Media Riset Akuntansi, Auditing & Informasi ISSN 2442-9708 (Online)
Vol. 18 No.2 September 2018 : 187-204 ISSN 1411-8831 (Print)
Doi : http://dx.doi.org/10.25105/mraai.v18i2.3213

THE ROLE OF FINANCIAL REPORTING QUALITY AND CORPORATE GOVERNANCE ON COMPETITION: EVIDENCE FROM MINING COMPANIES

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Abstract

The firm competition has a double quality: while it fills in as a proficient disciplinary component for firms' management, it additionally worsens vocation concerns and increases capital market weights. This investigation analyzes the impact of financial reporting quality and corporate governance on the competition. While from one viewpoint item showcase competition goes about as a disciplinary instrument in less aggressive enterprises, then again, it incites chiefs not to act to the greatest advantage of investors in more focused businesses. These findings have suggestions for the plan of corporate governance instruments and official remuneration contracts including relative execution assessment for mining companies.

Keywords: *Competition; Earnings Restatement; Governance; Mining Industry.*

JEL Classification: D4, G34, L1, M40, M41

Submission date: September 2018 *Accepted date:* September 2018

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INTRODUCTION

Competition has for quite some time been contended as a productive disciplinary corporate governance instrument (Hart, 1983). In particular, Shleifer and Vishny (1997) contend that "item showcase competition is likely the most intense power towards financial proficiency on the planet." Yet, various ongoing financial report embarrassments that happened in businesses with generally large amounts of competition which gives occasion to feel qualms about some item advertise competition has a positive restraining impact on firms. This paper wants to investigate

the impact of distortion of financial report quality on the competition. In this paper, we look at the impact of item showcase competition on money-related financial report distorting and the substitute instruments through which item advertise competition could influence monetary financial report distorting.

Distorting financial report data can be considered as a great case of short-termism or administrative astigmatism where the organizations' management swear off long-haul investor esteem for here and now picks up (Narayanan, 1985; Thadden, 1995). Given the hypothetical contentions and late experimental proof (Guadalupe and Pérez-González, 2005; Grullon, Michaely, 2007) on the disciplinary impacts of competition, we would expect that item showcase competition disciplines supervisors against meddling and controlling the detailed financial report data.

We inspect two particular components through which item showcase competition influences the distorting of financial report data – one is through office clashes while alternate wins even without office costs. Under the organization cost see, distorting financial report data can be considered as a result of an office issue, particularly, an ethical danger one identifying with supervisors' profession concerns. The current writing contends that office expenses and firm-level corporate administration components differ with item advertise competition (Cremers, Nair, and Peyer, 2007; Guadalupe and Pérez-González, 2005).

Truth be told, some contend that administrative slack will not exist in profoundly focused enterprises (Friedman, 1953; Stigler, 1958). As needs are, one would expect that expanded item advertise competition ought to decrease the office issue of distorting. Be that as it may, one should take note of that management see revelations identified with their firm execution as signs of their administrative capacities (Trueman, 1986) to the capital markets and to the top managerial staff. Recognizing that the nature of financial report data the firm unveils is a decision variable, Hermalin and Weisbach (2007) demonstrate that elevated profession concerns may make directors misshape the revelations they make. In the item showcase setting, DeFond and Park (1999) demonstrate that CEO turnover increments with item advertise competition and that leaving CEO are those from inadequately performing firms. DeFond and Park (1999) additionally contend that since aggressive conditions are helpful for the utilization of relative-execution assessment, it is simple for the directorate to recognize and supplant ineffectively performing chiefs. This infers management in focused enterprises confronts a consistent weight of beating their associates, or if nothing else not falling behind. This proposes item showcase competition would elevate directors' vocation concerns and, subsequently, increment the penchant of chiefs to distort.

Indeed, even without organization costs, there are elective components through which item showcase competition influences distorting. One such instrument is the continuous cooperation of the firm with open capital markets for getting restricted capital. We allude to this opposition for restricted subsidizes as capital market weights. Shleifer (2004) contends that the talk in the writing of financial report data control has to a great extent disregarded the significance of this evident competition for constrained capital assets.

The most ordinarily examined advantage of expanded straightforwardness and divulgences is that it diminishes data asymmetry and, consequently, brings down the cost of exchanging the association's securities and the association's cost of capital (Diamond and Verrecchia, 1991). Further, the proximity of contenders subject to similar demand and supply forces prompts information that empowers money related authorities to overview the conditions under which the associations work in this way alleviating a part of the hostile assurance issues. This conflict suggests that as the quantity of firms in an industry that looks for the obliged resources constructs, the nature of information furthermore increases and, in this manner, the level of twisting reduces. Regardless, Stein (1989) exhibits that overseers would relinquish total cash streams to help without further ado pay with a true objective to affect the market's present examination of the organization's regard. Gill and Bebchuck (2003) contend that organizations are probably going to distort corporate execution when a firm is probably going to issue stock. In an experimental setting, Teoh et al. (1998) find that supervisors in IPO firms embrace pay expanding financial report strategies before stock issuance. This last contention proposes that expanded item showcase competition will bring about more prominent levels of distorting.

To abridge, management' vocation concerns and capital market weights are two elective systems through which item showcase competition influences distorting of financial report data. The discourse so far infers that ex-stake, the net impact of item showcase competition on the nature of open budgetary financial report data is equivocal and, hence, an exact inquiry. While it is conceivable that expanded item showcase competition can fill in as a productive observing and teaching instrument, it may be that higher competition builds the expenses of giving data of higher quality prompting unfavorable results.

Cohen (2006) and Harris (1998) who give observational confirmation inferring that organizations in less aggressive businesses are more averse to report brilliant financial report data. Strikingly, we additionally find that this outcome relies upon the level of item showcase competition. While from one perspective item advertise competition goes about as a disciplinary system in less aggressive ventures, then again, it incites supervisors not to act to the greatest advantage of investors in more focused enterprises. This discovering identifies with the setting particular nature of the adequacy of Relative Performance Evaluation (RPE) as examined in the current writing (DeFond and Park, 1999).

The motivation of this study to explore the collaboration between the impacts of competition for constrained capital subsidizes out in the open capital markets and the impacts of item advertise competition on the degree of financial report distorting as confirm in profit repetitions. At the end of the day, we look at the weight from open capital markets and its impact on the nature of financial report data while recognizing the part of item advertise competition in such a setting. We locate that capital markets weight unfavorably influence firms' detailing quality in very aggressive enterprises. This confirmation shows that item showcase competition influences budgetary distorting both through organization instruments and capital market weights.

The difference with a prior study that this paper adds to the current writing in a few different ways. In the first place, we portray an exact setting in which item

competition influences the nature of budgetary data as shown in income repetitions through two unmistakable components. In doing as such, we present the idea of organization clashes amongst management and investors while researching the connection between item advertise competition and budgetary detailing approaches. What's more, our evidence adds to the hypothesis of corporate governance by proposing that capital market weight contemplations and profession concerns ought to be considered when determining official pay gets that utilization Relative Performance Evaluation (RPE). One of the main criticisms advanced in the empirical literature on the consequences of financial accounting reporting and disclosures is the failure to properly adjust for the endogeneity problem apparent in these studies. The research design we employ in the current study indirectly addresses this problem by performing an industry-level analysis. Thus, many of the firm-specific variables determining the choice firms make regarding their reporting strategies are not affecting the results we report and make us confident that we are not merely documenting spurious relations.

The remainder of the paper is organized as follows. Section 2 provides a literature review and presents the hypotheses development. Section 3 describes the research design we employ and addresses methodological issues. Section 4 presents the sample selection criteria and discusses the empirical results. Section 5 concludes.

LITERATURE REVIEW AND HYPOTHESIS

This paper use agency theory as a grand theory. The agency conflict can influence the report quality through management discretion and be supported by asymmetry information. The firm’s owners did not know how well and fair the presentation of the financial report. They depend on the auditor opinion, but in some cases, the opinion also untrusted. In high competition environment, management cannot risk their reputation by publishing poor financial report nor performance. They prefer to manipulate financial report to diminish their reputation.

Financial Report Quality, Competition and Corporate Governance

The part of item showcase competition in decreasing administrative slack goes back to Hart (1983). A few hypothetical papers formalize this thought by looking at the potential channels through which item advertise competition can affect administrative impetuses (Schmidt, 1997; Raith, 2003). A few late experimental examinations appear to help this thought item showcase competition gives the motivating forces to chiefs to be more proficient and all the more firmly lined up with investors' interests (Guadalupe and González, 2005; Grullon and Michaely, 2007; Giroud and Mueller, 2007).

A vital component through which item advertise competition decreases organization clashes is by encouraging relative execution assessment (RPE) of senior directors. In the CEO turnover writing, Gibbons and Murphy (1990) and DeFond and Park (1999) look at the connection between RPE and CEO turnover. DeFond and Park (1999) report coordinate confirmation on how RPE is influenced by item advertises competition which thus influences CEO turnover. Specifically, DeFond and Park (1999) record that the recurrence of CEO turnover is decidedly identified with the level of industry competition recommending that RPE fills in as a valuable measure of execution assessment in more aggressive ventures. In this way, this writing to date

proposes that organizations in more aggressive businesses, in balance, will have higher nature of money related revealing and lower occurrences of distorting of financial report signals whereupon execution assessment is based. We allude to this impact as the 'observing impact' (indicated as connection in Figure 1) through which the office channel relates item advertise competition and money related to announcing quality.

In any case, for similar reasons, one could expect that item showcase competition will increment distorting. As a help for this elective view, a stream in the writing contends that expanded item advertise competition raises top management' vocation concerns. Fama (1980) looks at how the officials' profession concerns may influence their motivators and subsequently their activities. Narayanan (1985) watches that best supervisors who are worried about work advertise notorieties may have motivators to take activities that lift measures of here and now execution to the detriment of making long-run investor esteem.

Thadden (1995) likewise implies management' motivating forces to help here and now execution. In the divulgence writing, Nagar (1999) demonstrates that the administrator's worries about speculators' appraisal of his capacities can influence data quality. As of late, Hermalin and Weisbach (2007) demonstrate that profession concerns may make CEOs control the announced money related data dispersed to open capital markets. Utilizing a flagging model, Rotemberg and Scharfstein (2003) demonstrate that item showcase competition builds supervisors' penchant to control and distort financial report data. Karuna (2007) finds that organizations in more focused enterprises tend to screen their CEOs all the more intently along these lines fueling the profession concern issue.

The clashing part of item advertise competition on the nature of financial report data drives us to our first exact inquiry: does item advertise competition increment or lessening the degree of financial report distorting as prove by the recurrence of profit repetitions in a specific industry in a given period, in the wake of controlling for other organization components? While the view that item showcase competition mitigates administrative office issues is generally held, there is significant variation among financial experts on the degree to which item showcase competition is viable. In particular, Friedman (1953) and Stigler (1958) contend that administrative slack can't exist in exceptionally focused businesses. Giroud and Mueller (2007) give observational proof thusly. This recommends the impact of competition on monetary distorting is probably going to differ with the level of competition. In particular, this flood of the writing proposes that the recurrence of repetitions should diminish as an element of competition inside more focused businesses. A substitute thinking for expecting a non-direct connection amongst the competition and budgetary distorting emerges from the writing identifying with the part of loud financial report signals utilized as execution measures in gets that utilize RPE. DeFond and Park (1999) contend that the financial report based RPE measures are less boisterous in more focused ventures. They find that the recurrence of CEO turnover is all the more intently connected with RPE-based (firm-particular) financial report measures in high (low) competition ventures than in low (high) competition businesses. In light of the second contention, this paper would expect that the vocation concerns are higher in more aggressive enterprises because of the more predominant utilization of RPE.

Subsequently, we would hope to watch larger amounts of repetitions in these enterprises.

The hypothesis based on the above discussion are:

H_1: The Competition positively influence the quality of the financial report
H2: The Agency conflict negatively influence the quality of the financial report
H3: The agency conflict influence the quality of the financial report more than the competition

RESEARCH METHOD

Research Design

We use a quantitative method to test the hypothesis. All the data are secondary from the Indonesia Stock Exchange. We use the population of mining industries with observation period 2013 – 2017. The method to test the hypothesis using multiple regressions.

Operational Definition

The fundamental factors we utilize in our investigation are industry measures of item advertise competition, for which we principally utilize the Herfindahl Index in view of the offers of all organizations with information accessible in Indonesia Stock Exchange. Since the Herfindahl Index is straightforwardly identified with the number of firms in a specific industry, we additionally utilize the Normalized Herfindahl Index. We characterize this variable as (n x Herfindahl – 1)/(n – 1), where n is the number of firms in a given industry. As an extra intermediary for item showcase competition, we utilize the opposite of the number of firms in the business (see Cremers, Nair, and Peyer, 2007).

Institutional possession has been recognized in the writing as an extra checking system that may go about as a substitute for item advertise competition or potentially other administration instruments (Gompers, Ishii and Metrick, 2003). Jiambalvo, Rajgopal, and Venkatachalam (2002) and Shang (2003) show that institutional possession is related with a lessened utilization of optional gatherings and, subsequently, an expanded level of money related detailing quality. Appropriately, we control for institutional possession by including the division of offers claimed by institutional speculators

As we contended before, CEO pay, particularly the division got from investment opportunities and value proprietorship is a critical determinant of money related distorting as confirm ex-post in income repetitions. Specifically, it has been proposed that remuneration “overabundances" are related to income control. For instance, Coffee (2003), Fuller and Jensen (2002), and Greenspan (2002), among others, show that stock-based remuneration and administrative proprietorship expanded supervisors' motivating forces to publicity and blow up detailed income and, thus, stock costs, which added to the 1990s securities exchange bubble. Reliable with these perspectives, Efendi et al. (2007) find that the probability of a misquoted budgetary articulation increments when CEOs have sizable possessions of investment

opportunities. Cheng and Warfield (2005), Bergstresser and Philippon (2006) give prove to recommend that value motivators got from investment opportunities and confined stock remuneration are emphatically connected with administrations' probability to take part in collection based profit administration exercises. Following this confirmation, we incorporate the value responsibility for CEO as a small amount of the aggregate pay as an extra factor of intrigue.

Prior research analyzing the determinants of income controls demonstrates that capital structure and size are two vital such determinants. In an ongoing report, Barton and Waymire (2004) give to prove that supervisors' motivating forces to supply fantastic budgetary articulations increment with the level of investor debtholder office clashes as proxied by the measure of use in the company's capital structure. They show the positive association between firms' leverage and the quality of accounting information. This finding is consistent with the argument that debt contracting influence financial reporting. If the financial information provided in the firm's financial statements is complementary to the monitoring information debt providers use, we expect more leveraged firms to provide financial information of higher quality. However, if debt providers use substitute information channels to acquire monitoring information, this will decrease the likelihood that the previous prediction holds true. Hence, we include leverage as an additional control variable. Leverage is defined as the sum of long-term debt and debt in current liabilities divided by total assets.

Consistent with previous empirical studies, this study used the firm's size as a control variable and is measured by the market value of equity.

The competition is measured by formula as below:

$$H = \sum_{i=1}^{n} S_i^2$$

RESULTS AND DISCUSSION

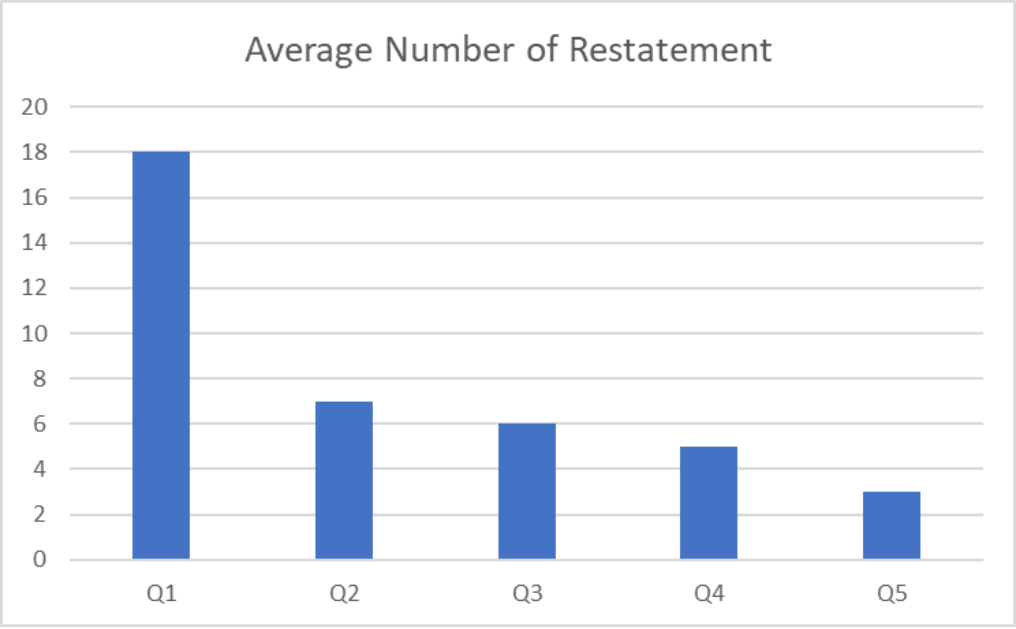
Table 1 shows the average of earnings restatement and average value restatement in an industry year for different quantile competition. Q1 – Q5 refers to the first to the fifth quintile of the Herfindahl index. Percentage refers to the percentage of firms that restate their earnings.

Table 1
Earnings Restatement and Competition

Quintile H-Index	Mean % of Restatements	t-stat
Q1	3.88	26.3
Q2	3.54	11.18
Q3	3.1	13.46
Q4	4.02	16.64
Q5	5.24	8.46

To better comprehend the connection between item advertise competition and income repetitions, we start our examination by investigating graphically the normal quantities of repetitions in an industry-year for various quintiles of the Herfindahl Index. In any case, we can not make any inferences on the connections amongst competition and profit repetitions on the grounds that the connection could be misleading. Since the number of organizations diminishes with the Herfindahl Index, the archived connection could be mechanical. This, indeed, is valid as prove from Table 1.

Table 1 Panel A records the normal recurrence of profit repetitions in an industry-year over the opposition quintiles. We see that the connection between the competition and the recurrence of income repetitions could be non-direct. The quantity of repetitions diminishes as the Herfindahl-Hirshman Index increments till the third quintile and afterward the connection turns around. This watched non-straight relationship is intriguing and we break down in detail later. In Panel B, we give confirm on the connection between the normal value estimations of the repetitions as a small number of normal aggregate resources. Despite the fact that we are not ready to pick any noticeable pattern in the information, it gives the idea that the Herfindahl Index and the estimation of repetitions are decidedly connected.



Source: Research data

Figure 1
Number of Financial Report Quality in Quintiles

Table 2
Descriptive Statistics

Types	Number	Percentage
Acquisition or Merger	6	5%
Cost or Expense	27	22.5%
IP R&D	0	0
Other	10	8.3%
Reclassification	27 22.5%	
Restructuring, Assets or Inventory	22 18.3%	
Revenue	28 23.3%	
Total	120 100%	

Table 2 provides descriptive statistics on earnings restatements. Panel B provides the distribution of restatements by the type of restatement for the period 2013 - 2017. The earnings restatement classifies the type of restatement into seven (7) categories. They are: (1) misstatement accounting for costs or expense (Cost or Expense), (2) misstatement revenue (Revenue), (3) errors relating to accounting treatment of investments, timing and amount of asset write-downs, goodwill and other intangibles, restructuring activity and inventory valuation, and inventory quantity issues (Restructuring, assets and inventory), (4) misclassified financial statement items (Reclassification), (5) improper accounting for acquisitions or mergers (Acquisition or Merger), (6) inadequate disclosure or improper accounting of revenues, expenses, debts, or assets involving transactions or relationships with new standard, and (7) any restatement not covered by the listed categories.

Earnings Restatements and Product Market Competition

This table reports the average percentage of earnings restatements and average dollar value of the earnings restatements in an industry-year for different quintiles of competition. Competition is proxied by the Herfindahl Index.

Q1-Q5 are to the first to the fifth quintile of the Herfindahl Index. Percentage of earnings restatements refers to the percentage of firms within an industry that restate their earnings, calculated as the total number of restatements in the mining industry divided by the total number of firms in Indonesia Stock Exchange. Value of earnings restatements is the equally weighted averages of the value of the restatement scaled by the firm's average total assets.

Table 3
Panel A: Mean Percentage of Earnings Restatements across Competition Quintiles

Quintile of Herfindahl Index	Mean % of restatements	t-stat
Q1	1.94%	13.15
Q2	1.77%	5.59
Q3	1.55%	6.73
Q4	2.01%	8.32
Q5	2.62%	4.23

Panel B: Mean Value of Financial Report Quality across Quintiles

Quintile of Herfindahl Index	Mean Value of Restatements	t-statistics
Q1	26.57%	6.43
Q2	31.65%	5.64
Q3	28%	4.95
Q4	45.86%	4.77
Q5	42.86%	4.45

Table 3 represents univariate statistics and correlation for the period 2013-2017. The financial report quality is measured by the number of restatement in mining industry divided by the total numbers of firms in Indonesia Stock Exchange. Herfindahl index is defined as (nxH-1)/(n-1). Gindex is Governance index and constructed following Gompers, Ishii, and Metrick (2013). Eindex is an entrenchment index (Bebchuk, Cohen, and Ferrel, 2004). The ATI governance index is constructed by Cremers and Nair (2005), Balakrishnan and Cohen (2013).

The Normalized Herfindahl Index is defined as (n x H – 1)/(n-1). Gindex is the governance index as recommended by Gompers, Ishii, and Metrick (2003). Eindex is the entrenchment index of Bebchuk, Cohen, and Ferell (2004). The ATI governance index is constructed following Cremers and Nair (2005). The equally-weighted average per industry of the Gindex, Eindex and ATI index is computed based on firms with available information. Leverage is defined as long-term debt and debt in current liabilities divided by total assets. Institutional ownership is the average fraction of shares held by institutional investors divided by a number of outstanding shares. Management ownership is defined as the sum of restricted stock grants divided by a number of outstanding shares. Size is the natural logarithm of the average market value of equity in the industry in each year. Panel A provides the univariate statistics. Panel B provides the piece-wise correlation coefficients and their p-value.

Table 4
Industry Level Univariate Statistics and Pairwise Correlations
Panel A: Univariate Statistics

Industry Level Variables	*N*	*Mean*	*Std. Dev.*	*Min*	*Max*
% of restatements	120	0.020	0.022	0.002	0.240
Quality	120	0.233	0.323	0.007	1.796
Herfindahl	120	0.094	0.117	0.007	0.822
Gindex	120	9.025	0.956	6.000	12.00
Eindex	120	1.526	0.367	0.333	2.600
ATI	120	2.236	0.403	1.200	4.000
Leverage	120	0.237	0.094	0.070	0.501
Institutional Ownership	120	0.361	0.095	0.102	0.624
Management ownership	120	0.449	0.131	0.000	0.754
Size	120	7.547	0.961	4.550	9.673

Table 4 contd.
Panel B: Correlations (p-value)

Variables	**Quality**	**Herfindahl**	**Gindex**	**Eindex**	**ATI**	**Leverage**	**Inst.own**	**CEO own**
Herfindahl	0.283 *(0.001)*	1.000						
Gindex	0.098 *(0.232)*	-0.164 *(0.020)*	1.000					
Eindex	-0.030 *(0.232)*	-0.410 *(0.001)*	0.790 *(0.001)*	1.000				
ATI	-0.047 *(0.712)*	-0.255 *(0.001)*	0.564 *(0.001)*	0.580 *(0.001)*	1.000			
Leverage	-0.368 *(0.001)*	-0.110 *(0.118)*	0.033 *(0.645)*	0.072 *(0.312)*	0.160 *(0.023)*	1.000		
Institutional Ownership	-0.106	0.067	0.102	0.092	0.116	-0.159	1.000	

	(0.198)	*(0.343)*	*(0.151)*	*(0.193)*	*(0.100)*	*(0.024)*		
CEO Ownership	-0.029 *(0.725)*	-0.351 *<0.001*	-0.157 *(0.026)*	-0.158 *(0.026)*	-0.250 *<0.001*	-0.323 *<0.001*	-0.129 *(0.068)*	1.000
Size	-0.079 *(0.336)*	-0.067 *(0.346)*	-0.184 *(0.009)*	-0.178 *(0.012)*	-0.123 *(0.083)*	0.126 *(0.074)*	0.101 *(0.152)*	0.170 *(0.016)*

Table 5
Industry Level Regressions (with the value of earnings restatements as proxy financial report quality)

Variables	***Quality***		***Quality***		***Quality***		***Quality***		***Quality***		***Quality***	
	coef	*p-value*	*coef*	*p-value*	*coef*	*p-value*	*coef*	*p-value*	*coef*	*p-value*	*coef*	*p-value*
Herfindahl	0.734	0.001	0.078	0.002	0.816	0.006	0.633	0.033	0.795	0.001		
Gindex			0.079	0.008					0.078	0.007	0.064	0.051
Eindex					0.147	0.119						
ATI							0.063	0.504				
Leverage			-1.286	0.000	-1.325	0.000	-1.381	0.000	-1.279	0.000	-1.492	0.000
Institutional Ownership			-1.078	0.006	-1.032	0.024	-0.960	0.045	-1.075	0.006	-1.209	0.006
Management			0.111	0.669	-0.039	0.883	-0.126	0.604	0.110	0.669	-0.120	0.647
Size			0.008	0.660	0.009	0.669	0.004	0.849	0.007	0.695	0.012	0.611
R-squared	0.09		0.30		0.28		0.26		0.30		0.27	

Variables	*Quality*		*Quality*		*Quality*		*Quality*		*Quality*		*Quality*	
	coef	*p-value*	*coef*	*p-value*	*coef*	*p-value*	*coef*	*p-value*	*coef*	*p-value*	*coef*	*p-value*
Observations	120		120		120		120		120		120	

The table reports coefficients and p-values of fixed effects panel data regressions with year-dummies. All variables are equally-weighted at the industry level using firms with available data between 2013-2017. The dependent variable in all regressions is the percentage/frequency of earnings restatements, calculated as the total number of restatements in the mining industry. The Normalized Herfindahl Index is defined as (n x H – 1)/(n-1). Gindex is the governance index constructed following Gompers, Ishii, and Metrick (2003). E-index is the entrenchment index of Bebchuk, Cohen, and Ferell (2004). The ATI governance index is constructed by Cremers and Nair (2005). The equally-weighted average per industry of the Gindex, Eindex and ATI index is computed based on firms with available information. Leverage is defined as the sum of long-term debt and debt in current liabilities divided by total assets. Institutional ownership is the average fraction of shares held by institutional investors divided by outstanding shares. Management ownership is defined as the sum of restricted stock grants divided by outstanding shares. Size is the natural logarithm of the average market value of equity.

Table 6
Non-linear Effects of Product Market Competition

	Quality		*Quality*	
	Low Concentration (i.e. Low Herfindahl index)		**High Concentration (i.e. High Herfindahl index)**	
Variables				
	coef	*p-value*	*coef*	*p-value*
Herfindahl	-0.726	0.760	0.731	0.003
Gindex	0.049	0.351	0.062	0.119

	Quality		*Quality*	
	Low Concentration (i.e. Low Herfindahl index)		**High Concentration (i.e. High Herfindahl index)**	
Variables				
Leverage	-0.566	0.325	-1.669	0.004
Institutional Ownership	0.029	0.936	-0.807	0.202
Management	0.945	0.009	0.287	0.374
Size	-0.013	0.779	0.007	0.733
Adj R-squared	0.30		0.29	
Observations used	120		120	

The table reports coefficients and p-values of fixed effects panel data regressions with year- dummies on sub-samples based on the level of competition. A firm is classified as High Concentration if the Herfindahl Index for that firm is above the median value of the Herfindahl Index of all firms and the firm is classified as Low Concentration if the Herfindahl Index for that firms is above the median value of the Herfindahl Index of all firms. Regressions 1 and 2 use the nominal value of restatements as the dependent variable for the period 2013 - 2017.

CONCLUSION, LIMITATION, AND SUGGESTION

Conclusion

The conclusion of the paper shows that the lowest competition of auditor restate their client 1,94% significantly and this number increasing follow the increasing level of competition. It means that the competition influence significantly on financial report quality. How about the agency conflict? It seems that the agency cost, as measured by leverage, only influence significantly on financial report quality in high competition environment while in low competition it does not significantly impact on the report quality. The other results show that management ownership only significant in influences the report quality in a low competition environment, while institutional ownership does not influence the quality either in low or high competition.

Limitation

As the results show that the adjusted R-squared only around 30%, so there are still more 70% another important variables that might be influenced on the financial report quality. Even the sample only mining companies, but it does not mean that this result can not generalize into other industries. We choose mining industries because this industries still give important contributions for generating income in Indonesia, and more than that, this industry highly regulated.

Suggestion

The future research can use another industry such as manufacture, and financial. Because there are several factors that might influence the report quality, it was better if the next study uses factor analysis to extract more variables and the find the important variables to increase the financial report quality.

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