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It has been our great honor to welcome all the participants to The Tenth International Conference on Entrepreneurship and Business Management (ICEBM) UNTAR 2021. This international conference is held and organized annually by Management Department, Master of Management Department, and Tarumanagara Center for Entrepreneurial Studies under The Research and Community Engagement Department of Universitas Tarumanagara, Jakarta, Indonesia. With the theme of "Exploring Prospective Business to Accelerate Economic Recovery", The Tenth ICEBM UNTAR aims to provide opportunities for academics, professionals, decision-makers, and practitioners from various fields to present their researches and views, while interacting with members inside and outside their disciplines.

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Micko Sugianto, Frangky Selamat

This study aimed to reveal the effect of sustainability behavioral control and sustainable intention on sustainable entrepreneurship among MSMEs in Jakarta and the Greater Area. This research is categorized as descriptive research. This study used a non-probability sampling method, which collected data...

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## The Application of Herfindahl-Hirschman Index in Measuring the Concentration Level of Financial-Technology Industry

Suwinto Johan, Ivy Vania

The Herfindahl-Hirschman Index (HHI) is a tool for measuring industrial concentration. Industrial concentration is an indication of the occurrence of monopoly. Supervision of business competition is one of the tasks of the Indonesian Competition Commission (ICC) per the Law of the Republic of Indonesia...

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## Factors Influencing Earnings Management Practices

Ignasia Ruvina Lidsa, Julisar Julisar

The purpose of this study was to obtain empirical evidence about the factors influencing earnings management practices. Quantitative method was used to conduct this study by using purposive sampling method. After selecting the company, there were 38 manufacturing companies listed on the Indonesia Stock...

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## Creating a Model of Effectiveness Evaluation for the CEFE Method Entrepreneurship Training with Logic Model Approach and Based on Participant Needs

Sawidji Widoatmodjo

Entrepreneurship training interventions are the government's choice in many

countries to overcome their inability to provide job opportunities for their citizens. The Indonesian government uses the CEFE Method to provide entrepreneurship training to entrepreneurs in the trade, dairy, batik, and furniture...

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### The Influence of Interest Rates, Exchange Rates, and Money Supply on Jakarta Composite Index (JCI)

Callista Diana Suhartini, Sawidji Widoatmodjo

This study aimed to examine the influence of interest rates, exchange rates, and money supply on the composite stock-price index in Indonesia Stock Exchange (IDX) during the period between January 2016 and December 2020. This research used a multiple-linear regression analysis on time-series data and...

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### The Influence of Strategic Agility on Organizational Performance during Pandemic: A Perspective of SMEs in Manufacturing Sector

Shanmuganathan Palanisamy, Shankar Chelliah, Rajendran Muthuveloo

This research aimed to express the importance of strategic agility on organizational performance during the pandemic era, which demands organizations to strategically respond promptly to the uncertain and unexpected changes in the business environment. As many as 149 responses from a cross-sectional...

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### The Influence of Market and Learning Orientation on MSME Business Performance Mediated by Innovation

Nadya Indira Hakim, Andi Wijaya

The purpose of this research was to investigate the effect of market orientation and learning orientation on MSMEs business performance in West Jakarta, with innovation as a mediating variable. The sample selection method in this study used the judgment sampling with a sample of 130 respondents who were...

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### The Effect of Innovation, Risk-Taking, and Proactiveness on Business Performance Among MSMEs in Jakarta

Ivy Theresa, Nur Hidayah

The purpose of this study is to determine empirically the effect of innovation, risk taking, and proactiveness towards business performance. The sample used in this study were owners of micro, small and medium enterprises (MSMEs) in North Jakarta. The sampling technique used is probability sampling with...

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### The Effects of Liquidity Company Growth and Net Working



## The Effects of Liquidity, Company Growth, and Free Working Capital on Corporate Cash Holding Among Manufacturing Companies Listed in Indonesia Stock Exchange During 2015 - 2020

I Gede Adiputra, Nataherwin Nataherwin

Cash is a current asset used as a mean of payment and can also be withdrawn whenever the company needs it. Therefore, we need to pay attention to the cash management of the company, by optimizing the amount of cash managed. The purpose of this study was to examine the effects of liquidity, company growth,...

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## The Effects of Capital and Liquidity on Profitability with Credit Problem as a Moderating Variable Among Conventional Commercial Banks

Yohana Ndaro Bata, Estralita Trisnawati, Herlina Budiono

This study aimed to obtain empirical evidence about the effects of capital and liquidity on profitability with credit problem as a moderating variable among conventional commercial banks listed in IDX during 2014-2018. In this study, the data was obtained from the annual financial reports of conventional...

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## Does Entrepreneurial Marketing Affect the Growth of Small Businesses During The Covid-19 Pandemic?

Syamsul Bachri, Darman Darman, Vitayanti Fattah, Syarifah Aliyah Fitrisam

This research aims to analyze the role of entrepreneurial marketing (EM) on

This research aims to analyze the role of entrepreneurial marketing (EM) in the growth of small businesses. The research sample was taken random many as 45 small business units. The research variables consist of business growth, entrepreneurship orientation (EO), marketing orientation (MO), and...

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### Recommendation Quality and Perceived Serendipity as Predictors of Customer Loyalty: The Mediating Role of Decision Satisfaction

Aldo Prasetyo, Keni Keni, Teoh Ai Ping

The purpose of this study is to examine whether recommendation quality can predict customer loyalty, a) recommendation quality; b) perceived serendipity can predict decision satisfaction, decision satisfaction can predict customer loyalty, and decision satisfaction can mediate the prediction of a) recommendation...

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### Understanding the Purchase Intention of Female College Students on Green Packaging Beverage Products between Taiwan and Vietnam

Cheng Lung Li, Tran Huyen Thi Thanh

This research adopts marketing 4C theory to explore customer's purchase intention on green packaging beverage products between two groups of female college students in Vietnam and Taiwan. The study conducts a qualitative method by moderating two focused groups to understand different buying perspectives...

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### Profitability Effect on Smoothing of Income with Size of Firm as Moderating Variable in Manufacturing Corporates

Rini Tri Hastuti, Richard Andrew, Muhammad Bintang Prajogi

Empirically, this research examines the effect of profitability on income smoothing practices with the moderating variable of firm size in the manufacturing industry during the 2017 – 2019 period which is listed on the Indonesia Stock Exchange. 75 data used in this research were selected 225 data using...

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### The Effect of Industrial-Specialized Auditors, Financial Performance, and Corporate Diversification on Earnings Management

Novita Sari Dewi, Widyawati Lekok

The aim of this research was to test the factors that may affect earnings management such as auditor size, industrial-specialized auditors, financial performance, corporate diversification, audit tenure, board of director size, and managerial ownership. The object used in this research was the observed...

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#### Proceedings Article

## Tax Avoidance Strengthens Customers' Concentration on Aggressiveness Before and After the Tax Amnesty Period

Estralita Trisnawati, Elizabeth S. Dermawan, M. F. Djeni Indraajati

This study aims to obtain empirical evidence regarding tax avoidance that is able to strengthen the relationship between customer concentration and tax aggressiveness in the period before (2013-2015) and after (2017-2019) tax amnesty. This research uses panel data with SPSS version 21 for mining companies...

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## Determining Factors of Dividend Premium For Manufacturing Company on IDX

Levilia Diana, Ignatius Roni Setyawan

One of important factors in determining the dividend distribution is how to measure dividend premium. Coming from Baker and Wurgler (1) & (2), it has been declared the catering theory dividend which states new perspectives for management which should take more attention regarding the demand of investors...

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## Shaping Intention among Students in Environmental Entrepreneurship through Entrepreneurial Education and Environmental Concern

Bernadeta Setia, Kartika Nuringsih

In line with the efforts to maintain environmental sustainability and economic growth a study of interest in environmental entrepreneurship was

economic growth, a study of interest in environmental entrepreneurship conducted. The goal was to investigate the effect of entrepreneurial education, self-efficacy, environmental concern, and gender on environmental entrepreneurship...

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### Factors Affecting Employee Retention at PT X in Tangerang, Banten Province, Indonesia

M. Tony Nawawi

This research aims to determine the effect of training, work environment and compensation, on employee retention. This study used a sample of 100 respondents from PT X and used SmartPLS version 3.3.2 with a descriptive method. This study resulted that training had a positive and insignificant effect...

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### The Roles of Effort Expectancy, Attitude, and Service Quality in Mobile Payment Users Continuance Intention

Sellyana Winata, Miharni Tjokrosaputro

This study aimed to reveal whether Effort Expectancy, Attitude, and Service Quality have certain roles in the Continuance Intention of Mobile Payment Users. This study was conducted because during a pandemic like this, mobile payment applications have increased. Therefore, researcher want to know whether...

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## Proceedings Article

### Looking Forward to Travel Abroad Again: An Empirical Study of People Intention to Travel in the Pandemic Covid-19 Era

Keni Keni, Purnama Dharmawan, Sabrina O. Sihombing

The Covid-19 pandemic has forced many people to refrain from traveling. The increasing number of people who get vaccines, the government's countermeasures, and others make it possible for people to travel, especially abroad, especially when travel restrictions are no longer enforced. Therefore, this...

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## Proceedings Article

### The Covid-19 Pandemic and Financial Internship: A Taiwan Technology University Case Study

Che-Fei Chen

Taiwan's enviable routine ended in mid-May 2021 when an outbreak of COVID-19 transmission upended everyday life. Over the next two months, the whole of Taiwan has been grappling with the effects of the Covid-19 Pandemic in businesses, employees, customers, communities, and the summer internship program....

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## Proceedings Article

### The Economic Recovery of People in the Post-Pandemic Era: An Example of Online Fitness-Platform in Taiwan

Shieunt-Han Tsai, I-Hsun Yang

In the post-pandemic era, whether the global economy will recover in a U-

shape, a V-shape, a K-shaped, or a L-shaped is still undecided. The economic of people livelihood has the most direct impact on the people and fitness industry has related to the mental and physical health of them. If it can attract...

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### Construction of Teaching Mode of Real Market Practice

Te-Tsai Lu

The present study attempts to establish a teaching mode through a practical company in the college. It has long hoped to break the existing semester system and other functional curriculum design models, and construct a teaching mode that students can have no interruption and no division of courses within...

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### Using USR as Course Field in Business Ethical Teaching and Social Practice

Tai-Ho Yang

Business ethical issues tend to be too abstract, leading to students' lack of interest in learning; students also presume that ethical teaching is merely "preaching"; thus, they have oppositions and even refusals to take such courses. Besides, lacking realistic job experiences make undergraduate students...

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## The Effective Use of Semiotics in Marketing Communication to Create Product Relevance Through Naming Strategy

Michael Adhi Nugroho

Marketing communication effort employs various tools to garner brand identity and its relevance to its audience to increase sales. However, marketing communication tools such as advertising are often expensive, and other promotional tools are not necessarily beneficial in the market segment that is specification...

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## Factors Affecting Financial Difficulty

Hadi Cahyadi, Andy Andy, Henryanto Wijaya, Susanto Salim, Alya Imharabbania P., Josephine Gabriella

The purpose of this study is to ascertain the effect of financial difficulties on liquidity, leverage, operating capacity, sales growth, firm size, and institutional ownership in manufacturing companies listed on the Indonesian Stock Exchange (IDX) between 2017 and 2019. The purposive sampling technique...

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## The Role of Government Support and Networking on Business Success Among Beginner Entrepreneurs Fostered by Jakpreneur



Yunardi Wijaya, Kartika Nuringsih

To encourage the economic activity of a community, a mechanism is needed that is supported by the government and other relevant agencies so that it has a regulatory foundation and some facilities needed by new entrepreneurs.

One of the programs is Jakpreneur, which is organized by the government of Jakarta...

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### Improving Experiential Quality and Experiential Value to Satisfaction and Revisit Intention to Lake Toba During Pandemic

Endang Sulistya Rini, Yeni Absah, Beby Karina Fawzee Sembriring

As the Pandemic has driven impacted to many fields, there are several Emergency Response that shall be taken accordingly as the response to tackle issues in different fields. For instance, in the social sector must be initiated social protection programs. Since many people are doing WFH, campaigns on...

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### The Effect of Consumer Engagement as a Mediation Variable on Brand Experience and Brand Loyalty on E-Commerce in Covid-19 Pandemic

Calvin Wijardi, Miharni Tjokrosaputro, Maria Ekarista, Ariel Krisnaputra

The purpose of this study was to determine the effect of brand experience on customer engagement, the effect of customer engagement on brand loyalty,

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### The Determinants of Reputation of Institution and Its Implications for the College Decision in Private-Owned Higher Educational Institution in LLDikti Region III Jakarta

Tri Waluyo, Abd. Rahman Kadir, Nuraeni Kadir, Andi Aswan

This research aims to analyze the decision of lectures in a Private-Owned Higher Educational Institution in LLDikti Region III Jakarta. The research was conducted on several students who decided to study pts who were in LLDikti Region III. Primary data is obtained from interviews with completeness in...

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### The Perception of Chartered Accountant Professionals on the Opportunities for Implementing Private-Entity Financial Accounting Standards

M. F. Djeni Indrajati, Elizabeth S. Dermawan

Private Entity Financial Accounting Standards (SAK EP) as a substitute for Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) will come into effect in 2025 encouraging companies to prepare financial statements approaching major SAKs that adopt IFRS. The readiness of...

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### Overcoming Entrepreneurial Challenges with Big Data Analytics Adoption to Accelerate Economic Recovery: Evidence from Malaysian Small Medium Enterprises

Chun Hong Loh, Ai Ping Teoh, Keni Keni

COVID-19, the worldwide epidemic coronavirus illness, has a substantial influence on the world economy. Big Data Analytics (BDA) assists organization in gaining relevant insights, is being hailed as a new tactical weapon in the sector during this pandemic covid-19 period. This study looked at the impact...

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### The Determinants of Irrational Investment Decisions Among Individual Investors in Indonesia Stock Exchange

Dharma Viryajaya, Sarwo Edy Handoyo

The purpose of this study is to examine and analyze financial literacy, representative bias, and availability bias in predicting irrational investment decisions. This study also analyses the moderating effect of internal locus of control on the prediction of representative bias and availability bias...

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## The Impact of Profitability and Monitoring Function of the Board and Audit Committee on CSR Disclosures

Hisar Pangaribuan, Agus Sriyanto

The purpose of this study is to determine whether profitability, as measured by ROA and NPM, and the presence of an independent board of commissioners and an independent audit committee in carrying out their supervisory functions can have a significant impact on CSR disclosure in Indonesian banking companies....

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## Promoting Manila Chinatown as a Tourism-Destination Hub

Jeetendra Vaswani

The study aimed to develop promotional strategies for various tourism sectors in Manila Chinatown, both for public and private entities. These developed strategies were based on the existing or new concepts in promotions, challenges to mitigate, and opportunities to exploit for the benefit of local community,...

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## The Efficiency and Stability of the Islamic-Banking Industry in Indonesia, Malaysia, and the Middle-East

Yohanes Amadeus Raditya, Buddi Wibowo

The Indonesian Islamic banking industry has a lot of potentials, yet its market share has not risen above 7%. Comparing the number of total assets, the Indonesian Islamic-banking industry only makes up around 2% of the total global Islamic-banking assets. The Islamic-banking sector plays an important...

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### The Influence of Financial Reporting Quality, Debt Maturity, and CEO Career Concerns on Investment Efficiency

Elsa Imelda, Erika Chandra Wijaya, Claudia Gita Hapsari

This research aimed to determine the effect of financial reporting quality, debt maturity, and CEO career concerns on investment efficiency among the companies in manufacturing industry listed on Indonesia Stock Exchange (IDX) from the year 2016 to 2019. The sample was selected by using the purposive...

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### An Exploratory Study of the Relationship between Logistics Driver Competency and Work Performance by Using Occupational Competency Standard

Yi-Chang Chen, Tse-Wei Kuo

The positive relationship between competency and work performance were revealed theoretically and practically. However, few studies demonstrated how to use or transform a competency model or job description to investigate the relationship. This study took a document called occupational competency standard...

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# The Role of Attitude in the Purchase Intention of Indonesian Muslim Men Towards Halal Personal Care Products

Sonia Citra Wijaya, Vita Briliana

The purpose of the study was to determine whether perceived value, religious belief, trust, brand image, halal certification and awareness of halal personal care products affect the attitudes of Muslim men, and whether the attitude of Muslim men towards halal personal care products affects their purchase...

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# The Relationship of Chinese Yuan Renminbi, US Dollar, Australian Dollar, and Euro Exchange-Rate Against Rupiah Using Vector-Autoregression Method

Tongam Sinambela, Melda Melda, Paiaman Pardede

This study analyses the relationship between Chinese Yuan Renminbi, US Dollar, Australian Dollar, and Euro exchange-rate to Rupiah using the Vector-Autoregression (VAR) method from January 2017 to December 2019. The results of this study show that each variable has a good correlation in long and short-term....

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## Proceedings Article

# The Short-Term Effect of the Announcement of Covid-19 Pandemic in Indonesia on the Consumer Goods Industry

Hendro Lukman

President Joko Widodo's announcement of the introduction of COVID-19 to Indonesia on March 2, 2020 has created panic buying by people at convenience stores. Panic buying by the public can be information for

convenience stores. Firms' buying by the public can be information for investors to determine stock prices and the level of stock return in the capital market. This...

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#### Proceedings Article

### The Effect of Proactive Action, Innovation and Risk Taking on Business Performance

Hansen Kavana, Ida Puspitowati

The role of SMEs and its development become increasingly important for the economy. The purpose of this study is to examine whether: 1) Proactive action can affect business performance 2) Innovation can affect business performance 3) Risk taking can affect business performance. The sample used in this...

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### The Implementation Practices of Total Quality Management and Its Impact on Employee Performance

Linda Lidyawati, Bambang Rismadi, Riyan Septian Nirwan

The study aimed to examine the influence of Total Quality Management (TQM) on employee performance. TQM and employee performance becomes the objects of this study. The characteristics of respondents are categorized into age, how long they work for this company, and gender. Research methods used by the...

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## Proceedings Article

# The Integrative Effects of Board Diversity, Firm Reputation and Innovation *vis-a-vis* Firm Performance

Yeo C. M. Amy, Cheang Esther, Felizia Arni Rudiawarni

A plethora of worldwide study on board diversity and its relationship with firm performance had produced mixed results. Our study investigated not only from the board diversity perspective, but also examined the integrative web of firm reputation and innovation as well as the shareholder activism. We...

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## Proceedings Article

# Partnership Pattern of Digital Collaboration between Regional Leaders and Micro Businesses

Isyak Meirobie, Agustinus Purna Irawan, Cep Ubad Abdullah

An effective collaboration between government regional leaders and entrepreneurs, which is believed to be a solution to accelerating micro business performance, needs to have both accessibility support and promotional outlet through social media. This study aimed to acquire a partnership pattern in improving...

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# Organizational Humor: A Review

Tay Lee Chin, Hon-Wei Leow

Organizational humor is the common and universal phenomenon. Organizational humor has implications for interpersonal relationships in the



organizations. Humor could create bonds between managers and subordinates. Hence, organizational humor is attracting growing interest from organizational studies and...

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#### Proceedings Article

### The Impact of Financial Flexibility and Business Risk on Capital Structure with Firm Size as a Moderating Variable

Yanti Yanti, Emillia Sastra, Timothy Brian Kurniawan

This study examines the impact of financial flexibility, business risk and moderating effect of firm size on the capital structure of listed manufacturing companies in Indonesia Stock Exchange for 2017 to 2019. The proxies for the financial flexibility are earning to total capital ratio, cash holding,...

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#### Proceedings Article

### The Effect of Personal Qualities, Family Environment, Attitudes, Subjective Norms and Self-Efficacy on Entrepreneurial Intentions

Stefanus Wijaya, Ida Puspitowati

The purpose of this study was to determine the effect of personal qualities, family environment, attitudes, subjective norms and self-efficacy on entrepreneurial intentions in students of the Faculty of Economics in West Jakarta. The sample used in this study were 150 respondents who were students of...

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#### Proceedings Article

## The Effects of External Audit, Independent Commissioner, and Firm Size on Earnings Management

Michelle Kristian T., Halim Putera Siswanto

This research aimed to examine the effects of external audit variables, independent commissioners, and firm size on earnings quality among manufacturing companies during the period of 2017-2019. Discretionary accruals are taken as a proxy for earnings quality, because those are components of accruals...

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#### Proceedings Article

## Factors Determining Cash Holding in Manufacturing Companies

Agustin Ekadjaja, Halim Putera Siswanto, Agselia Agselia

This research aimed to reveal the influences of profitability, firm size, leverage, and capital expenditure on cash holding. In this study, 34 manufacturers listed on IDX from 2016 to 2018 were chosen using a purposive sampling strategy. Secondary data in the form of financial statements was utilized....

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#### Proceedings Article

## The Moderation of Corporate Governance in the Effect of Surplus Free-Cash-Flow on Earnings Predictability

Henny Wirianata, Elsa Imelda, Yetty Yetty

This research aimed to reveal the effect of surplus free-cash-flow on earnings

predictability as well as the moderation effect of board independence, board size, and independent chairman in that relationship. The subject of this research is manufacturing firms that were listed on Indonesia Stock Exchange...

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#### Proceedings Article

### Gender, Diversity Management Perceptions, Workplace Happiness, and Organizational Citizenship Behavior

Elvi Elvi, Hetty Karunia Tunjungsari

This research aimed to analyze how happiness in the workplace will have an impact on the positive behavior practices of employees within diversity management. 100 respondents from telecommunications company employees were participated in online survey. Data was processed using SmartPLS.3.3.3. We believe...

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### Factors Determining MRT Users' Satisfaction During Covid-19 Pandemic

Miharni Tjokrosaputro

This research aimed to acquire an empirical evidence about variables that affect the overall satisfaction of MRT users during Covid-19 pandemic in Indonesia. The Overall Satisfaction variable was measured by using the dimensions of Cleanliness and Safety, Services and Information, with Travel Convenience...

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### The Effectiveness of Business Essentials through Action Module in Developing Entrepreneurial Thinking

Lynn LAM, Roland SOH, George TEO

It has been widely known that entrepreneurial education plays a critical role in propelling world economies forward, even in difficult times such as the Covid-19 pandemic that we are in. Cultivating entrepreneurial mindset, providing students with the necessary skills and content knowledge to collaboratively...

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### Analyzing the Factors Influencing Lecturers' Financial Satisfaction in Indonesia

Khairina Natsir, Agus Zainul Arifin

This study aims to investigate and find empirical evidence about the effect of Financial Literacy on Financial Satisfaction where Financial Risk Tolerance and Financial Capabilities as mediation variables in Lecturers who are active in Universities throughout Indonesia. The research design is descriptive...

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### The Effect of Leverage, Earning Power, and Sales Growth on Earnings Management Moderated by Corporate Governance

## Earnings Management Moderated by Corporate Governance

Herlin Tundjung Setijaningsih, Merisa Merisa

This study aims to investigate analytically impact financial factors which are leverage, earning power, and sales growth affect earning management with corporate governance as a moderating variable. This research was conducted

on manufacturing companies listed on the Indonesia Stock Exchange (IDX), specifically...

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## Entrepreneurial Orientation, Market Orientation, and Organizational Culture on Business Performance

Clarencia Margaretha, Lydiawati Soelaiman

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## The Effects of Strategic Competence, Ethical Competence, Entrepreneurial Orientation, and Network Competence on Culinary-Business Growth in Belitung Island

Rico Candra, Lydiawati Soelaiman

Belitung Island is one among the tourism destinations in Indonesia, which is now starting to rise after the easing of the Covid-19 pandemic. Now, entrepreneurs in the culinary-tourism sector must prepare themselves with

entrepreneurs in the primary tourism sector must prepare themselves with various strategies to be able to achieve business growth. For this reason, entrepreneurs...

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### The Role of Social Media in Enhancing Business Performance

Lydiawati Soelaiman, Sanny Ekawati

Today, internet technology and social media has become a common practice for businessmen. Social media usage has now become a trend and is the most popular digital platform due to its low cost and minimum technical requirements. Social media is not only used by companies as a marketing medium, but also...

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### The Effect of Operating Cash Flow, Net Working Capital, and Earning Quality on Cash Holding of Consumer Goods Companies

Nurainun Bangun, Khairina Natsir

Cash holding is cash or cash equivalent available in the company that is used for operating expenses. Holdings of cash are considered as cash and cash equivalents that can be converted into cash when needed. A sufficient amount of cash holdings indicates good liquidity of a company. The main objective...

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### The Role of Financial Behavior in Shaping the Sustainability of Financial Satisfaction Among Millennials in Jakarta

Vivian Patricia, Kartika Nuringsih

This research is intended to analyze the effect of financial knowledge, financial attitude and financial socialization towards financial satisfaction with financial behavior mediating the relations in respect to the 12th Sustainable Development Goals (SDGs), responsible consumption. The sample for this...

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### The Determinants of Customer Satisfaction of Electronic Wallets with the Mediation of Perceived Value in Jakarta

Sarwo Edy Handoyo, Djody Parerung

The purpose of this study was to determine the effect of promotion on perceived value, the effect of promotion on customer satisfaction, and the effect of promotion on customer satisfaction when mediated by the variable value perceived by customers of the OVO application product. The analytical method...

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## Proceedings Article

### Investor Bias Behavior in Investment Decision Making

Yusbardini Yusbardini, Khairina Natsir

The purpose of this study is to provide empirical evidence regarding investor bias behavior on investment decisions in the Indonesia Effect Exchange. This

research was conducted on individual investors sample of 200 respondents using purposive sampling. The data analysis method using Structural...

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### The Effect of Capital Structure, Profitability on Firm Value with Interest Rates as Moderating Variable

Rini Tri Hastuti, Veronica Carolina

This study aimed to determine whether capital structure and profitability have an influence on firm value with interest rates as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange. Samples were taken by purposive sampling method and had several predetermined criteria....

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### The Effect of Knowledge Sharing and Entrepreneurial Leadership on Batik Business Performance in Madura During the Pandemic Era

Uci Yuliati, Budi Eko Soetjipto, Sudarmiatin Sudarmiatin, Sopiah Sopiah

This study investigated the effect of knowledge sharing and entrepreneurial leadership on business performance, the characteristics of Batik Small and Medium Enterprises (SMEs) and its workers during the pandemic of Coronavirus era. The sum of respondents is 136 Small and Medium Enterprises (SMEs). Data...

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## The Use of Social Media to Enhance the Performance of Small and Medium Scale-Businesses

Silvia Yulisa, Louis Utama, Tommy Setiawan Ruslim

This study aimed to examine whether Cost Effectiveness, Compatibility, and Interactivity influences Business Performance through Social Media Usage. The population in this study is small-medium business owners in the culinary business. In this study, the samples consist of 65 respondents as the owners...

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## The Impact of Mergers on the Performance of Conventional Banks in Indonesia

Margarita Ekadjaja, Halim Putera Siswanto, Rorlen Rorlen

Merger is one of the efforts to increase the company's growth non-organically which requires large costs and better management capabilities. This study aimed to determine the impact of mergers on bank performance, which indirectly affects the bank health level. The subjects of this research were 12 conventional...

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## Factors Affecting the Profitability of Banking Companies Listed in Indonesia Stock Exchange

Linda Santioso, Andreas Bambang Daryatno

The purpose of this research is to obtain empirical evidence of the effect of

capital adequacy ratio, non-performing loan, net interest margin and operational efficiency on bank profitability which is represented by return on assets in banking companies listed on the Indonesia Stock Exchange in 2017-2019....

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### The Impact of Brand Identification, Social Media Marketing, and Brand Satisfaction Towards Brand Loyalty in the Indonesian Food and Beverage Sector

Meilia Japiana, Keni Keni

This study was conducted in order to determine the role of brand identification, social media marketing, and brand satisfaction on brand loyalty among Indonesian in the food and beverage sector. Data were collected using convenience sampling method and distributed digitally to all respondent who participated...

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### S-Commerce Cues as a Predictor of Repurchase Intention: Customer Satisfaction as Mediating Variable

Sherly Sherly, Keni Keni

The purpose of this research is to examine the mediating role of customer satisfaction on the relationship between social commerce (s-commerce) cues (i.e. reliability and responsiveness) and repurchase intention. Data was collected from 211 respondents and 155 respondents can be used for this study....

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## The Impact of System Quality, Perceived Value, and Brand Personality, on Behavior to Subscribe in the Online Streaming Service

Yohanes Nuhadriel, Keni Keni

Technology has become one of the most influential industries in the national and global economy. Along with the growth rate of smartphone and internet users due to the Covid-19 pandemic, it has opened up opportunities for the development of the technology industry, however, the pandemic has impacted...

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## The Prediction of Purchase Intention Based on Digital Marketing, Customer Engagement, and Brand Preference

Clarence Clarence, Keni Keni

This study was conducted to predict purchase intention based on digital marketing, customer engagement, and customer perceived value. This study used a quantitative descriptive method by distributing online questionnaires via Google form to respondents who know and have purchase intentions. This study...

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## Source Credibility, Perceived Quality, and Attitude Towards Brand as Predictor on Purchase Intention of Local Beauty Products

Yulianti Yulianti, Keni Keni

This study aims to determine the prediction of source credibility, perceived quality, and attitude toward brands on purchase intention in the local beauty products. Data were collected using an online questionnaire, that distributed via Google form. The total samples were 168 respondents, in which 132...

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## The Impact of Country of Origin, Celebrity Endorsement, and Electronic Word of Mouth (eWOM) Towards Purchase Intention

Christian Halim, Keni Keni

This study aims to examine the impact of country of origin, celebrity endorsement, and electronic word of mouth (eWOM) on the purchase intention of skin care products. The research design is descriptive. Collecting data using a questionnaire through a google form with a Likert scale. Of the 218 questionnaires...

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## The Role of e-WOM towards Value Co-Creation on Sharing Economy Platform in Indonesia

Hidayat Syamsoeyadi, Miharni Tjokrosaputro

The purpose of the research is to examine the effect of electronic Word of

The purpose of the research is to examine the effect of electronic word of mouth (e-WOM) on value co-creation of ride sharing application users in Indonesia (both directly and indirectly). The method that was used is survey method with the respondents of 201 ride sharing application users (Gen Y). A...

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### Differences in the Effect of Occupational Safety and Health on Employee Performance in the Production and Non-Production Divisions of Manufacturing Company "X" in Cikupa District

Yenita Yenita

Company "X" is engaged in the manufacturing industry that produces a series of cables to companies that produce household electrical appliances in Indonesia. Most employees have direct contact with the production process every day, so they have the potential to experience health problems. The purpose...

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### Transformational Leadership Impact on Organizational Effectiveness

Linda Lin-Chin Lin, Agustinus Purna Irawan, Paula Tjatoerwidya Anggarina, Sanjeev Kumar

This study aimed to analyze the impacts of transformational leadership on organizational effectiveness in training and development sectors. The research considers the impact of transformational leadership through its dimensions; idealized influence, inspirational motivation, intellectual

stimulation,...

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### MACAN Museum's Strategies in Retaining Art Tourism Visitors During Covid-19

Radja Erland Hamzah, Citra Eka Putri, Prasetya Yoga Santoso, Kartika Sari

In Indonesia, museums are still the last choice for people as a tourist destination, both on weekends and holidays. MACAN Museum is the first museum in Indonesia dedicated to modern and contemporary art. This museum is also an educational institution that provides art education to the public, as well...

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### Brand Identity Relevance and Co-Existence with Star Power

Michael Adhi Nugroho, Rudy Harjanto

Advertising as the most effective promotion tool available to marketer has been employing celebrity as figure to help focus the message and eventually sells the marketer's solution. The effectiveness of advertising to close the deal has been widely accepted by both academics and practitioners alike. The...

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### Communication Strategy for the Empowerment of MSMEs During the Covid-19 Period in Indonesia Through PT PII Share

Bielde Bezak, M. I. Toruan, Muhammed Saifullah, Muminto Arief

Since the Covid-19 pandemic hit the world, including Indonesia, various levels of society have felt the economic and social impacts directly. In fact, many have lost their jobs and of course have an impact on increasing the number of unemployed in Indonesia. The government quickly and consistently made...

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### The Success Factors of Insurance Marketers Using the Digital System of Customer Applications in Insurance Companies

Meiliyah Ariani, Zulhawati Zulhawati

This study aims to examine the effect of competence, security and ease of use on the digital system application for insurance customers in Jakarta. The method used is simple random sampling, the number of respondents used in this study is 70 respondents of insurance marketers in Jakarta with the level...

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#### Proceedings Article

### The Development of Sustainable Destination Marketing Model: An IPA Result of Tanjung Lesung Tourism Area

Chairy Chairy, Hetty Karunia Tunjungsari, Frangky Selamat

Recently, Tanjung Lesung is known as one of the top 10 priority destinations in Indonesia. The Indonesian government has designated Tanjung Lesung as a priority destination with high tourism potential and needs to be increased in popularity along with Toba Lake, Tanjung Kelayang, Mandalika, Wakatobi,...

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### The Effect of Investment Decision, Funding Decision, and Profitability on the Firm Value of Consumer Goods Industry Registered in Indonesia Stock Exchange During 2017-2020

Carelia Sherine, Hendra Wiyanto, Herlina Budiono

This research was conducted to find out whether 1) investment decision can affect the firm value 2) funding decision can affect the firm value 3) profitability can affect the firm value 4) investment decision, funding decision, and profitability can affect the firm value simultaneously. The research...

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Gabriella Angela, Ary Satria Pamungkas

Savings activities are very important to be instilled early by their parents so that good saving behavior can be formed and developed in children from a young age to adulthood. the formation and development of saving behavior in a person will make it easier for individuals to manage their finances well. The...

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# The Effect of Attitude, Health Consciousness, and Environmental Concern on the Purchase Intention of Organic Food in Jakarta

Steffen Jonathan, Miharni Tjokrosaputro

The purpose of this study was to determine whether attitude, health consciousness, and environmental concern play a significant role in the purchase intention of organic food in Jakarta. This study employed the survey method, with data collected via questionnaire. The data for this study was collected...

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# The Effect of Consumer Motivation (Social and Empowerment) on Online-Purchase Intention Mediated by the Trust Towards Retailers on Social Media

Nur Hidayah, Rodhiah Rodhiah

Nowadays, retail business is experiencing a problem due to the advancement of technology. In order to run the operation, retail business has to follow the current technological development, such as starting using the social media to enhance its business scale. This research aimed to reveal the effect...

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# The Effect of Consumer Innovativeness on Purchase Intention of New Smartphone with Vicarious Innovativeness and Perceived Value as Mediations

Reyvina Reyvina, Hetty Karunia Tunjungsari

The purpose of this study was to examine the effect of consumer innovativeness on purchase intention of new Smartphone with vicarious innovativeness and perceived value as a mediation. A survey was conducted online with 200 respondents as participants. Hypotheses testing were done using smartPLS software...

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### The Effects of Business Model Innovation, Efficiency Growth, and Revenue Growth on MSME Performance in Tangerang City, Banten Province, Indonesia

Rodhiah Rodhiah, Nur Hidayah

In the recent business context, Business Model Innovation (BMI) can be considered as a key to enhance the company performance. BMI can create the company's competitive advantage and increase its performance, even though there are still many Micro, Small, and Medium Enterprises (MSMEs) failing to generate...

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## The Moderation of Corporate Governance in the Effect of Surplus Free-Cash-Flow on Earnings Predictability

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Surplus Free-Cash-Flow; Earnings Predictability; Corporate Governance

### Abstract

This research aimed to reveal the effect of surplus free-cash-flow on earnings predictability as well as the moderation effect of board independence, board

size, dan independent chairman in that relationship. The subject of this research is manufacturing firms that were listed on Indonesia Stock Exchange (IDX) during the period of 2016 - 2018. This research design is descriptive research with purposive sampling method to test the effect of independent variables on the dependent variables, and also the effect of moderation variables in that relationship. The hypothesis testing was done by using panel data regression and moderation regression model using EViews 11. The results indicate that firms' earnings from using the assets has a significant effect on earnings predictability, and there's no significant effect of institutional ownership dan managerial ownership in the relationship between surplus free-cash-flow and earnings predictability. The implication of this study is the need to pay attention to firm performance to improve the predictive value of earnings.

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# The Moderation of Corporate Governance in the Effect of Surplus Free-Cash-Flow on Earnings Predictability

Henny Wirianata<sup>1\*</sup> Elsa Imelda<sup>1</sup> Yetty Yetty<sup>1</sup>

<sup>1</sup>Faculty of Economics and Business, Universitas Tarumanagara, West Jakarta - 11470, Indonesia

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## ABSTRACT

This research aimed to reveal the effect of surplus free-cash-flow on earnings predictability as well as the moderation effect of board independence, board size, dan independent chairman in that relationship. The subject of this research is manufacturing firms that were listed on Indonesia Stock Exchange (IDX) during the period of 2016 - 2018. This research design is descriptive research with purposive sampling method to test the effect of independent variables on the dependent variables, and also the effect of moderation variables in that relationship. The hypothesis testing was done by using panel data regression and moderation regression model using EViews 11. The results indicate that firms' earnings from using the assets has a significant effect on earnings predictability, and there's no significant effect of institutional ownership dan managerial ownership in the relationship between surplus free-cash-flow and earnings predictability. The implication of this study is the need to pay attention to firm performance to improve the predictive value of earnings.

**Keywords:** *Surplus Free-Cash-Flow, Earnings Predictability, Corporate Governance*

## 1. INTRODUCTION

In Indonesia's growing economic growth and tend to be stable, investors still rely on the information from financial statements prior to make investment decisions. The information in financial statements such as earnings will help investors assess company performance, if the profits reported have good quality. Bellovary, et. al. defined profit strength as the ability of reported earnings to reflect actual earnings, as well as the usefulness of reported earnings to predict future earnings [1].

Some companies will not make profit predictions. Only companies that will conduct an IPO (Initial Public Offering) will make profit predictions listed in the Prospectus Report. The information about profit forecasting on the Prospectus Report will greatly assist investors in making decisions. By predicting future earnings, investors can find out the company's ability to make future profits and estimate the distribution of dividends to its investors.

Not many companies make profit predictions, perhaps because the predictability of profits in companies in Indonesia is still not good, and there is still a lack of research on profit predictability in Indonesia. To predict future profits, companies need certain information. So, with the low predictability of profit in Indonesia, the information needed to predict profits becomes less precise.

Surplus Free-Cash-Flow (SFCF) can affect profit predictability. SFCF is a state when a company's cash is used to pay dividends, pay-off debt, buy back shares, make investments, and still have the rest of the cash, but the

company is still in low growth, because the investments made by management do not turn a profit. In the Agency Theory, management as an agent prefers to invest excess cash to enlarge the business entity in order to get profits in the future, while investors expect excess cash to be distributed as a return on their investments. According to Hashim & Devi, corporate governance can help align the interests of managers with shareholders, improve the correctness of financial information, and the quality of the company's reported earnings [2]. Corporate governance is believed to reduce SFCF issues associated with high free-cash-flow but with low corporate growth. Shadmehri, et al. [3] research shows that corporate governance mechanisms are able to moderate the relationship between SFCF and profit predictability.

AL-Dhamari & Ismail [4] argued that companies with high SFCF have smaller levels of profit predictions. However, if the company has good governance mechanisms, it tends to reduce the agency conflicts with respect to SFCF and improve profit-predictability capabilities. Al-Dhamari & Ismail [4] found that the moderation of board size and independent chairman significantly provides a positive relationship between SFCF and profit predictability. However, board-independence moderation had no significant effect.

This research is expected to be beneficial for companies that pay attention to their profit reporting in order to improve the profit predictability, and for investors to reveal the factors that can affect the profit predictability.



## 2. THEORETICAL REVIEWS

### 2.1. Value Relevance Theory

Relevance is a concept showing that information from the results of the accounting process can be used to influence the decisions in investing. The term 'value relevance' first appeared in the Ball & Brown study [5], but the topic of value relevance is well known. since the research by Feltham & Ohlson that used the term relevance of value from the net-surplus theory and stated that accounting data on financial statements can reflect the value of the company [6]. Francis & Schipper's research used four interpretations to determine the relevance of values [7]. One of them is that financial information has a value relevance, if there are variables being used in a valuation model that can predict other variables.

### 2.2. Agency Theory

Jensen & Meckling research described the relationship in agency theory as a contract between shareholders (principal) and company management (agent) to conduct operational activities involving the delegation of authority in decision making by the company management (agent) [8]. Agency conflicts will not arise, if management and shareholders share the same goal. But in practice, management, that has the authority to control the company's finances, prefers to develop the company to increase its power, while shareholders are more hopeful of getting rewarded from the results of their investments. So, the insanity of objectives between management and shareholders causes problems and conflicts of the agency.

### 2.3. Surplus Free-Cash-Flow (SFCF)

Chung, et al. used the term SFCF for low-growth free-cash-flow conditions of companies [9]. Companies that have FCF, have the opportunity to invest in high-risk projects that cause their growth to be not good, so management will think of various ways to cover up the mistakes so that the loss is covered. In order to cover up the error, management may report higher than actual profits in the financial statements, that will cause positive perceptions so that when using the information to predict the company's future cash flow, its profit predictability will decrease.

The results of the AL-Dhamari & Ismail [4] and Shadmehri, et al. [3] study found that there is a negative relationship between SFCF and profit predictability, which means that companies with high free-cash-flow tend to make investments with low returns so that the profits listed in financial statements have the possibility of being elevated by management. Hence, the ability of profit predictability will be low.

H<sub>1</sub>: Surplus free-cash-flow negatively affects earnings predictability (see **Figure 1**).

### 2.4. Board Independence

Fuzi, et al. defined board independence as the board with no relationship with management entrusted by shareholders to represent them within the company, to monitor the company's operations and performance, and to help reduce the agency problems [10]. The role of board of commissioners in a company is to supervise and control the management activities. But in conducting the supervision of management, board of directors is inseparable from the possibility of bias, especially if the board has interests or affiliations to management or other interested parties. Therefore, it takes an independent board of commissioners who have absolutely no interest or affiliation to management and other interested parties to be more rational in decision making.

The relationship between surplus free-cash-flow and earnings predictability will depend on the role of an independent board of commissioners. However, the results of the AL-Dhamari & Ismail study found that board independence moderation had no significant effect on the relationship between SFCF and profit predictability [4]. This could happen, as board members of the board of commissioners are more numerous and less independence, and then such board of commissioners will be less effective in preventing financial reporting errors by the management aimed at concealing losses from such investments.

H<sub>2</sub>: Board Independence weakens the effect of surplus free-cash-flow on earnings predictability (see **Figure 1**).

### 2.5. Board Size

Board size is the total number of board of directors in a company. In carrying out its obligations, each member of the board of commissioners must comply with the laws and regulations and be responsible for conducting supervision and giving opinions to the board of directors for the benefit of the company. The company's board of commissioners acts as a monitor against management actions within the company. A large board of commissioners is not necessarily good for a company, because there may be some members who do not perform their obligations because their duties have been carried out by other members yet still benefit even though they do not carry out their responsibilities that finally will cause inefficiencies. With the composition of the smaller board of commissioners in the company, the supervision and control of management becomes more effective, so that the relationship between surplus free-cash-flow and earnings predictability will depend on the composition of the board of commissioners.

Al-Dhamari & Ismail found that board-size moderation significantly provides a positive association between SFCF and profit predictability [4]. Companies with a small composition of board of commissioners are less likely to mitigate the agency conflicts, hence increasing the profit predictability.

H<sub>3</sub>: Board Size weakens the surplus free-cash-flow effect on earnings predictability (see **Figure 1**).

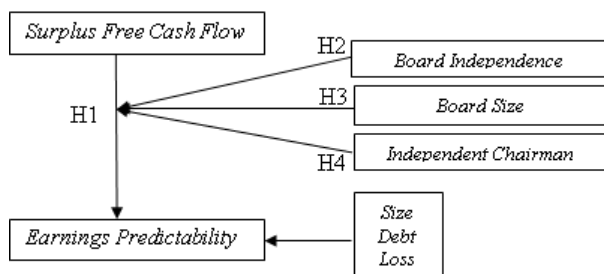
## 2.6. Independent Chairman

Amran, et al. defined the chairman or chair of board (COB) as the chairman of the board of commissioners responsible for ensuring the effectiveness of the company's board of commissioners, communicating and establishing good relations between shareholders and management [11]. So, it can be said that independent chairman is the chairman or president of the independent board of commissioners who holds the highest power in the board of commissioners, while leading and monitoring the other members of the commissioners.

The chairman of the board of commissioners has higher authority than do other members of the board of commissioners, and when the chairman of the company's commissioners has no interest and affiliation to management and others, then the supervisory ability of the independent chairman of the board of commissioners will be more objective. With the existence of an independent chairman of the board of commissioners, the interests of shareholders can be more maintained.

The relationship between surplus free-cash-flow and earnings predictability will depend on the role of the chairman of the independent board of commissioners. Al-Dhamari & Ismail found a positive and significant influence in the effect of moderation between SFCF and profit predictability [4]. Companies with an independent chairman or president of the board of commissioners will be more effective in supervising and monitoring the management so that the quality of reporting becomes good and profit predictability also increases.

H<sub>4</sub>: Independent Chairman weakens the effect of surplus free-cash-flow on earnings predictability (see **Figure 1**).



**Figure 1** Research Framework

## 3. METHODOLOGY

This research methodology is quantitative research with secondary data obtained from the Indonesia Stock Exchange (IDX) [12], emiten.kontan.co.id site [13], and the company-owned websites in the period between 2016 - 2018. The sample selection method used is the purposive sampling method in manufacturing companies registered with the criteria as follows: 1) Registered in the IDX during the research period, 2) The presentation of financial statements denominated in Rupiah, 3) Being consistent in presenting financial statements as of December 31<sup>st</sup> during the research period, and 4) Not in delisting status during the

research period. The total number of valid samples consists of 100 companies with a total of 242 sample data. The test consists of descriptive-statistics test, classical-assumption test, hypothesis test [Partial test (t-test) and Simultaneous test (F-test)], and coefficient-of-determination test (R<sup>2</sup>).

## 4. RESULTS

### 4.1. Descriptive-Statistics Tests

Based on the results of descriptive-statistics tests (see Table 1), it can be found that the average earnings predictability is 0.082696, which shows that the company has a profit predictability of 8.27% of the amount of assets at the beginning of the period. The average value of the variable EARN is 0.060960, which indicates that the average company makes a running profit of 6.096% of the total assets in the company's initial period. The SFCF average of 0.198347 showed that as much as 19.83% of companies experienced SFCF from the study sample. An average of 0.416331 independent boards of commissioners shows that the average company has an independent board of commissioners as much as 41.63% among the company's board of commissioners. The average size of commissioners of 4.190083 shows that the average company has a board of four to five people.

**Table 1** Descriptive Statistical Test Results

|        | Mean     | Maximum   | Minimum   | Standard Deviation |
|--------|----------|-----------|-----------|--------------------|
| EP     | 0.082696 | 0.633800  | -0.129100 | 0.111752           |
| EARN   | 0.060960 | 1.239400  | -0.192600 | 0.127332           |
| SFCF   | 0.198347 | 1.000000  | 0.000000  | 0.399581           |
| BIND   | 0.416331 | 1.000000  | 0.200000  | 0.123427           |
| BDSIZE | 4.190083 | 12.000000 | 2.000000  | 1.953034           |
| CHIND  | 0.132231 | 1.000000  | 0.000000  | 0.339444           |
| SIZE   | 6.397634 | 8.537500  | 4.951000  | 0.695594           |
| DEBT   | 0.180357 | 3.429100  | 0.003300  | 0.331589           |
| LOSS   | 0.202479 | 1.000000  | 0.000000  | 0.402680           |

The average independent chief commissioner of 0.132231 shows that the average company whose chairman of the board of commissioners is an independent commissioner is only 13.22%. The average size of the company of 6.397634 shows that the average company has an asset value of Rp2,498,239,000,000. The average corporate debt of 0.180357 shows that the average company has long-term debt of 18.04%. The variable average loss of 0.202479 showed that companies that suffered losses at the end of the period amounted to 20.25% of the studied sample.

### 4.2. Classical-Assumption Test

This research has performed classical-assumption test and found no problem in the classical assumption matters in this study. After ensuring that this research is free from the problem of classical assumptions, then some other tests were carried out to determine the most appropriate model. Based on the results of the model test (Chow-test and

Hausman-test), it was obtained that the most appropriate model of both regression models in this study is the Fixed-Effect Model (FEM).

Based on the test results from Table 2, the regression equation without moderation can be developed as follow:

$$\begin{aligned} EP = & 0.086695 + 1.993417 \text{ EARN} \\ & - 0.127141 \text{ EARNXSFCF} + 0.798712 \text{ EARNXBIND} \\ & + 0.080322 \text{ EARNXBDSIZE} \\ & + 0.151928 \text{ EARNXCHIND} \\ & - 0.419397 \text{ EARNXSIZE} - 0.195393 \text{ EARNXDEBT} \\ & + 0.038068 \text{ EARNXLOSS} + \varepsilon \end{aligned}$$

Based on regression results, the surplus free-cash-flow has an insignificant negative effect ( $c = 0.127141$ ) (prob = 0.3024, greater than 0.05). This insignificant effect occurs, probably because the companies in Indonesia that have free-cash-flow, tend to make investments with lower risk so that they do not experience a surplus of free-cash-flow. By this way, it will be difficult to have a significant effect on profit predictability.

**Table 2** Multiple Regression Analysis Test Results without Moderation

| Variable           | Coefficient | Std. Error | t-Statistic | Prob.    |
|--------------------|-------------|------------|-------------|----------|
| C                  | 0.086695    | 0.006452   | 13.43615    | 0.0000   |
| EARN               | 1.993417    | 0.745975   | 2.672231    | 0.0084   |
| EARNXSFCF          | -0.127141   | 0.122822   | -1.035163   | 0.3024   |
| EARNXBIND          | 0.798712    | 0.436109   | 1.831451    | 0.0692   |
| EARNXBDSIZE        | 0.080322    | 0.035660   | 2.252432    | 0.0259   |
| EARNXCHIND         | 0.151928    | 0.158506   | 0.958498    | 0.3395   |
| EARNXSIZE          | -0.419397   | 0.130222   | -3.220619   | 0.0016   |
| EARNXDEBT          | -0.195393   | 0.083900   | -2.328875   | 0.0213   |
| EARNXLOSS          | 0.038068    | 0.157560   | 0.241609    | 0.8094   |
| R-squared          |             |            |             | 0.954605 |
| Adjusted R-squared |             |            |             | 0.921293 |
| F-statistic        |             |            |             | 28.65683 |
| Prob(F-statistic)  |             |            |             | 0.000000 |

Then, moderation is carried out with board independence, board size, and independent chairman, of which the results can be seen in Table 3.

**Table 3** Multiple Regression Analysis Test Results with Moderation

| Variable           | Coefficient | Std. Error | t-Statistic | Prob.    |
|--------------------|-------------|------------|-------------|----------|
| C                  | 0.086843    | 0.007013   | 12.38386    | 0.0000   |
| EARN               | 2.012452    | 0.774872   | 2.597139    | 0.0104   |
| EARNXSFCF          | -0.298880   | 0.780142   | -0.383110   | 0.7022   |
| EARNXBIND          | 0.782979    | 0.452553   | 1.730140    | 0.0859   |
| EARNXBDSIZE        | 0.079836    | 0.036388   | 2.194034    | 0.0299   |
| EARNXCHIND         | 0.154507    | 0.163021   | 0.947770    | 0.3449   |
| EARNXBINDXSFCF     | 0.269943    | 1.793589   | 0.150505    | 0.8806   |
| EARNXBDSIZESXFCF   | 0.014930    | 0.058570   | 0.254916    | 0.7992   |
| EARNXCHINDXSFCF    | -0.071435   | 1.124169   | -0.063545   | 0.9494   |
| EARNXSIZE          | -0.421057   | 0.135733   | -3.102094   | 0.0023   |
| EARNXDEBT          | -0.195813   | 0.088102   | -2.222566   | 0.0279   |
| EARNXLOSS          | 0.037400    | 0.164382   | 0.227521    | 0.8204   |
| R-squared          |             |            |             | 0.954634 |
| Adjusted R-squared |             |            |             | 0.919609 |
| F-statistic        |             |            |             | 27.25581 |
| Prob(F-statistic)  |             |            |             | 0.000000 |

Based on Table 3, the regression equation with moderation can be developed as follow:

$$\begin{aligned} EP = & 0.086843 + 2.012452 \text{ EARN} \\ & - 0.298880 \text{ EARNXSFCF} + 0.782979 \text{ EARNXBIND} \\ & + 0.079836 \text{ EARNXBDSIZE} \\ & + 0.154507 \text{ EARNXCHIND} \\ & + 0.269943 \text{ EARNXBINDXSFCF} \\ & + 0.014930 \text{ EARNXBDSIZESXFCF} \\ & - 0.071435 \text{ EARNXCHINDXSFCF} \\ & - 0.421057 \text{ EARNXSIZE} - 0.195813 \text{ EARNXDEBT} \\ & + 0.037400 \text{ EARNXLOSS} + \varepsilon \end{aligned}$$

Based on regression results with moderation variables, board independence has a positive effect with a coefficient of 0.269943 and a significance of 0.8806, which means that board independence is unable to provide a moderating effect in the relationship between surplus free-cash-flow and earnings predictability. Board size moderation variables have a positive effect with a coefficient of 0.014930 and a significance of 0.7992, which means that board size is unable to provide a moderating effect in the relationship between free-cash-flow surplus and earnings predictability. The moderation variable of independent chairman has a negative effect with a coefficient of -0.071435 and a significance of 0.9494, which means that independent chairman is unable to provide a moderation effect in the relationship between surplus free-cash-flow and earnings predictability.

To find out the correlation between independent variables and the dependent variable, a coefficient-of-determination ( $R^2$ ) test was performed. The Adjusted R-Square value before corporate governance moderation is 0.921293 and after moderation is changed to 0.919609. Based on both probability values in F-Statistics (F-test) which are 0.000000, it can be concluded that surplus free-cash-flow and the moderation of board independence, board size, independent chairman, and control variables have a simultaneous effect on earnings predictability.

## 5. DISCUSSIONS

H<sub>1</sub>: Surplus free-cash-flow negatively affects earnings predictability.

The results of this study contradict the results of research conducted by AL-Dhamari & Ismail [4] and Shadmehri et al. [3], in which their study resulted a significant negative effect of free-cash-flow surplus on earnings predictability. The average value of the surplus free-cash-flow in this study amounted to 19.83%, it can be concluded that companies in Indonesia do not experience a surplus of free-cash-flow, because companies do not dare to invest with great risk, so it is difficult to find a strong negative effect in this relationship. This may be because companies in Indonesia that have free-cash-flow tend to find a safe and sure way to invest. By this way, it will be difficult to find its significant effect on profit predictability.

H<sub>2</sub>: Board Independence weakens the effects of surplus free-cash-flow on earnings predictability.

The results of this study contradict the result of research conducted by AL-Dhamari & Ismail [4] whereas board independence has an insignificant negative effect in the relationship between surplus free-cash-flow and earnings predictability. The absence of significant effect from independent commissioners in this study may be because the independent board of commissioners is a supervisory individual who comes from outside company and has no affiliation with other board members, so the independent board of commissioners will not be aware of the latest information about the company, thus the board will be more difficult in conducting its supervision.

H<sub>3</sub>: Board Size weakens the surplus free-cash-flow effect on earnings predictability.

The results contradict the result of the research conducted by AL-Dhamari & Ismail [4], whereas board size has a significant and positive moderation effect in the relationship between surplus free-cash-flow and earnings predictability. The absence of significant effect in the study may be due to the board of commissioners at a free-cash-flow surplus company are not participating in decision-making regarding investments. If the board of commissioners do not know whether the company's free-cash-flow will be invested into high-risk or low-risk projects, it is difficult to find a strong effect by the composition of the board of commissioners.

H<sub>4</sub>: Independent Chairman weakens the effect of surplus free-cash-flow on earnings predictability.

The results of this study contradict the result of the research conducted by AL-Dhamari & Ismail [4], whereas the independent chairman has a significant and positive moderation effect in the relationship between surplus free-cash-flow and earnings predictability. The absence of significant effect from the independent chief commissioner in this study is probably because the independent chairman commissioner is an external individual who conducts supervision of the company management without having an affiliation to the internal parties. Because the chairman of the independent board of commissioners is not always in the company, it will have less information that causes supervision from this commissioner does not provide strong effect. Other reasons may be because the average company that has an independent chief commissioner in this study is only 13.22%, so it will be difficult to find a strong effect in such relationship.

## 6. CONCLUSION

As the results of this study, the surplus free-cash-flow along with the moderation variables were able to have a simultaneous effect (together) on earnings predictability. This study was unable to reveal a significant effect of moderation variables partially. Only the earnings variables have significant effects on the company's future cash flow.

This explains that the profit predictability is highly dependent on the profit or performance itself. With good profit reporting, the profit information in financial statements will be able to predict the future cash flow and its ability to predict the earnings will increase.

Based on the results of this study, the users of financial statements, especially investors, need to pay more attention to the company's current performance, because it can be used as a basis to predict the company's performance in the future. For the company's internal parties, especially the management, the results of this study are expected to help management realize the importance of the right and proper asset management in the company in order to generate maximum profit. The limitations in this study are: 1) Samples were taken only for three years; 2) Using only one independent variable, namely surplus free-cash-flow, and 3) Research samples were taken only from manufacturing companies. The suggestions for future research include increasing the observation period and number of samples, increasing or replacing the independent variables and corporate governance moderation variables, such as institutional ownership, managerial ownership, audit committees, and etc.

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