ECONOMICS (ICABE)

"Global Opportunities and Challenges in Industry Revolution 4.0: Never Ending Innovation"

Royal Ambarrukmo Hotel Yogyakarta
Wednesday, October 23rd 2019

Time	Program	Venue
08.30 - 09.00	REGISTRATION	
09.00 - 09.30	OPENING Recitation of Holy Quran National Anthem Indonesia Raya Welcoming Remarks from Rector of Universitas Islam Indonesia	Main Ballroom
09.30-09.45	COFFE BREAK Saman Dance	
EMINENT SCHOLARS' SESSION		
	Prof. Phil Hancock Faculty of Arts, Business, Law and Education University of Western Australia	
09.45 - 12.00	Prof. Ghafar Ismail CEO of Kolej Pengajian Islam Johor (MARSHAH) Dr. Halim Alamsyah Chairman Lembaga Penjamin Simpanan Prof. Hadri Kusuma Universitas Islam Indonesia Moderator: Dr. Arif Hartono	Main Ballroom
12.00 - 13.00	LUNCH BREAK AND SHOLAT	
13.00 - 15.00	PARALLEL SESSION 1 <ul style="list-style-type: none">• Room A : Fitra Roman Cahaya, PhD.• Room B : Abdul Moin, PhD.• Room C : Agus Widarjono, PhD.• Room D : Ataina Hudayati, PhD.• Room E : Achmad Sobirin, PhD.• Room F : Abdul Hakim, PhD.• Room G : Dr. Trias Setiawati• Room H : Dekar Urumsah, PhD.	Breakout Room

15.00 – 15.30	COFFEE BREAK
15.30 - 17.30	PARALLEL SESSION 2
	<ul style="list-style-type: none"> • Room A : Ayu Chairina Laksmi, PhD. • Room B : Arif Hartono, MEc.,PhD. • Room C : Ratna Roostika, PhD. • Room D : Dr. Sahabuddin Sidiq • Room E : Dr. Mahmudi • Room F : Akhsyim Afandi, PhD. • Room G : Anas Hidayat, PhD. • Room H : Johan Arifin, PhD.
17.30 - 19.00	BREAK SESSION
19.00 - 22.00	GALA DINNER & BEST PAPER ANNOUNCEMENT

Royal Ambarrukmo Hotel Yogyakarta
Thursday, October 24th 2019 (Optional)

No	Time	Program	Venue
1	08.30 - 09.00	REGISTRATION	
2	09.00 - 09.30	OPENING Recitation of Holy Quran National Anthem Indonesia Raya Welcoming Remarks from Vice Rector of Universitas Islam Indonesia	
3	09.30-09.45	COFFE BREAK PANEL DISCUSSION Download Papers: bit.ly	Main Ballroom
4	09.45 - 12.00	Prof. Ir. Sarwidi, MSc., PhD. Faculty of Civil & Planning Universitas Islam Indonesia Prof. Dr. Dra. Okid Parama Astirin, M.Si. Universitas Negeri Surakarta	

Parallel Sessions 1

Room A	13.00-15.00
Chair	Fitra Roman Cahaya, Ph.D
Nurul Hidayati, Etik Kresnawati	Moderating effect of charter value and corporate governance on the relationship of compensation and executive risk taking
Yuni Nustini, Qurrota A'yun	The influence of financial performance and corporate governance on corporate risk disclosure
Drajat Armono, Rahmawati Rahmawati, Djuminah Djuminah, Falikhatun Falikhatun	Loan loss provision and earnings management actions
Chaidir Iswanaji, Muhamad Wahyudi, Utpala Rani	Designing the production costing model for small and medium enterprises in magelang regency
Murhandini Putri, Ayu Chairina Laksmi	Analysis of the effect of effectiveness of internal control, compensation conformity perception, apparatus morality against unethical behavior and tendency of accounting fraud
Primanita Setyono, Ardyan Barro Puspita	Corporate Social Responsibility (CSR) implementation toward corporate image, satisfaction, purchase intention and customer loyalty (case study : Islamic Business of Waroeng Grup Yogyakarta)
Husam Ananzeh	The impact of corporate characteristics on corporate social and environmental disclosure in Jordan
Room B	13.00-15.00
Chair	Abdul Moin, Ph.D
Mohamad Adib Ismail, Achmad Tohirin	Agency problem in islamic partnership contracts: a conceptual and practical overview in emerging markets
Dianing Sandya Arisoma, Supangat Supangat, Luvia Friska Narulita	System design and development of financial product sales forecasting with moving average and exponential smoothing method
Mukarromah Rofi Awwaliyah, Nur Rahmah Tri Utami	The performance persistence of Indonesian equity, fixed income, and mixed mutual fund during 2016-2018

Loan Loss Provision and Earnings Management Actions

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ABSTRACT

The research objectives is to investigate the influence of earnings management on the loan loss provision. The population of this research is all of national banks in which was existed dan registered by Bank Indonesia. The basis for selecting the observation period was due to the adequacy and availability of data and the beginning of the study period. Number of national-scale banks operating in Indonesia from the year of 2014 to 2016. There were 233 years-bank that fulfilled to the sample criterias. The dependent variable is the total loan loss provision deflated total earnings assets. The result shows that the empirical research on the effect of earnings management can be explained by agency theory even banking industry faces more complex dimension of principal agency problems that cannot be found in non-financial banking industry. Analysis of the banking industry using the agency theory approach provides different conclusions from the theory predictions due to the inconsistency of the coefficients and the probability values of each variable.

Keywords: bank, earnings management, and loan loss provision

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Introduction

The nature of a banking business is different from the nature of a company's business as assumed in agency theory in general, due to the number of parties interested in banks more than other business sectors. The characteristics of earnings management in banking are also related to agency problems in the banking sector. In addition to dealing with the principal-agent relationship problem, the practice of earnings management in the banking sector also involves the interests of the government as a regulator/regulator. Regulators strive to minimize banking risks. Prudential regulation and banking supervision aim to prevent systemic risk, as well as provide protection for small depositors. Regulators act to represent the interests of customers, especially savers because savers are not able to supervise banks optimally. The forms of protection include, among others, the rules for fulfilling the minimum capital adequacy ratio (capital adequacy ratio), the bank's mandatory reserves (reserve requirements), disclosure policies, and obligations regarding the formation of reserves for the loss of earning assets.

Earnings Management in the formation of Loan Losses Provisions (LLP)

Banks can use two approaches to discretion when forming a loss in earning assets, namely: (1) Profit and Loss Approach, in this approach, the amount of earning assets that will be presented in the income statement is determined in advance. Next, the manager determines the amount of allowance for

earning assets that will be presented in the balance sheet; (2) Balance Sheet Approach, the amount of allowance for loss of earning assets to be presented in the balance sheet is determined in advance while the amount of allowance for loss of earning assets to be presented in the income statement is determined later (Beattie et al., 1995). In principle, the purpose of LLP discretion is to adjust the amount of allowance for losses that is formed by the development of the condition (quality) of the portfolio of productive assets. Allowance for possible losses on productive assets should always reflect the estimated losses on the portfolio of productive assets (Francis et al., 1996). The discretion process occurs since the process of estimating losses, the formation of LLP, write-off of productive assets losses and changes in allowance for possible losses on earning assets

Research methodology

This research is a causal research (causal research) which seeks to investigate the causality relationship or cause and effect between research variables. The research variables tested included the dependent variable (allowance for earning assets losses), the independent variable (earnings management with the proxy of opportunistic motive)

Population and Research Samples

The population of this research is the national scale banks in Indonesia that are registered with Bank Indonesia. Samples were selected by random sampling using the following criteria: National-scale banks registered in the Bank Indonesia data center, the Bank is still operating continuously during the analysis period. Banks that no longer operate then cannot be observed the behavior of managers in making policies including accounting policies. Banks that publish annual financial reports both publish themselves in the mass media and those published by Bank Indonesia on the Bank Indonesia website, and Banks that do not conduct mergers and acquisitions.

The aim is to get complete data. The process of selecting a sample of national-scale banks operating in Indonesia from 2014 to 2016. This study uses panel data methods (pooling data) in accordance with the affirmation of Ghazali (2005) that panel data can improve the ability of data prediction.

Data Collection

The type of data in this study is quantitative. Data sourced from publication financial reports both in print media and on the website of Bank Indonesia (<http://www.bi.go.id>) are allowance for possible losses on earning assets, total earning assets, quality of earning assets, total loans, end-of-period earnings (end period), current accounts, immediate liabilities, savings, total credit, total assets and capital adequacy ratio. Loan to deposit ratio data is calculated using this data which will be explained in the variable operational definition.

Research Variable

This study uses one dependent variable is the magnitude of LLP (Ahmed et al., 1999; Lobo and Yang, 2001 and Kanagaretnam et al., 2003, 2004a). The independent variable uses earnings management motives and in this paper we uses opportunistic motive (Ahmed et al., 1999; Lobo and Yang, 2001).

Research model

The following earnings management models refer to previous research (Ahmed et al. 1999, Lobo and Yang, 2001; Kanagaretnam et al., 2003, 2004a; 2004b; McNulty, 2005):

$$LLP_{it} = \alpha_0 + \alpha_1 NI_{it} + \epsilon_{it}$$

where:

α_0 = constant

LLP_{it} = allowance for possible losses on earning assets divided by total productive assets of banks i period t

NI_{it} = net income divided by total assets of banks i period t

α = parameter coefficient

ϵ_{it} = error term

Measurement of Independent Variables

Earnings Management

Earnings management explains that net income at the end of the period (net income) is one of the main indicators of financial performance and soundness of banks so that bank managers are very interested in earnings volatility. The higher the volatility of earnings at the end of the period (net income), the bank is considered unable to control its financial condition.

Earnings management it = Net Income for the end of the period

The value of its net income is divided by the total asset value of it.

Data Collection and Analysis

The following table explains the distribution of the sample banks in this study:

Figure 1
Sample Distribution

Type	2014	%	2015	%	2016	%	Total	%
Foreign	7	8.24	8	9.76	10	12.35	25	10.08
Mixed	9	10.59	8	9.76	9	11.11	26	10.48
Non Public Private	39	54.12	39	57.32	37	45.68	115	52.42
Public Private	19	22.35	17	20.73	22	27.16	58	23.39
State Owned	4	4.71	2	2.44	3	3.70	9	3.63
Total	78	100	74	100	81	100	233	100

Descriptive Statistics

The following table explains the descriptive statistics of each variable in this study:

Figure 2
Descriptive Statistics

N	Minimum	Maximum	Mean	Std. Deviation
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NI	233	.01	8.59	2.4450	1.71473
LLP	233	.16	7.14	2.0707	1.18011
Valid N (listwise)	233				

The average, minimum, maximum and standard deviation of allowance for possible losses on earning assets divided by total earning assets is 2.07; 0.16; 7.14; and 1.18. This implies that all banks have prepared funds to anticipate the occurrence of losses in earning assets adequately. The standard deviation indicates the variation in allowance for earning assets losses.

Figure 3
Sample Regression Analysis Results

Variable	Coefficient	Samples	
		Prob	Sig
Constant	24.05	0.000	
NI	0.364	0.000	***
Test of Suitability of the Regression Model			
Adj. R ²	0.069		
F-Test	13.595	0.000	***
N	233		

*** significant at $\alpha = 1$ persen; ** $\alpha = 5$ persen; * $\alpha = 10$ persen

The value of the Simultaneous Influence Test (F test) shows a result of 13,595 which means that the earnings management influence the allowance for possible losses on earning assets. This equation gives an adjusted R² value of 0.069 which means that LLP variability can be explained by the variability of opportunistic motive by 6.9 percent and 93.1 percent is explained by other variables not included in the model (Ghozali, 2005).

Conclusion

The results of empirical research on the effect of earnings management on the allowance for bank earning assets can be explained by agency theory. However, there is a more complex dimension of principal-agent problems in the banking industry that does not exist in the non-financial industry, so it must be supported by other theories (Eisenhardt, 1989). In addition, the existence of regulatory factors as a reflection of public interests, a market monitoring mechanism is also needed as one mechanism in order to discipline bank behavior.

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